



June 30, 2015
Company Report
Rating: BUY
TP: HK\$ 3.20

Share price (HK\$) 2.68
Est. share price return 19.4%
Est. dividend yield 7.1%
Est. total return 26.5%

Previous Rating & TP BUY; HK\$ 4.60
Previous Report Date Nov 28, 2014

Analyst: Kenneth Tung
Tel: (852) 2147 8311
Email: kennethtung@abci.com.hk

Key Data

| | |
|------------------------------------|-----------|
| 52Wk H/L(HK\$) | 4.27/2.07 |
| Issued shares (mn) | 7,759 |
| Market cap (HK\$ mn) | 20,083 |
| 3-mth avg daily turnover (HK\$ mn) | 218.63 |
| Major shareholder(s) (%): | |
| Cheng Chung Hing | 32.15 |
| Tencent | 11.94 |

Source(s): Company, Bloomberg, ABCI Securities

FY15 Revenue breakdown (%)

| | |
|----------------------|------|
| Property development | 88.7 |
| Property investment | 5.9 |
| Property management | 1.4 |
| E-commerce | 2.1 |
| Others | 2.0 |

Source(s): Company, ABCI Securities

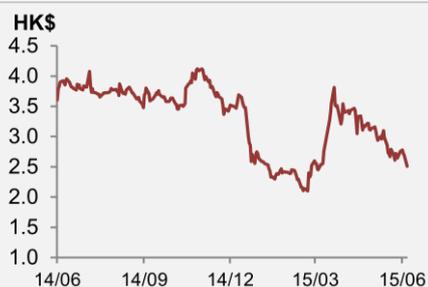
Share performance (%)

| | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | (14.6) | (9.8) |
| 3-mth | (1.2) | (5.2) |
| 6-mth | (28.1) | (34.2) |

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

China South City (1668 HK)
Promising e-commerce outlook

- Core profit declined 31% YoY to HK\$ 1,854mn in FY15
- Property sales were weak as presales dropped 20% YoY to HK\$ 11.2bn. Management set a sales target of HK\$11-12bn for FY16
- Recurring revenue was strong (+68% YoY to HK\$1.1bn) as e-commerce/logistics business continues to grow swiftly
- CSC's e-commerce platform could be a stepping stone for the Group to enter the SME microfinancing market
- Maintain **BUY** with revised TP at HK\$ 3.20 (from HK\$4.60) based on a 40% NAV discount

Results disappointed market on the property side. CSC announced its Mar-end FY15 results. Core profit declined 30.8% YoY to HK\$ 1,854mn, 31% below the consensus forecast on weaker-than-expected property sales. CSC's presales dropped by 20% YoY to HK\$ 11,254mn (37-44% below initial target of HK\$ 18-20bn), while booked revenue from property sales decreased 32% YoY to HK\$ 8.7bn. Its FY15 results marked the first year of sales decline since the Group's listing in 2009. Management attributed poor property sales to: 1) the delay in infrastructure developments; 2) SME's relocation from old markets to CSC's trade centers, which is normally initiated by local governments, has slowed down in pace. While 3QFY15 (Sep-Dec 2014) presales were weak (-70%YoY to HK\$ 2.1bn), substantial rebound was seen in 4QFY15 (Jan-Mar 2015, +65% YoY to HK\$2.4bn). We believe CSC's sales are recovering especially after various favorable policies were implemented (interest rate/RRR cut etc.).

Prudent FY16 sales target. In FY16, CSC set a flat sales target of HK\$ 11-12bn, which we believe to be prudent. As a result of slower property sales, net gearing increased to 65% from 24% a year ago. CSC will reduce its capex (HK\$ 8bn in construction capex; HK\$ 1-2bn in land capex) to match with its inflow of sales income in FY16. Despite decline in core profit, CSC maintained its DPS at HK\$ 0.14/share, implying an attractive yield of 5.2%.

E-commerce/logistics business is progressing well. Recurring revenue (Property rental/E-commerce/Logistics) soared 68% YoY to HK\$ 1.1bn. Management expects such revenue to reach HK\$1.5-2.0bn over the next 2 years. In fact, quality revenue growth was recorded in the 5 sub-segments:

- E-commerce:** Revenue rose slightly by 8% YoY to HK\$ 202mn, as the membership program is still under trial operation and confined to CSC's Zhengzhou project only. Over the past year, CSC has put great emphasis on improving SME's IT skills by providing extensive training. The no. of e-commerce membership subscribers increased to 13k in FY15 from 7k in FY14. Once CSC finishes finetuning its e-commerce model, the business can be easily replicated to other cities. (continue next page)

Results and Valuation

| FY ended Mar 31 | FY14A | FY15A | FY16E | FY17E | FY18E |
|---------------------------|--------|--------|--------|--------|--------|
| Revenue (HK\$ mn) | 13,468 | 9,758 | 12,794 | 15,739 | 17,833 |
| Chg (% YoY) | 79.9 | (27.6) | 31.1 | 23.0 | 13.3 |
| Core net profit (HK\$ mn) | 2,678 | 1,854 | 2,223 | 3,038 | 3,635 |
| Chg (% YoY) | 50.7 | (30.8) | 19.9 | 36.7 | 19.6 |
| Underlying EPS (HK\$) | 0.39 | 0.23 | 0.28 | 0.38 | 0.45 |
| Chg (% YoY) | 33.2 | (40.9) | 19.9 | 36.7 | 19.6 |
| BVPS (HK\$) | 2.89 | 3.20 | 3.20 | 3.34 | 3.50 |
| Chg (% YoY) | 9.9 | 10.9 | (0.3) | 4.4 | 4.9 |
| Underlying PE (x) | 6.8 | 11.6 | 9.6 | 7.1 | 5.9 |
| P/B (x) | 0.93 | 0.84 | 0.84 | 0.80 | 0.77 |
| ROE (%) | 13.4 | 7.5 | 8.7 | 11.4 | 13.0 |
| ROA (%) | 4.5 | 2.5 | 2.8 | 3.5 | 3.8 |
| DPS (HK\$) | 0.14 | 0.14 | 0.19 | 0.24 | 0.29 |
| Dividend yield (%) | 5.2 | 5.2 | 7.1 | 9.0 | 10.8 |
| Net gearing (%) | 23.5 | 65.3 | 95.6 | 108.7 | 114.4 |

*Net gearing=Net debt/Total Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates

- **Logistics:** Revenue soared 286% YoY to HK\$ 95.8mn. Logistic warehousing in operation increased 464% YoY to 464,900sqm. Currently, there are 490k sqm of warehouses under construction and 3.9mn sqm were under the planning stage. Going forward, the Group's logistic network can also be shared with Tencent's JD.com (largest online electronic retailers in China). The spotlight will be on the Logistics Information Exchange Platform (LIEP) that allows empty trucks on their return journeys to obtain new orders from the platform. The registered LIEP carrier has increased to 121k in Mar 2015 (from 13k in Sep 2014), which represents a 1% market share based on an estimated 10mn total Heavy Goods Vehicles (HGV) in China. In our view, this business model is just the HGV version of Uber (a taxi/private car app); we believe it would be valued by many online giants such as Tencent or Alibaba.
- **Outlet business:** Revenue jumped 35%YoY to HK\$ 92mn due to the increased no of outlet centres and GFA in operation. The no. of online outlet users of the Aolaigo website (online retailing) also went up 16k in June 2014 to 1.1mn in Mar 2015. Aolaigo began its partnership with Tencent's JD.com in FY15 and is now ranked as one of the Top 10 third-party retailers in JD.com.
- **Property Rental:** Revenue surged 88% YoY to HK\$ 574mn on commencement of CSC's trade centers outside Shenzhen and HOBA Furnishing acquired in FY14. Excluding the impact of HOBA's acquisition, property rental revenue still jumped about 50%YoY on a like-for-like basis. CSC proposed to spin-off HOBA in National Equities Exchange and Quotation System by FY16 the earliest. HOBA currently has 9 stores in China, with the ones in Nanning and Shenzhen currently under trial operation. We believe the synergy between CSC and HOBA to emerge gradually and revenue growth should accelerate in the next few years.
- **Property management:** Revenue jumped 99%YoY to HK\$ 133mn as more occupants moved into CSC Nanchang, Nanning, Xi'an and Zhengzhou, which have entered into trial operation.

Opportunities in SME micro-financing: In the analyst meeting, management also highlighted the emerging opportunities of microfinancing for SMEs. In general, banks are reluctant to lend to SMEs given the lack of business transparency. As an increasing number of SMEs are conducting their businesses via CSC's e-commerce platform, CSC could obtain useful financial and operating data to better informed of the companies' credit profiles. Assuming 60% of its existing 13k e-commerce users have a solid credit profile, the total loan size can be as high as RMB 7.8bn if we assume each user to borrow RMB 1mn.

Maintain BUY with TP lowered to HK\$ 3.20 (from HK\$ 4.60). Given the worse-than-expected results, we lower our FY16E-17E core profit forecasts by 43%-54%, and our Mar-end FY16E NAV is reduced to HK\$ 5.36 (from HK\$ 9.11). We apply a lower NAV discount of 40% (50% previously) to reflect better policy outlook after recent rate/RRR cuts. Subsequently, TP is revised down to HK\$ 3.20 (from HK\$ 4.60 previously). Maintain **BUY** on CSC. Overall, we believe FY16 would be a transitional year for the Group as profit growth will be temporarily impacted by the increased focus on e-commerce development. We are optimistic over this strategy change although it could take more than two years for the transition to be completed.

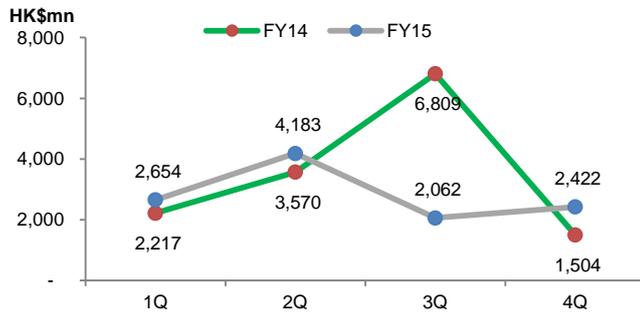
Risk factors: 1) Oversupply of housing in 2nd-tier cities; 2) High level of unsold inventories may impede cash flow.



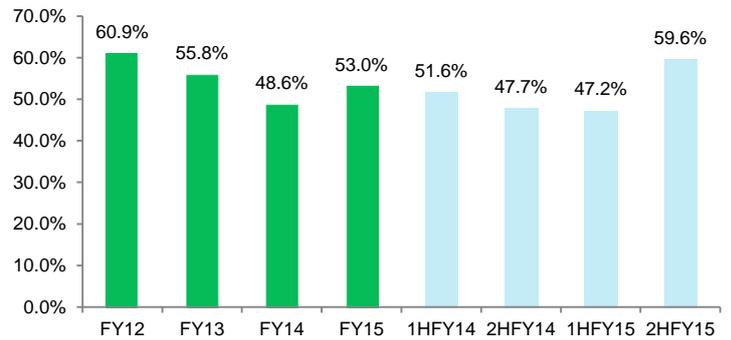
Exhibit 1: CSC's Mar-ended FY15 results

| P&L | FY15 | | | FY14 | | | YoY Chg | Operating statistics | FY15 | | FY14 | | YoY Chg |
|--|----------------|----------------|-------------|--|---------------|---------------|-----------------|----------------------|---------|---------|---------|---------|---------|
| | HK\$ mn | HK\$ mn | HK\$ mn | HK\$ mn | HK\$ mn | HK\$ mn | | | HK\$ mn | HK\$ mn | HK\$ mn | HK\$ mn | |
| Turnover | 9,758 | 13,468 | (28) | Contracted GFA (mn sqm) | 1.25 | 1.75 | (28) | | | | | | |
| Cost of Sales & direct operating costs | (4,582) | (6,921) | (34) | Contracted ASP (RMB/sqm) | 8,958 | 8,083 | 11 | | | | | | |
| Gross Profit | 5,176 | 6,547 | (21) | Contracted Sales (RMB mn) | 11,231 | 14,106 | (20) | | | | | | |
| Gross Margin (%) | 53.0 | 48.6 | | GFA Delivered (mn sqm) | 1.00 | 1.62 | (38) | | | | | | |
| Selling and distribution costs | (722) | (581) | 24 | Booked ASP (RMB/sqm) | 8,655 | 7,910 | 9 | | | | | | |
| Administrative expense | (1,074) | (863) | 24 | Property sales booked (RMB/sqm) | 8,654 | 12,813 | (32) | | | | | | |
| EBIT | 3,379 | 5,103 | (34) | Balance sheet | Mar-15 | Mar-14 | HoH % | | | | | | |
| EBIT Margin (%) | 34.6 | 37.9 | | Gross debt | 25,003 | 17,519 | 43 | | | | | | |
| Other income, gains and losses | 173 | 188 | (8) | Cash | 8,673 | 12,777 | (32) | | | | | | |
| Fair value gain of investment properties | 2,399 | 1,266 | 89 | Net debt | 16,331 | 4,742 | 244 | | | | | | |
| Other exceptional items | 82 | (235) | (135) | Net gearing (%) | 65.3% | 23.5% | +41.8ppt | | | | | | |
| Share of profit from JCE/ Associates | (7) | (1) | 1067 | | | | | | | | | | |
| Finance cost | (166) | (153) | 8 | | | | | | | | | | |
| Profit before tax | 5,859 | 6,169 | (5) | | | | | | | | | | |
| Tax | (2,145) | (2,472) | (13) | | | | | | | | | | |
| - LAT | (1,214) | (1,270) | (4) | | | | | | | | | | |
| - Enterprise tax | (931) | (1,202) | (23) | | | | | | | | | | |
| Profit after tax | 3,715 | 3,696 | 0 | | | | | | | | | | |
| Minority Interest | 13 | (202) | (106) | | | | | | | | | | |
| Net profit | 3,728 | 3,494 | 7 | | | | | | | | | | |
| Core profit (after Minority Interest) | 1,854 | 2,678 | (31) | | | | | | | | | | |
| Core net margin | 19.0% | 19.9% | | | | | | | | | | | |

Source(s): Company

Exhibit 2: CSC's presales by quarter


Source(s): Company

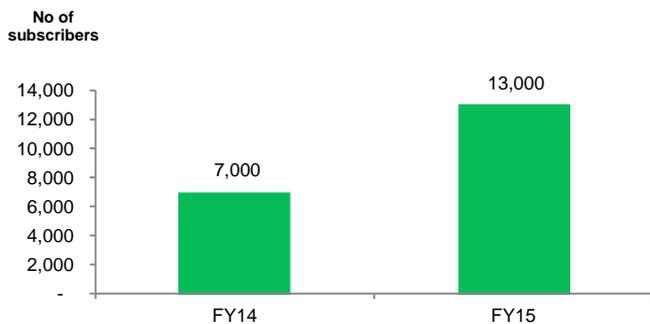
Exhibit 3: CSC's gross margin trend


Source(s): Company

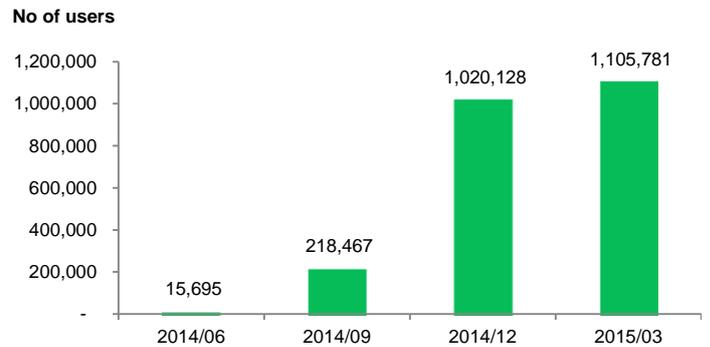
Exhibit 4: CSC's FY15 revenue breakdown

| HK\$m | FY15 | FY14 | YoY chg |
|-------------------------|--------------|---------------|-------------|
| Property sale | 8,654 | 12,813 | -32% |
| - Trade centre | 6,837 | 11,778 | -42% |
| - Residential | 1,354 | 757 | 79% |
| - Finance lease | 463 | 278 | 67% |
| Recurring income | 1,104 | 656 | 68% |
| - Rental | 574 | 305 | 88% |
| - Property management | 133 | 67 | 99% |
| - E-commerce | 202 | 189 | 7% |
| - Outlet | 92 | 69 | 35% |
| - Logistics and others | 102 | 26 | 294% |
| Total revenue | 9,758 | 13,468 | -28% |

Source(s): Company

Exhibit 5: The No. of e-commerce membership program subscribers in Zhengzhou


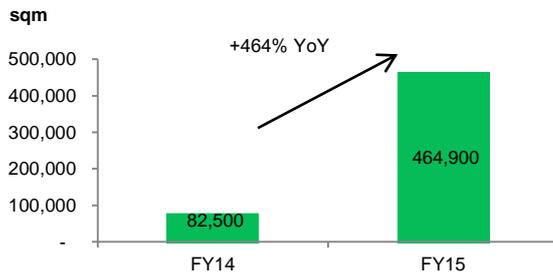
Source(s): Company

Exhibit 6: The no. of registered online outlet users


Source(s): Company



Exhibit 7: Logistics GFA in operation



Source(s): Company

Exhibit 8: Registered LIEP carriers



Source(s): Company

Exhibit 9: CSC's FY16E NAV forecast

| | Attr. GFA (Mnsqm) | Net assets value (HKD mn) | % of total | Valuation Method | Implied value per sqm (HKD) |
|--|----------------------|------------------------------|-------------|---|--------------------------------|
| Property development | | | | | |
| Shenzhen | 2.6 | 6,771 | 10% | DCF at WACC of 6.2% | 2,557 |
| Nanning | 2.5 | 7,248 | 11% | | 2,924 |
| Nanchang | 4.3 | 5,704 | 9% | | 1,331 |
| Xi'an | 4.2 | 6,911 | 10% | | 1,663 |
| Harbin | 4.7 | 2,075 | 3% | | 437 |
| Others | 14.6 | 11,886 | 18% | | 812 |
| Subtotal | 32.9 | 40,595 | 62% | | |
| Investment Properties & retail outlets | | 14,581 | 22% | 5% cap rate on FY16E net rental income | |
| Online Platform (E-commerce and logistics) | | 10,713 | 16% | 30x 2016E PE on online platform operation | |
| Total FY16E GAV | | 65,889 | 100% | | |
| FY16E Net debt | | (24,272) | -37% | | |
| Total FY16E NAV | | 41,617 | 63% | | |
| No. of share outstanding | | 7,759 | | | |
| NAV per share (HKD) | | 5.36 | | | |
| Target discount (%) | | 40% | | | |
| Target Price (HKD) | | 3.20 | | | |
| WACC | | | | | |
| Cost of debt | 6.2% | | | | |
| Cost of equity | 6.0% | | | | |
| Debt/ (Debt + Equity) | 8.0% | | | | |
| | 50% | | | | |

Source(s): Company, ABCI Securities estimates



Consolidated income statement (FY13A-FY18E)

| FY Ended Mar 31 (HK\$ mn) | FY13A | FY14A | FY15A | FY16E | FY17E | FY18E |
|--|--------------|---------------|--------------|---------------|---------------|---------------|
| Revenue | 7,488 | 13,468 | 9,758 | 12,794 | 15,739 | 17,833 |
| Cost of sales | (3,311) | (6,921) | (4,582) | (6,119) | (7,440) | (8,407) |
| Gross Profit | 4,177 | 6,547 | 5,176 | 6,676 | 8,299 | 9,426 |
| SG&A expenses | (826) | (1,444) | (1,796) | (2,124) | (2,278) | (2,462) |
| EBIT | 3,351 | 5,103 | 3,379 | 4,552 | 6,021 | 6,964 |
| Finance cost | (133) | (153) | (166) | (231) | (235) | (199) |
| Share of profit of associates | 1 | (1) | (7) | - | - | - |
| Other income/ (expenses) | 52 | 188 | 173 | 121 | 107 | 119 |
| Fair value gain of investment properties | 1,251 | 1,266 | 2,399 | - | - | - |
| Disposal/one-off items | (49) | (235) | 82 | - | - | - |
| Profit before tax | 4,473 | 6,169 | 5,859 | 4,441 | 5,894 | 6,884 |
| Tax | (1,606) | (2,472) | (2,145) | (2,218) | (2,856) | (3,250) |
| Profit after tax | 2,867 | 3,696 | 3,715 | 2,223 | 3,038 | 3,635 |
| Minority interest | (117) | (202) | 13 | - | - | - |
| Reported net profit | 2,750 | 3,494 | 3,728 | 2,223 | 3,038 | 3,635 |
| Less: exceptional items | (973) | (817) | (1,874) | - | (0) | (0) |
| Underlying net profit | 1,776 | 2,678 | 1,854 | 2,223 | 3,038 | 3,635 |
| Per share | | | | | | |
| Underlying EPS (HK\$) | 0.29 | 0.39 | 0.23 | 0.28 | 0.38 | 0.45 |
| DPS (HK\$) | 0.10 | 0.14 | 0.14 | 0.19 | 0.24 | 0.29 |
| Payout ratio (%) | 34% | 36% | 60% | 68% | 63% | 64% |
| BVPS (HK\$) | 2.63 | 2.89 | 3.20 | 3.20 | 3.34 | 3.50 |
| Growth % | | | | | | |
| Revenue | 104.0% | 79.9% | -27.6% | 31.1% | 23.0% | 13.3% |
| Gross Profit | 86.8% | 56.8% | -21.0% | 29.0% | 24.3% | 13.6% |
| EBIT | 97.4% | 52.3% | -33.8% | 34.7% | 32.3% | 15.7% |
| Underlying net profit | 92.5% | 50.7% | -30.8% | 19.9% | 36.7% | 19.6% |
| Margin % | | | | | | |
| Gross margin | 55.8% | 48.6% | 53.0% | 52.2% | 52.7% | 52.9% |
| Gross margin (post-LAT) | 48.2% | 39.2% | 42.3% | 40.6% | 41.2% | 41.6% |
| EBIT margin | 44.8% | 37.9% | 34.6% | 35.6% | 38.3% | 39.1% |
| Core net margin | 26.2% | 21.7% | 19.1% | 17.4% | 19.3% | 20.4% |
| Key assumptions | | | | | | |
| Contracted Sales (HK\$ mn) | 8,205 | 14,106 | 11,321 | 11,653 | 14,967 | 16,869 |
| GFA sold (m sqm) | 0.71 | 1.75 | 1.25 | 1.10 | 1.41 | 1.57 |
| ASP (HK\$/sqm) | 11,573 | 8,083 | 9,030 | 10,607 | 10,607 | 10,778 |
| Booked Sales (HK\$) | 6,899 | 12,813 | 8,654 | 11,307 | 13,834 | 15,315 |
| GFA delivered (mn sqm) | 0.66 | 1.62 | 1.08 | 1.15 | 1.36 | 1.50 |
| Booked ASP (HK\$/sqm) | 10,409 | 7,910 | 8,017 | 9,850 | 10,164 | 10,182 |

Source: Company, ABCI Securities estimates



Consolidated balance sheet (FY13A-FY18E)

| As of Mar 31 (HK\$ mn) | FY13A | FY14A | FY15A | FY16E | FY17E | FY18E |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Current assets | 18,428 | 30,042 | 34,264 | 31,047 | 31,518 | 33,553 |
| Bank balances and cash | 6,778 | 12,777 | 8,673 | 5,456 | 5,926 | 7,962 |
| Trade receivables | 937 | 2,806 | 1,637 | 1,637 | 1,637 | 1,637 |
| Properties held for sale | 9,953 | 13,701 | 23,268 | 23,268 | 23,268 | 23,268 |
| Other current assets | 760 | 759 | 687 | 687 | 687 | 687 |
| Non-current assets | 23,917 | 29,919 | 38,990 | 48,772 | 55,503 | 61,286 |
| Properties under development | 2,382 | 2,933 | 3,697 | 13,520 | 20,297 | 26,132 |
| Property, plant and equipment | 601 | 659 | 1,328 | 1,287 | 1,241 | 1,189 |
| Investment properties | 19,426 | 24,034 | 30,218 | 30,218 | 30,218 | 30,218 |
| Investment in Associate and JCE | 6 | 13 | 40 | 40 | 40 | 40 |
| Other non-current assets | 1,502 | 2,279 | 3,707 | 3,707 | 3,707 | 3,707 |
| Total Assets | 42,345 | 59,961 | 73,254 | 79,820 | 87,020 | 94,839 |
| Current Liabilities | 15,374 | 24,243 | 28,346 | 34,258 | 40,391 | 46,946 |
| Short term borrowings | 4,418 | 5,842 | 9,576 | 14,576 | 19,576 | 24,576 |
| Trade and other payables | 4,373 | 8,871 | 9,615 | 9,615 | 9,615 | 9,615 |
| Pre-sale deposits | 3,793 | 5,120 | 3,920 | 4,833 | 5,966 | 7,520 |
| Other current liabilities | 2,790 | 4,411 | 5,235 | 5,235 | 5,235 | 5,235 |
| Non-current liabilities | 10,928 | 15,573 | 19,887 | 19,887 | 19,887 | 19,887 |
| Long term borrowings | 7,435 | 11,677 | 15,427 | 15,427 | 15,427 | 15,427 |
| Other payables | - | - | - | - | - | - |
| Other non-current liabilities | 3,493 | 3,896 | 4,459 | 4,459 | 4,459 | 4,459 |
| Total Liabilities | 26,302 | 39,817 | 48,232 | 54,145 | 60,278 | 66,832 |
| Net Assets | 16,043 | 20,144 | 25,022 | 25,675 | 26,742 | 28,007 |
| Shareholders Equity | 15,853 | 19,970 | 24,867 | 25,570 | 26,688 | 28,002 |
| Minority Interest | 190 | 175 | 155 | 105 | 55 | 5 |
| Total Equity | 16,043 | 20,144 | 25,022 | 25,675 | 26,742 | 28,007 |
| Key ratio: | | | | | | |
| Gross debt (HK\$ mn) | 11,853 | 17,519 | 25,003 | 30,003 | 35,003 | 40,003 |
| Net debt (HK\$ mn) | 5,076 | 4,742 | 16,331 | 24,547 | 29,077 | 32,042 |
| Net gearing (%) | 32% | 24% | 65% | 96% | 109% | 114% |
| Contracted sales/ Total assets (x) | 0.19 | 0.24 | 0.15 | 0.15 | 0.17 | 0.18 |

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (FY13A-FY18E)

| FY ended Mar 31 (HK\$ mn) | FY13A | FY14A | FY15A | FY16E | FY17E | FY18E |
|-----------------------------------|--------------|---------------|----------------|----------------|--------------|--------------|
| EBITDA | 3,378 | 5,173 | 3,430 | 4,603 | 6,078 | 7,026 |
| Change in Working Capital | (554) | 2,245 | (7,266) | (6,832) | (3,531) | (2,487) |
| Tax payment | (200) | (2,472) | (2,145) | (2,218) | (2,856) | (3,250) |
| Operating Cashflow | 2,624 | 4,945 | (5,980) | (4,448) | (309) | 1,289 |
| Purchase of PP&E | (10) | (10) | (10) | (10) | (10) | (10) |
| Addition of Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment in Associate/ JCE | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 188 | (2) | 121 | 107 | 119 |
| Investing Cashflow | (10) | 178 | (12) | 111 | 97 | 109 |
| Debt raised | 2,000 | 10,000 | 9,879 | 10,000 | 10,000 | 10,000 |
| Debt repaid | (500) | (9,815) | (5,238) | (5,000) | (5,000) | (5,000) |
| Interest expenses | (719) | (1,208) | (1,617) | (2,309) | (2,348) | (1,993) |
| Equity raised | 0 | 3,328 | 0 | 0 | 0 | 0 |
| Convertible securities raised | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend to shareholders | (449) | (1,049) | (1,086) | (1,520) | (1,920) | (2,320) |
| Others | 0 | (380) | (50) | (50) | (50) | (50) |
| Financing Cashflow | 332 | 877 | 1,888 | 1,121 | 682 | 637 |
| Net cash inflow/ (outflow) | 2,946 | 5,999 | (4,104) | (3,217) | 470 | 2,035 |
| Cash- beginning | 3,832 | 6,778 | 12,777 | 8,673 | 5,456 | 5,926 |
| Cash- year-end | 6,778 | 12,777 | 8,673 | 5,456 | 5,926 | 7,962 |

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Tung Yiu Kei Kenneth, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates may pursue financial interests to the companies mentioned in the report.

Definition of equity rating

| Rating | Definition |
|--------|---|
| Buy | Stock return \geq Market return rate |
| Hold | Market return - 6% \leq Stock return < Market return rate |
| Sell | Stock return < Market return - 6% |

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

| Rating | Definition |
|-----------|--|
| Very high | 2.6 \leq 180 day volatility/180 day benchmark index volatility |
| High | 1.5 \leq 180 day volatility/180 day benchmark index volatility < 2.6 |
| Medium | 1.0 \leq 180 day volatility/180 day benchmark index volatility < 1.5 |
| Low | 180 day volatility/180 day benchmark index volatility < 1.0 |

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not



including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2015 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183