

CHINA SOUTH CITY 1668 HK

BUY

UNCHANGED

TARGET PRICE	HKD5.47
CLOSE	HKD3.00
UP/DOWNSIDE	+82.3%
PRIOR TP	HKD6.03
CHANGE IN TP	-9.3%

HOW WE DIFFER FROM CONSENSUS		MARKET RECS	
TARGET PRICE (%)	0.4	POSITIVE	13
EPS 2015 (%)	(27.4)	NEUTRAL	0
EPS 2016 (%)	(36.7)	NEGATIVE	0

Cyclically down; structural story intact

Weak 9M15 as contracted sales down 29% y-y at HKD8.9b

CSC's contracted sales value was just HKD2.06b in 3Q15, down 70% y-y, with a sales volume of 235k sqm and ASP of HKD8,767/sqm up 17% y-y. The first three quarters recorded contracted sales of HKD8.899b, down 29% y-y, implying only 49% of its FY target of HKD18b-20b has been achieved.

Cyclical adjustment; LT structural growth story continues

We attribute the weak sales performance to slowing economic growth, leading to longer waits for purchasing decisions by SMEs in China. Also, the recent anticorruption measures have slowed the relocation process and construction of surrounding infrastructure by local governments. While CSC is facing a cyclical adjustment, we believe the structural growth story remains intact, mainly driven by growth in recurring income.

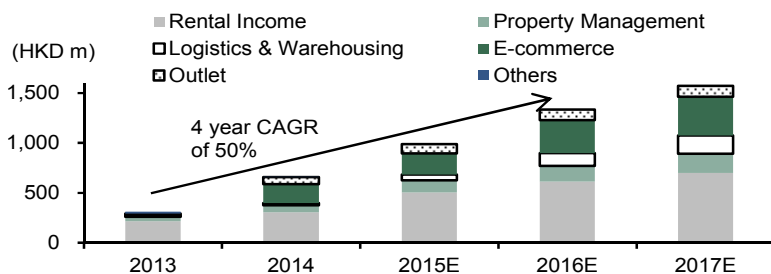
Recurring income could still reach HKD1.6b by FY16E

We remain positive on the growth potential of its non-property recurring income and forecast HKD988m for FY15, rising to HKD1.57b by FY16, driven by growth in multiple segments such as trade center leasing, e-commerce, outlets and logistics development. We expect the logistics segment to grow to 3.9m sqm in operation in three to five years' time (from its current 168k sqm).

Maintain BUY; revised TP of HKD5.47

Following the weak results, we have lowered our NAV estimate to HKD9.95 and TP to HKD5.47, still offering 82% upside potential. We have also revised down contracted sales by 27-35% and EPS by 29-40% for FY15-17E. Given the structural story still appears intact, with recurring income on the rise, we maintain our BUY rating.

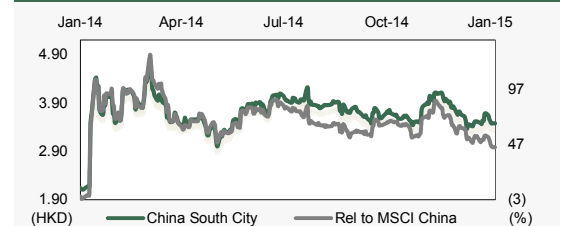
Recurring income (FY13-17E)



Sources: Company data; BNP Paribas estimates

KEY STOCK DATA

YE Mar (HKD m)	2014A	2015E	2016E	2017E
Revenue	13,468	12,877	16,319	20,231
Rec. net profit	2,678	2,434	2,875	3,763
Recurring EPS (HKD)	0.43	0.33	0.36	0.47
Prior rec. EPS (HKD)	0.43	0.47	0.59	0.79
Chg. In EPS est. (%)	0.0	(29.0)	(39.5)	(40.4)
EPS growth (%)	44.8	(21.8)	7.6	30.9
Recurring P/E (x)	7.0	9.0	8.4	6.4
Dividend yield (%)	5.1	3.0	3.6	4.7
EV/EBITDA (x)	3.8	6.6	6.3	5.0
Price/book (x)	0.9	1.2	1.1	1.0
Net debt/Equity (%)	24.3	60.1	59.1	59.8
ROE (%)	14.9	12.0	13.5	16.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(18.0)	(18.9)	41.5
Relative to country (%)	(10.9)	(15.0)	52.5
Next results	April 2015		
Mkt cap (USD m)	3,098		
3m avg daily turnover (USD m)	12.2		
Free float (%)	31		
Major shareholder	Cheng Chung Hing (31%)		
12m high/low (HKD)	4.73/2.11		
3m historic vol. (%)	39.3		
ADR ticker	-		
ADR closing price (USD)	-		
Issued shares (m)	8,007		

Sources: Bloomberg consensus; BNP Paribas estimates



Ronney Cheung
ronney.cheung@asia.bnpparibas.com
 +852 2825 1812

Wee Liat Lee
weeliat.lee@asia.bnpparibas.com
 +852 2825 1105

Our research is available on Thomson One, Bloomberg, TheMarkets.com, Factset and on <http://eqresearch.bnpparibas.com/index>. Please contact your salesperson for authorisation. Please see the important notice on the back page.

Investment thesis

We have a BUY rating on the stock with a revised TP of HKD5.47, based on an unchanged 45% target discount to our NAV estimate of HKD9.95. CSC is currently trading at a 70% discount to our NAV estimate and FY16E P/E of 8.4x, which still seems attractive compared with similar IP players in China such as CR Land, Franshion, Hang Lung and Wharf (>10x 2014E P/E).

While the company is undergoing a cyclical transition because of the slowing overall economy in China, we believe the structural story of CSC is intact (i.e. increased relocation of new style wholesale malls in China).

As the sector's transition becomes more apparent, we expect CSC to be compared more with logistics companies, which are trading between 14 and 41x P/E, based on Bloomberg consensus estimates for 2014.

CSC currently has a land bank of 26m sqm, with key projects throughout eight cities in China.

Catalyst

1. Better than expected growth in contracted sales in calendar 4Q14/2015, driven in part by the potential launch of a brand new Chongqing project, due to be announced in April 2015.
2. High dividend payout of more than 30% of core profit.
3. Better than expected contribution from co-operation between Tencent and CSC on the B2c and B2B e-commerce platform.
4. Earlier than expected contribution from its logistics/warehousing development, which is due to grow to 952k sqm in operation in one to two years' time and 3.9m sqm in three to five years' time (vs the current level of 168k sqm).

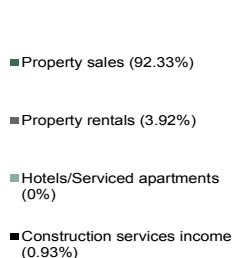
Risks to our call

A further slowdown in the relocation process could lead to weaker than expected wholesale center demand.

Company background

China South City ("CSC") is now a leading developer and operator of large scale, integrated logistics and trade centers in China. CSC's centers offer cost-effective trading and logistics platforms for buyers and sellers of raw materials and finished goods.

Principal activities, revenue split FY14



Key executives

	Age	Joined	Title
Mr. CHENG Chung Hing	54	2002	Co-chairman & Executive Director
Mr. LEUNG Moon Lam	59	2002	Chief Executive Officer & Executive Director
Mr. FUNG Sing Hong	50	2006	Chief Financial Officer & Executive Director

<http://www.chinasouthcity.com/tc/home.php>

Key assumptions

	FY15E	FY16E
PRC trade center pricing (%)	10	10
Discount rate (%)	12	12

Source: BNP Paribas estimates

Earnings sensitivity

	Base case	Worst case
PRC trade centers & residential price change from FY15 (%)	10	(20)
NAV/share (HKD) – end Mar 2015E	9.95	7.48
Fair value (HKD)	5.47	4.11

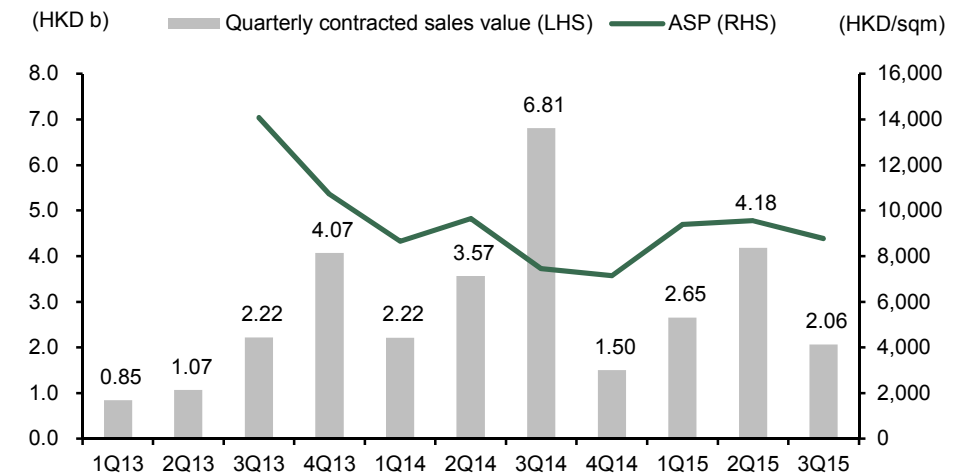
Source: BNP Paribas estimates

- Key earnings drivers: 1) contracted sales volume; 2) contracted sales ASP; and 3) completion volume.
- A 5% y-y drop in ASP would reduce our NAV estimate by about 10%, all else being equal, and core net profit by around 5%.

Weak 3Q15 contracted sales, but structural growth story intact

China South City announced weak 3Q15 contracted sales at HKD2.06b, down 70% y-y and 51% q-q, with a sales volume of 235k sqm, implying an ASP of HKD8,767/sqm, up 18% y-y. We estimate that Zhengzhou accounted for most of the contracted sales value (around 40-50%), with cities such as Hefei, Nanchang, Nanning and others each accounting for c10%.

EXHIBIT 1: Quarterly contracted sales vs ASP



Sources: Company; BNP Paribas

For the first three quarters of FY15, contracted sales reached HKD8.899b, down 29% y-y, implying just c49% of its FY target (HKD18b-20b) has been achieved. While CSC looks likely to miss the full year target, management expects better sales in 4Q15, potentially at around HKD4b, on the launch of more projects in each city (e.g Hefei), thus potentially bringing full year sales to around HKD13b (or flat y-y).

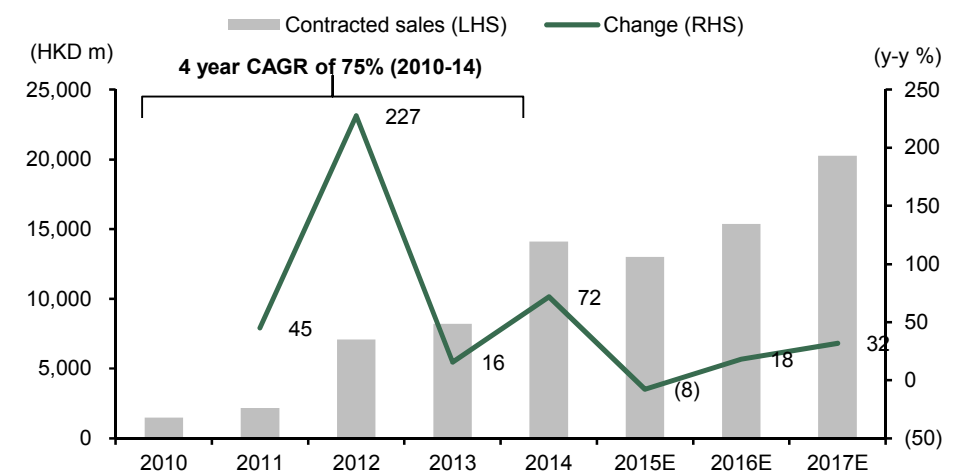
A cyclical transition stage, but structural growth story continues

We believe the main reasons for the weak sales in 3Q15 were: 1) Weakening of the overall economy, leading to a slowing of SME business so most potential buyers delayed investment; 2) the anticorruption focus by some local governments has led to a slowdown in the relocation process and infrastructure development surrounding CSC's projects; and 3) a temporary human resources bottleneck due to recent expansion of the company's business (e.g. e-commerce business/logistics/outlets).

In fact, we believe CSC is currently undergoing a cyclical transition, rather than an overall change in the structural growth of the wholesale market in China. While sales may slow in the near term, due to slower economic growth, we believe the fundamental demand, driven by rising relocation needs in China, will endure in the long run.

Currently, management is proactively finding ways to improve sales by holding frequent discussions with local governments to resume the speed of relocation in the cities to which it is exposed, and hiring more headcount to resolve this bottleneck.

EXHIBIT 2: Yearly contracted sales vs y-y % change

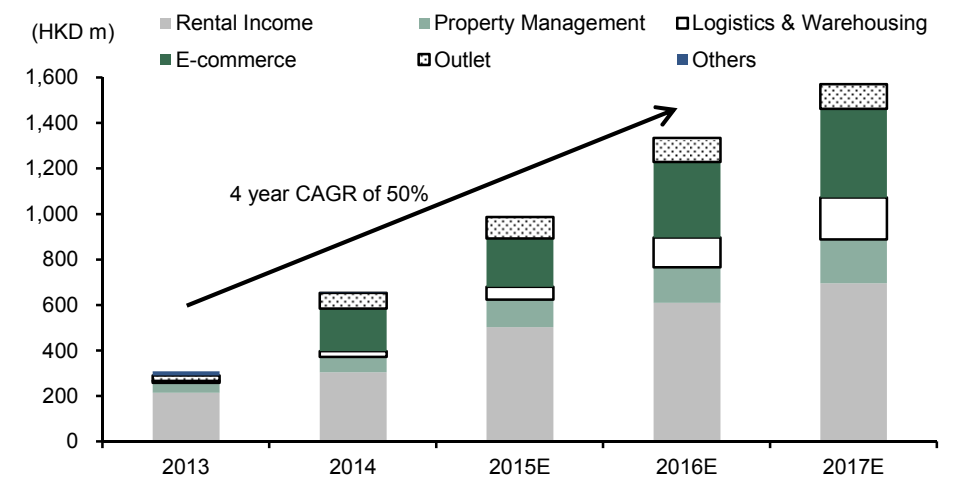


Sources: Company; BNP Paribas estimates

Growth potential still lies in recurring income – HKD1.6b by FY16E

We remain positive on the growth potential of CSC's non-property recurring income, at HKD988m for FY15E and HKD1.57b by FY16E, driven by growth in multiple segments such as logistics/warehousing, the e-commerce platform, trade center leasing and outlet development.

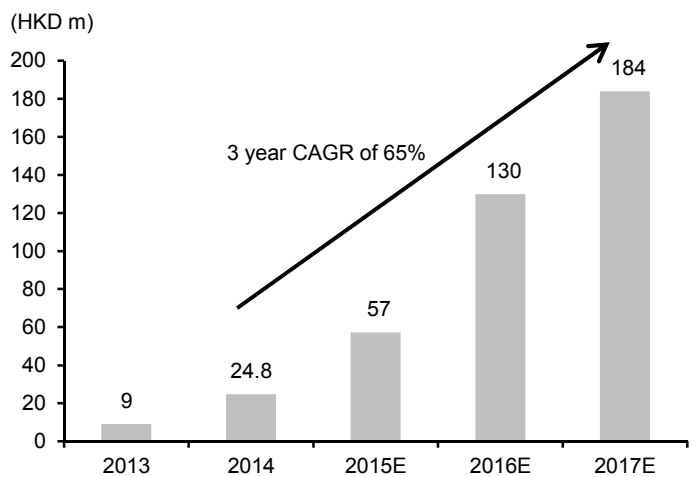
EXHIBIT 3: Recurring income expected to post a four year CAGR of 50%



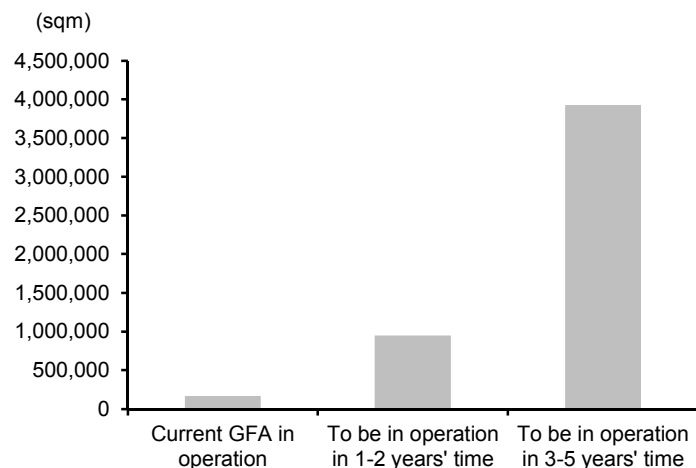
Sources: Company; BNP Paribas estimates

Logistics is one of the focus areas

Currently, CSC has 168k sqm of GFA in operation for logistics and expects to expand this 566% to 952k sqm in one to two years' time, reaching c3.9m sqm in three to five years' time, accounting for c15% of its land bank. We believe logistics/warehousing is entering an expansion mode and could post a three-year CAGR of 65% over FY14-17, driven by rising demand from CSC's existing tenants and Tencent's (700 HK; BUY) online users. We expect logistics and warehousing income to more than double to HKD57m for FY15 (from HKD25m in FY14) and to reach HKD184m by FY17.

EXHIBIT 4: Logistics/warehousing segment expected to post high growth in the coming years

Sources: Company; BNP Paribas estimates

EXHIBIT 5: Logistics landbank in operation

Sources: Company; BNP Paribas estimates

Lower contracted sales and earnings estimates, TP cut to HKD5.47

As a result of slower than expected contracted sales, we have revised down our forecasts on contracted sales by 29-35% to HKD13.0b (down 7% y-y) in FY15, HKD15.4b (up 18% y-y) in FY16 and HKD20.3b (up 32% y-y) in FY17. We have also revised down our revenue, earnings and EPS estimates for FY15-17 (details below).

EXHIBIT 6: Summary of revisions

	New			Old			Change		
	FY14/15	FY15/16	FY16/17	FY14/15	FY15/16	FY16/17	FY14/15	FY15/16	FY16/17
Contracted sales (HKD m)	13,007	15,373	20,258	18,346	23,550	27,586	(29)	(35)	(27)
Change (y-y %)	(7)	18	32		28	17			
Development sales revenue (HKD m)	11,889	14,985	18,661	16,648	21,997	27,286	(29)	(32)	(32)
Change (y-y %)	(12)	26	25		32	24			
Core profit (HKD m)	2,434	2,874	3,763	3,430	4,751	6,318	(29)	(39)	(40)
Change (y-y %)	(9)	18	31		39	33			
EPS (HKD)	0.33	0.36	0.47	0.47	0.59	0.79	(29)	(39)	(40)
Change (y-y %)	(22)	8	31		26	33			

Source: BNP Paribas estimates

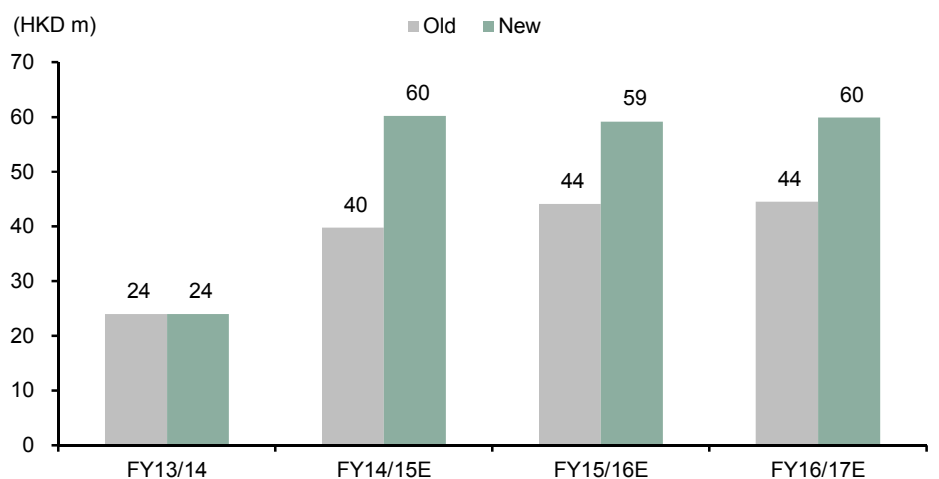
Thus, our TP has also been revised down to HKD5.47, set at a 45% (unchanged) target discount to our RNAV estimate of HKD9.95 (previously HKD10.97), similar to the average NAV discount for IP players in China.

EXHIBIT 7: Summary of NAV and TP changes

	New	Old	Change
	(HKD)	(HKD)	(y-y %)
NAV	9.95	10.97	(9)
Target discount (%)	45	45	
Target price	5.47	6.03	(9)

Source: BNP Paribas estimates

EXHIBIT 8: Net gearing (FY14-17E)



Sources: Company; BNP Paribas estimates

Cash flow

EXHIBIT 9: Key cash inflow/(outflow) items

	After			Before		Revisions	
	FY14 (HKD b)	FY15E (HKD b)	FY16E (HKD b)	FY15E (HKD b)	FY16E (HKD b)	FY15E (%)	FY16E (%)
Cash on hand at beg.	6.8	12.8	6.5	12.8	8.7	0	(25)
Inflows							
Sales proceed	13.1	11.2	16.2	19.1	23.4	(41)	(31)
Rental income & others	0.7	1.0	1.3	0.5	0.6		
Total Cash inflow	13.8	12.2	17.5	19.6	24.0		
Outflows							
Land premium settled	1.9	4.5	3.2	4.5	4.7		
Construction outflow	8.1	10.7	9.6	11.3	15.8	(5)	(39)
Taxes & others	2.5	4.3	3.2	6.2	3.4		
SG&A and finance cost	2.5	1.4	2.0	2.9	2.8		
Total Cash outflow	15.0	21.0	18.1	24.9	26.6		
Net cash flow (before financing)	(1.2)	(8.8)	(0.5)	(5.3)	(2.6)		
Net financing	7.2	2.6	2.9	1.2	2.7		
Net change in cash flow (after financing)	6.0	(6.3)	2.3	(4.1)	0.1		
Ending cash	12.8	6.5	8.8	8.7	8.8		

Source: BNP Paribas estimates

No change in structural story

Despite the downward revisions to our estimates, we believe there is no change in the structural growth story of CSC in the long run, thus the current share price weakness should present a good buying opportunity. CSC is trading at a 70% NAV discount and 8.4x FY16E P/E, which we believe is still attractive as recurring income growth remains on track and comparable IP players in China are trading at more than 10x 2015 P/E on our estimates: Hang Lung (101 HK), Wharf (4 HK) and HK Land (HKL SP).

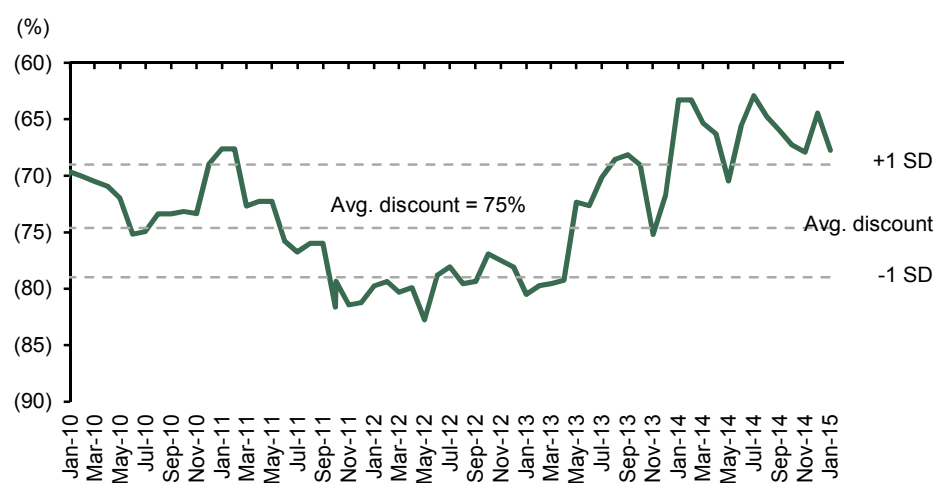
EXHIBIT 10: Valuation summary - China developers

Stock	BBG code	Curr.	Reco	Price	Mkt cap	TP	Up/dn side	NAV	Px to NAV	----- P/E -----		----- P/B -----	
										2014E	2015E	2014E	2015E
		(LC)		(HKD)	(USD m)	(HKD)	(%)	(HKD)	(%)	(x)	(x)	(x)	(x)
China South City	1668 HK	HKD	BUY	3.00	3,092	5.47	82	9.95	70	9.0	8.4	1.2	1.1
CR Land	1109 HK	HKD	HOLD	21.95	16,465	19.56	(11)	27.94	21	10.2	9.2	1.2	1.1
Franshion	817 HK	HKD	HOLD	2.38	2,776	2.19	(8)	3.98	40	6.7	5.7	0.4	0.4
Shui On Land	272 HK	RMB	BUY	1.87	1,925	2.37	27	5.93	68	11.4	9.1	0.2	0.2
Hang Lung Property	101 HK	HKD	HOLD	21.20	12,232	24.10	14	34.5	39	18.8	17.2	0.7	0.7
Wharf	4 HK	HKD	BUY	61.00	23,776	71.10	17	101.5	40	16.7	14.8	0.7	0.6
Kerry	683 HK	HKD	HOLD	27.70	5,148	27.80	(2)	49.4	44	9.1	11.3	0.5	0.5
									42	12.1	11.2	0.6	0.6

Prices as of 12 Jan 2015

Sources: Company data; BNP Paribas estimates

EXHIBIT 11: Price to NAV discount



Sources: Company; BNP Paribas

Financial statements

China South City

Profit and Loss (HKD m) Year Ending Mar	2013A	2014A	2015E	2016E	2017E
Revenue	7,488	13,468	12,877	16,319	20,231
Cost of sales ex depreciation	(3,311)	(6,921)	(7,052)	(8,670)	(10,472)
Gross profit ex depreciation	4,177	6,547	5,825	7,649	9,759
Other operating income	0	0	0	0	0
Operating costs	(801)	(1,381)	(1,263)	(1,832)	(2,299)
Operating EBITDA	3,376	5,166	4,561	5,816	7,460
Depreciation	(27)	(68)	(120)	(132)	(134)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,348	5,097	4,441	5,685	7,326
Net financing costs	(131)	(147)	(66)	(76)	(87)
Associates	1	(1)	0	0	0
Recurring non operating income	1,249	1,114	51	41	52
Non recurring items	6	105	0	0	0
Profit before tax	4,473	6,169	4,427	5,650	7,292
Tax	(1,606)	(2,472)	(1,993)	(2,775)	(3,529)
Profit after tax	2,867	3,696	2,434	2,875	3,763
Minority interests	(117)	(202)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	2,750	3,494	2,434	2,875	3,763
Non recurring items & goodwill (net)	(973)	(817)	0	0	0
Recurring net profit	1,776	2,678	2,434	2,875	3,763
Per share (HKD)					
Recurring EPS *	0.29	0.43	0.33	0.36	0.47
Reported EPS	0.46	0.56	0.33	0.36	0.47
DPS	0.10	0.15	0.09	0.11	0.14
Growth					
Revenue (%)	104.0	79.9	(4.4)	26.7	24.0
Operating EBITDA (%)	96.5	53.0	(11.7)	27.5	28.3
Operating EBIT (%)	97.5	52.2	(12.9)	28.0	28.9
Recurring EPS (%)	35.4	44.8	(21.8)	7.6	30.9
Reported EPS (%)	32.1	22.1	(40.1)	7.6	30.9
Operating performance					
Gross margin inc depreciation (%)	55.4	48.1	44.3	46.1	47.6
Operating EBITDA margin (%)	45.1	38.4	35.4	35.6	36.9
Operating EBIT margin (%)	44.7	37.8	34.5	34.8	36.2
Net margin (%)	-	19.9	18.9	17.6	18.6
Effective tax rate (%)	35.9	40.1	45.0	49.1	48.4
Dividend payout on recurring profit (%)	34.1	36.1	27.3	30.0	30.0
Interest cover (x)	35.2	42.2	68.4	75.0	85.2
Inventory days	984.4	623.7	868.0	817.3	665.1
Debtor days	35.6	50.7	63.0	36.5	41.8
Creditor days	809.9	579.5	784.1	660.1	528.9
Operating ROIC (%)	15.9	19.8	14.1	15.5	18.4
ROIC (%)	21.7	23.9	14.2	15.5	18.4
ROE (%)	12.3	14.9	12.0	13.5	16.5
ROA (%)	5.6	6.0	4.1	4.6	5.5

*Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (HKD m)	2013A	2014A	2015E	2016E	2017E
Property sales	7,179	12,813	11,889	14,985	18,661
Property rentals	214	305	505	610	696
Hotels/Serviced apartments	13	0	0	0	0
Construction services income	44	67	120	157	193
Recurring income	38	95	153	234	291
E-commerce platform	0	189	211	333	389

Sources: China South City; BNP Paribas estimates

Financial statements

China South City

Cash Flow (HKD m) Year Ending Mar	2013A	2014A	2015E	2016E	2017E
Recurring net profit	1,776	2,678	2,434	2,875	3,763
Depreciation	27	68	120	132	134
Associates & minorities	23	1,501	0	0	0
Other non-cash items	536	2,582	2,019	2,821	3,574
Recurring cash flow	2,363	6,829	4,573	5,828	7,471
Change in working capital	(1,315)	(3,223)	(4,438)	1,367	38
Capex - maintenance	(3,021)	(5,408)	(6,814)	(6,814)	(7,666)
Capex - new investment	(52)	(126)	(132)	(134)	(135)
Free cash flow to equity	(2,026)	(1,928)	(6,811)	247	(291)
Net acquisitions & disposals	(576)	0	0	0	0
Dividends paid	(454)	(605)	(967)	(730)	(862)
Non recurring cash flows	0	0	0	0	0
Net cash flow	(3,055)	(2,534)	(7,778)	(483)	(1,153)
Equity finance	0	0	0	0	0
Debt finance	4,550	7,725	1,490	2,798	3,309
Movement in cash	1,495	5,192	(6,288)	2,315	2,156

Per share (HKD)					
Recurring cash flow per share	0.39	1.09	0.63	0.73	0.93
FCF to equity per share	(0.34)	(0.31)	(0.93)	0.03	(0.04)

Balance Sheet (HKD m) Year Ending Mar	2013A	2014A	2015E	2016E	2017E
Working capital assets	12,428	18,321	22,973	22,243	24,377
Working capital liabilities	(10,956)	(18,220)	(19,806)	(18,639)	(20,137)
Net working capital	1,472	100	3,167	3,604	4,240
Tangible fixed assets	22,409	27,626	32,143	34,377	37,465
Operating invested capital	23,881	27,727	35,310	37,981	41,705
Goodwill	0	0	0	0	0
Other intangible assets	105	177	177	177	177
Investments	9	9	9	9	9
Other assets	0	0	0	0	0
Invested capital	23,995	27,913	35,496	38,167	41,891
Cash & equivalents	(6,807)	(12,795)	(6,528)	(8,865)	(11,044)
Short term debt	4,418	6,023	7,302	8,397	9,657
Long term debt *	7,435	11,677	11,778	13,563	15,705
Net debt	5,046	4,905	12,552	13,095	14,318
Deferred tax	2,906	2,864	2,063	2,909	3,639
Other liabilities	0	0	0	0	0
Total equity	15,853	19,970	20,706	21,988	23,760
Minority interests	190	175	175	175	175
Invested capital	23,995	27,913	35,496	38,167	41,891

* includes convertibles and preferred stock which is being treated as debt

Per share (HKD)					
Book value per share	2.63	3.18	2.59	2.75	2.97
Tangible book value per share	2.61	3.16	2.56	2.72	2.95

Financial strength					
Net debt/equity (%)	31.5	24.3	60.1	59.1	59.8
Net debt/total assets (%)	12.1	8.3	20.3	19.9	19.6
Current ratio (x)	1.3	1.3	1.1	1.2	1.2
CF interest cover (x)	(14.1)	(11.2)	(100.7)	6.0	(0.8)

Valuation	2013A	2014A	2015E	2016E	2017E
Recurring P/E (x) *	10.2	7.0	9.0	8.4	6.4
Recurring P/E @ target price (x) *	18.6	12.8	16.4	15.2	11.6
Reported P/E (x)	6.6	5.4	9.0	8.4	6.4
Dividend yield (%)	3.3	5.1	3.0	3.6	4.7
P/CF (x)	7.7	2.8	4.8	4.1	3.2
P/FCF (x)	(8.9)	(9.8)	(3.2)	97.3	(82.5)
Price/book (x)	1.1	0.9	1.2	1.1	1.0
Price/tangible book (x)	1.1	1.0	1.2	1.1	1.0
EV/EBITDA (x) **	4.8	3.8	6.6	6.3	5.0
EV/EBITDA @ target price (x) **	8.0	6.2	10.4	9.7	7.7
EV/invested capital (x)	1.0	0.9	1.0	1.0	0.9

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: China South City; BNP Paribas estimates

Disclaimers and Disclosures

APPENDIX

DISCLAIMERS AND DISCLOSURES APPLICABLE TO NON-US BROKER-DEALER(S): BNP Paribas Securities (Asia) Ltd

ANALYST(S) CERTIFICATION

Ronney Cheung, BNP Paribas Securities (Asia) Ltd, +852 2825 1812, ronney.cheung@asia.bnpparibas.com.

Wee Liat Lee, BNP Paribas Securities (Asia) Ltd, +852 2825 1105, weeliat.lee@asia.bnpparibas.com.

The analyst(s) or strategist(s) herein each referred to as analyst(s) named in this report certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst herein.

Analysts mentioned in this disclaimer are employed by a non-US affiliate of BNP Paribas Securities Corp., and are not registered/ qualified pursuant to NYSE and/or FINRA regulations.

IMPORTANT DISCLOSURES REQUIRED IN THE UNITED STATES BY FINRA RULES AND OTHER JURISDICTIONS

"BNP Paribas" is the marketing name for the global banking and markets business of BNP Paribas Group. No portion of this report was prepared by BNP Paribas Securities Corp (US) personnel, and it is considered Third-Party Affiliate research under NASD Rule 2711. The following disclosures relate to relationships between companies covered in this research report and the BNP entity identified on the cover of this report, BNP Securities Corp., and other entities within the BNP Paribas Group (collectively, "BNP Paribas").

The disclosure column in the following table lists the important disclosures applicable to each company that has been rated and/or recommended in this report:

Company	Ticker	Disclosure (as applicable)
China South City	1668 HK	2,3,4,6

BNP Paribas represents that:

1. Within the past year, it has managed or co-managed a public offering for this company, for which it received fees.
2. It had an investment banking relationship with this company in the last 12 months.
3. It received compensation for investment banking services from this company in the last 12 months.
4. It expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months.
5. It beneficially owns 1% or more of any class of common equity securities of the subject company.
6. It makes a market in securities in respect of this company.
7. The analyst(s) or an individual who assisted in the preparation of this report (or a member of his/her household) has a financial interest position in securities issued by this company. The financial interest is in the common stock of the subject company, unless otherwise noted.
8. The analyst (or a member of his/her household) is an officer, director, or advisory board member of this company or has received compensation from the company.

IMPORTANT DISCLOSURES REQUIRED IN KOREA

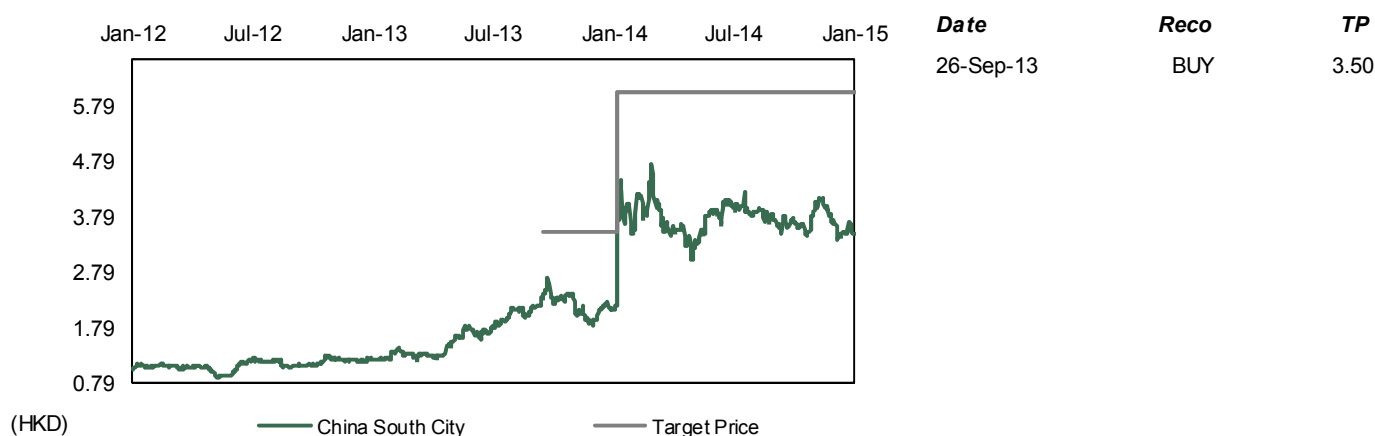
The disclosure column in the following table lists the important disclosures applicable to each Korea listed company that has been rated and/or recommended in this report:

Company	Ticker	Price (as of 12-Jan-2015 closing price)	Interest
N/A	N/A	N/A	NA

1. The performance of obligations of the Company is directly or indirectly guaranteed by BNP Paribas Securities Korea Co. Ltd ("BNPPSK") by means of payment guarantees, endorsements, and provision of collaterals and/or taking over the obligations.
2. BNPPSK owns 1/100 or more of the total outstanding shares issued by the Company.
3. The Company is an affiliate of BNPPSK as prescribed by Item 3, Article 2 of the Monopoly Regulation and Fair Trade Act.
4. BNPPSK is the financial advisory agent of the Company for the Merger and Acquisition transaction or of the Target Company whereby the size of the transaction does not exceed 5/100 of the total asset of the Company or the total number of outstanding shares.
5. BNPPSK has taken financial advisory service regarding listing to the Company within the past 1 year.
6. With regards to the tender offer initiated by the Company based on Item 2, Article 133 of the Financial Investment Services and Capital Market Act, BNPPSK acts in the capacity of the agent for the tender offer designated either by the Company or by the target company, provided that this provision shall apply only where tender offer has not expired.
7. The listed company which issued the stocks in question in case where 40 days has not passed since the new shares were listed from the date of entering into arrangement for public offering or underwriting-related agreement for issuance of stocks
8. The Company that has signed a nominated advisor contract with BNPPSK as defined in Item 2 of Article 8 of the KONEX Market Listing Regulation.
9. The Company is recognized as having considerable interests with BNPPSK in relation to No.1 to No. 8.
10. The analyst or his/her spouse owns (including delivery claims of marketable securities based on legal regulations and trading and misc. contracts) the following securities or rights (hereinafter referred to as "Securities, etc." in this Article) regardless of whose name is used in the trading.
 - 1) Stocks, bond with stock certificate, and certificate of pre-emptive rights issued by the Company whose securities dealings are being solicited.
 - 2) Stock options of the Company whose securities dealings are being solicited.
 - 3) Individual stock future, stock option, and warrants that use the stocks specified in Item 1) as underlying.

History of change in investment rating and/or target price

China South City (1668 HK)



Ronney Cheung started covering this stock from 26-Sep-2013

Price and TP are in local currency

Valuation and risks: Our TP is based on a 45% discount to NAV. Key downside risks are further policy tightening and that sales might remain sluggish in major cities.

Sources: Bloomberg; BNP Paribas

GENERAL DISCLAIMER

This report was produced by BNP Paribas Securities (Asia) Ltd, member company(ies) of the BNP Paribas Group.

This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set forth herein.

This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Customers are advised to use the information contained herein as just one of many inputs and considerations prior to engaging in any trading activity. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. This report is not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report.

Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification, or taken in substitution for the exercise of judgment by the recipient. Additionally, the products mentioned in this report may not be available for sale in certain jurisdictions.

As an investment bank with a wide range of activities, BNP Paribas may face conflicts of interest, which are resolved under applicable legal provisions and internal guidelines. You should be aware, however, that BNP Paribas may engage in transactions in a manner inconsistent with the views expressed in this document, either for its own account or for the account of its clients.

Australia: This report is being distributed in Australia by BNP Paribas Sydney Branch, registered in Australia as ABN 23 000 000 117 at 60 Castlereagh Street Sydney NSW 2000. BNP Paribas Sydney Branch is licensed under the Banking Act 1959 and the holder of Australian Financial Services Licence no. 238043 and therefore subject to regulation by the Australian Securities & Investments Commission in relation to delivery of financial services. By accepting this document you agree to be bound by the foregoing limitations, and acknowledge that information and opinions in this document relate to financial products or financial services which are delivered solely to wholesale clients (in terms of the Corporations Act 2001, sections 761G and 761GA; Corporations Regulations 2001, division 2, reg. 7.1.18 & 7.1.19) and/or professional investors (as defined in section 9 of the Corporations Act 2001).

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence.

Hong Kong: This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities, providing automated trading services, dealing in futures contracts and advising on corporate finance. For professional investors in Hong Kong, please contact BNP Paribas Securities (Asia) Limited for all matters and queries relating to this report.

India: In India, this document is being distributed by BNP Paribas Securities India Pvt. Ltd. ("BNPPSIPL"), having its registered office at 5th floor, BNP Paribas House, 1 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 (Tel. no. +91 22 3370 4000 / 6196 4000 / Fax no. +91 22 3370 4363). BNPPSIPL is registered with the Securities and Exchange Board of India ("SEBI") as a stockbroker in the Equities and the Futures & Options segments of National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. (SEBI Regn. Nos.: INB/INF231474835, INB/INF011474831; CIN: U74920MH2008FTC182807; Website: www.bnpparibas.co.in).

Indonesia: This report is being distributed by PT BNP Paribas Securities Indonesia and is delivered by its licensed employee(s), including marketing/sales person, to its client. PT BNP Paribas Securities Indonesia, having its registered office at Menara BCA, 35th floor, Grand Indonesia, JL. M.H. Thamrin No.1, Jakarta 10310, Indonesia, is a subsidiary company of BNP Paribas SA and licensed under Capital Market Law no. 8 year 1995, a holder of broker-dealer and underwriter licenses issued by the Capital Market and Financial Institution Supervisory Agency (now Otoritas Jasa Keuangan/OJK). PT BNP Paribas Securities Indonesia is also a member of Indonesia Stock Exchange and supervised by Otoritas Jasa Keuangan (OJK). Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens except in compliance with applicable Indonesian capital market laws and regulations. This report is not an offer of securities in Indonesia and may not be distributed within the territory of the Republic of Indonesia or to Indonesian citizens in circumstance which constitutes an offering within the meaning of Indonesian capital market laws and regulations.

Japan: This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association, the Financial Futures Association of Japan and the Type II Financial

Instruments Firms Association. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Malaysia: This report is issued and distributed by BNP Paribas Capital (Malaysia) Sdn Bhd. The views and opinions in this research report are our own as of the date hereof and are subject to change. BNP Paribas Capital (Malaysia) Sdn Bhd has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only to clients of BNP Paribas Capital (Malaysia) Sdn Bhd. This publication is being provided to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of BNP Paribas Capital (Malaysia) Sdn Bhd.

Philippines: This report is being distributed in the Philippines by BNP Paribas Manila Branch, an Offshore Banking Unit (OBU) of BNP Paribas whose head office is in Paris, France. BNP Paribas Manila OBU is registered as an offshore banking unit under Presidential Decree No. 1034 (PD 1034), and regulated by the Bangko Sentral ng Pilipinas. This report is being distributed in the Philippines to qualified clients of OBUs as allowed under PD 1034, and is qualified in its entirety to the products and services allowed under PD 1034.

Singapore: This report is distributed in Singapore by BNP Paribas Securities (Singapore) Pte Ltd ("BNPPSSL") and may be distributed in Singapore only to an Accredited or Institutional Investor, each as defined under the Financial Advisers Regulations ("FAR") and the Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time. In relation to the distribution to such categories of investors, BNPPSSL and its representatives are exempted under Regulation 35 of the FAR from the requirements in Section 36 of the Financial Advisers Act of Singapore, regarding the disclosure of certain interests in, or certain interests in the acquisition or disposal of, securities referred to in this report. For Institutional and Accredited Investors in Singapore, please contact BNP Paribas Securities (Singapore) Ptd Ltd (company registration number: 199801966C; address: 10 Collyer Quay, 34/F Ocean Financial Centre, Singapore 049315; tel: (65) 6210 1288; fax: (65) 6210 1980) for all matters and queries relating to this report.

South Africa: In South Africa, BNP Paribas Cadiz Securities (Pty) Ltd and BNP Paribas Cadiz Stock Broking (Pty) Ltd (hereinafter referred to as "BNPP Cadiz") are licensed members of Johannesburg Stock Exchange and are authorised Financial Services Providers and subject to regulation by the Financial Services Board. BNPP Cadiz does not expressly or by implication represent, recommend or propose that the financial products referred to in this report are appropriate to the particular investment objectives, financial situation or particular needs of the recipient.

South Korea: BNP Paribas Securities Korea is registered as a Licensed Financial Investment Business Entity under the FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT and regulated by the Financial Supervisory Service and Financial Services Commission. This document does not constitute an offer to sell to or the solicitation of an offer to buy from any person any financial products where it is unlawful to make the offer or solicitation in South Korea.

Switzerland: This report is intended solely for customers who are "Qualified Investors" as defined in article 10 paragraphs 3 and 4 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (CISA) and the relevant provisions of the Swiss Federal Ordinance on Collective Investment Schemes of 22 November 2006 (CISO). "Qualified Investors" includes, among others, regulated financial intermediaries such as banks, securities dealers, fund management companies and asset managers of collective investment schemes, regulated insurance companies as well as pension funds and companies with professional treasury operations. This document may not be suitable for customers who are not Qualified Investors and should only be used and passed on to Qualified Investors. For specification purposes, a "Swiss Corporate Customer" is a Client which is a corporate entity, incorporated and existing under the laws of Switzerland and which qualifies as "Qualified Investor" as defined above." BNP Paribas (Suisse) SA is authorised as bank and as securities dealer by the Swiss Federal Market Supervisory Authority FINMA. BNP Paribas (Suisse) SA is registered at the Geneva commercial register under No. CH-270-3000542-1. BNP Paribas (Suisse) SA is incorporated in Switzerland with limited liability. Registered Office: 2 place de Hollande, CH-1204 Geneva.

Taiwan: Information on securities that trade in Taiwan is distributed by BNP Paribas Securities (Taiwan) Co., Ltd. Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decision. **Information on securities that do not trade in Taiwan is for informational purposes only** and is not to be construed as a recommendation or a solicitation to trade in such securities. BNP Paribas Securities (Taiwan) Co., Ltd. may not execute transactions for clients in these securities. **This publication may not be distributed to the public media or quoted or used by the public media without the express written consent of BNP Paribas.**

Thailand: Research relating to Thailand and Thailand based issuers is produced pursuant to an arrangement between BNP PARIBAS ("BNPP") and Finansia Syrus Securities Public Company Limited ("FSS"). FSS International Investment Advisory Securities Co Ltd ("FSSIA") prepares and distributes research under the brand name "BNP PARIBAS/FSS". BNPP is not an affiliate of FSSIA or FSS. FSS also publishes a different research product under the brand name "FINANSIA SYRUS," which is prepared by research analysts who are not part of FSSIA and who may cover the same securities, issuers, or industries that are the subject of this report. The ratings, recommendations, and views expressed in this report may differ from the ratings, recommendations, and views expressed by other research analysts or research teams employed by FSS. This report is being distributed outside Thailand by members of BNP Paribas.

Turkey: This report is being distributed in Turkey by TEB Investment (TEB YATIRIM MENKUL DEGERLER A.Ş., Teb Kampus D Blok Saray Mah. Kucuku Cad. Sokullu Sok., No:7 34768 Umraniye, Istanbul, Turkey, Trade register number: 358354, www.tebyatirim.com.tr) and outside Turkey jointly by TEB Investment and BNP Paribas. Information, comments and suggestions on investment given in this material are not within the scope of investment consulting. The investment consulting services are rendered tailor made for individuals by competent authorities considering the individuals' risk and return preferences. However the comments and recommendations herein are based on general principles. These opinions may not be consistent with your financial status as well as your risk and return preferences. Therefore, making an investment decision only based on the information provided herein may not bear consequences in parallel with your expectations. This material issued by TEB Yatırım Menkul Değerler A.Ş. for information purposes only and may be changed without any prior notification. All rights reserved. No part of this material may be copied or reproduced in any manner without the written consent of TEB Yatırım Menkul Değerler A.Ş. Although TEB Yatırım Menkul Değerler A.Ş. gathers the presented material that is current as possible, it does not undertake that all the information is accurate or complete, nor should it be relied upon as such. TEB Yatırım Menkul Değerler A.Ş. assumes no responsibility whatsoever in respect of or arising out of or in connection with the content of this material to third parties. If any third party chooses to use the content of this material as reference, he/she accepts and approves to do so entirely at his/her own risk.

United States: This report may be distributed in the United States only to U.S. Persons who are "major U.S. institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a "major U.S. institutional investor". U.S persons who wish to effect transactions in securities discussed herein must do so through BNP Paribas Securities Corp., a US-registered broker dealer and member of FINRA, SIPC, NFA, NYSE and other principal exchanges.

Certain countries within the European Economic Area: This document may only be distributed in the United Kingdom to eligible counterparties and professional clients and is not intended for, and should not be circulated to, retail clients (as such terms are defined in the Markets in Financial Instruments Directive 2004/39/EC ("MiFID")). This document will not have been approved for publication and distribution in the United Kingdom by BNP Paribas London Branch, a branch of BNP Paribas SA whose head office is in Paris, France. BNP Paribas SA is incorporated in France with limited liability with its registered office at 16 boulevard des Italiens, 75009 Paris. BNP Paribas London Branch (registered office: 10 Harewood Avenue, London NW1 6AA; tel: [44 20] 7595 2000; fax: [44 20] 7595 2555) is authorised by the Autorité de Contrôle Prudentiel and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. This report has been approved for publication in France by BNP Paribas, a credit institution licensed as an investment services provider by the Autorité de Contrôle Prudentiel whose head office is 16, Boulevard des Italiens 75009 Paris, France. This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

Other Jurisdictions: The distribution of this report in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. This report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

All research reports are disseminated and available to all clients simultaneously through our internal client websites. For all research available on a

particular stock, please contact the relevant BNP Paribas research team or the author(s) of this report.

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports available on our website: <http://eqresearch.bnpparibas.com>, or you can contact the analyst named on the front of this note or your BNP Paribas representative.

All share prices are as at market close on 12 January 2015 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock Ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

** In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.*

Industry Recommendations

Improving (↑): The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Stable (previously known as Neutral) (↔): The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Deteriorating (↓): The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

RATING DISTRIBUTION (as at 12 January 2015)

Total BNP Paribas coverage universe	683	Investment Banking Relationship	(%)
Buy	337	Buy	10.10
Hold	254	Hold	4.70
Reduce	92	Reduce	2.20

Should you require additional information concerning this report please contact the relevant BNP Paribas research team or the author(s) of this report.

© 2015 BNP Paribas Group