



October 13, 2015
Company Report
Rating: HOLD
TP: HK\$ 1.15

H-Share price (HK\$)	1.07
Est. share price return	7.48%
Est. dividend yield	1.19%
Est. total return	8.66%

Analyst: Kelvin Ng
Tel: (852) 2147 8869
Email: kelvinn@abci.com.hk

Key Data

Market share (HK\$m)	7,783
3-mth avg. daily turnover (HK\$ mn)	3.0
52-week high/low (HK\$)	1.46/0.84
Issued shares (mn)	7,274
Major shareholder(s) (%): Datang Group	57.40

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Sales of electricity	98.9
Others	1.1

Source(s): Company, ABCI Securities

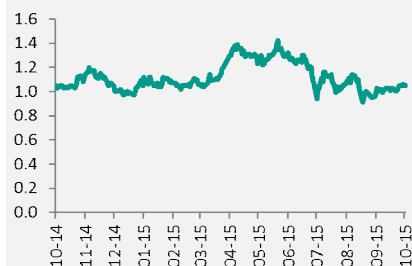
Share performance (%)

	Absolute	Relative*
1-mth	4.90%	-0.80%
3-mth	-7.76%	1.52%
6-mth	-21.90%	-4.37%

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance



Source(s): Bloomberg, ABCI Securities

China Datang Renewable (1798 HK) Highly leverage as double-edged sword

- Datang Renewable has the largest exposure in northern China; to improve utilization hour and reduce power curtailment, the Group would need to expand in southern regions
- High net gearing increases likelihood of fundraising activities
- Low interest coverage ratio increases volatility of the Group's earnings and results in frequent earnings shock.
- Based on our DCF model with a 6%WACC, we set our TP at HK\$1.15, which represents 17x 2015E P/E and 0.6x 2014E P/B. Recommend **HOLD**

High exposure in northern China player means that it needs to expand in the south. Datang's installed capacity in Inner Mongolia and northeast China in 2014 accounted for 66% of its total capacity. Given the high wind power curtailment rate in these regions, the Group would need to focus on expanding its capacity in southern China to improve overall utilization rate and profitability.

A highly sensitive play. Datang has a relatively small wind capacity equivalent to 44% of the market leader, Longyuan, in 2014. A small capacity increment would help boost Datang's earnings given its low capacity base. In addition, its high gearing ratio makes its earnings highly sensitive to changes in utilization hour and capacity.

High net gearing ratio prompts fundraising concern. Datang's net gearing ratio was at 354% at end-2014, compared to Longyuan's 203% and Huaneng Renewables' 226%. Given the Group's wind farm construction is usually 80% funded by debt and 20% by cash, the high gearing should prompt fundraising concern.

Low interest coverage ratio increases earnings volatility. Due to Datang's high net gearing ratio and negative free cash flow, its interest coverage ratio decreased from 1.91x in 2010 to 0.94x in 2014, suggesting that its earnings is highly sensitive to changes in interest rate. The low interest coverage ratio implies that its net income is likely to swing from profit to loss (and vice versa) and results in frequent earnings shock.

Initiate HOLD with TP at HK\$1.15. We value Datang with DCF methodology by 6% WACC and our TP at HK\$1.15 equivalent to 17x/31x 2015/16E P/E, 0.6x/0.6x 2015/16E P/B. We see Datang's high net gearing ratio and all-in capacity cost should be key overhangs to its future earnings despite its seemingly low valuation at 0.6x 2015E P/B. Recommend HOLD.

Risk factors: (1) Potential fundraising activities; (2) Slower-than-expected capacity growth; (3) Policy risks; (4) Reduced power tariff.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	5,630	5,186	6,076	7,139	8,061
Chg (% YoY)	28.9	-7.9	17.2	17.5	12.9
Net Income (RMB mn)	307	-128	476	267	-234
Chg (% YoY)	64.8	n.a.	n.a.	-44.0	n.a.
EBITDA (RMB mn)	4,669	4,534	5,312	6,244	7,028
Chg (% YoY)	17.7	-2.9	17.1	17.6	12.6
EPS (RMB)	0.033	-0.021	0.052	0.029	-0.026
Chg (% YoY)	111.0	n.a.	n.a.	-44.0	n.a.
BVPS (RMB)	1.277	1.498	1.467	1.490	1.464
Chg (% YoY)	5.4	17.3	-2.1	1.6	-1.7
P/E (x)	27.10	n.a.	16.86	30.10	n.a.
P/B (x)	0.69	0.59	0.60	0.59	0.60
ROE (%)	2.55	-1.37	3.56	1.96	-1.76
ROA (%)	0.42	-0.25	0.48	0.21	-0.15
DPS (RMB)	0.003	0.000	0.010	0.006	0.000
Yield (%)	0.34	0.00	1.19	0.66	0.00
Net gearing* (%)	410.9	354.5	403.9	465.7	544.1

*Net gearing=Net debt/Total equity

Source(s): Company, ABCI Securities estimates

Key positives

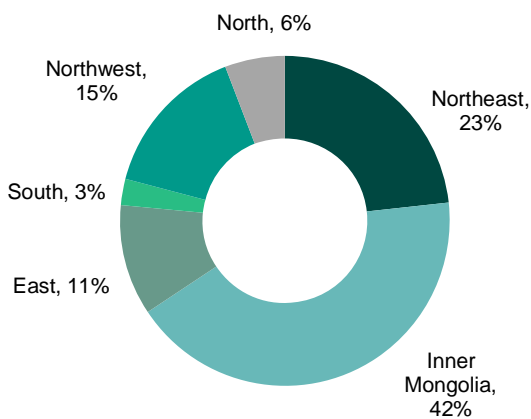
High exposure in northern China player means that it needs to expand in the south

Datang's installed capacity in Inner Mongolia and northeast China in 2014 accounted for 66% of its total capacity. Given the high wind power curtailment rate in these regions, the Group would need to focus on expanding its capacity in in southern China to improve overall utilization rate and profitability.

A highly sensitive play

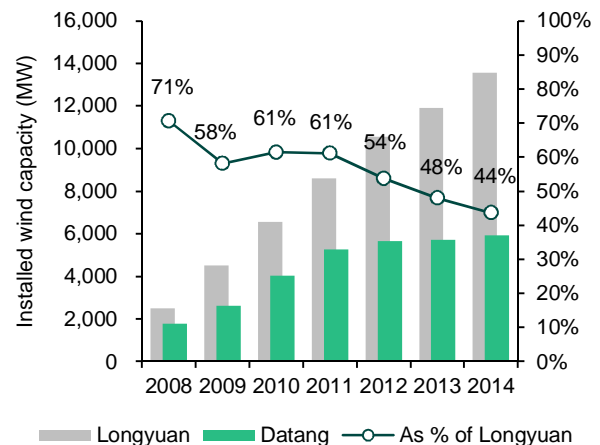
A company with low capacity base and high leverage should benefit when situation improves. Datang has a relatively small wind capacity equivalent to 44% of the market leader, Longyuan, in 2014. A small capacity increment would help boost Datang's earnings given its low capacity base. In addition, its high gearing ratio makes its earnings highly sensitive to changes in utilization hour and capacity. We forecast that for every 1% increase in utilization hour, 2015E/156E earnings will increase by 9%/19%; a 1% increase in installed capacity should drive up 2015E/16E earnings by 4%/9%. Nonetheless, we believe this highly leveraged player will be the largest beneficiary of improvements in wind power curtailment or any positive policy in the future.

Exhibit 1: Datang's capacity breakdown in 2014 shows that most capacity is located in Inner Mongolia and northeast China



Source(s): Company data, ABCI Securities

Exhibit 2: Datang's installed wind power capacity is equivalent to 44% of Longyuan's



Source(s): Company data, ABCI Securities

Major concerns

High net gearing ratio should prompt fundraising concern

Datang's net gearing ratio was 354% by end-2014, compared to Longyuan's 203% and Huaneng Renewables' 226%. As the Group's wind facility construction is usually 80% funded by debt and 20% by cash, the high net gearing ratio at present implies a strong fundraising need. The high debt ratio resulted in higher financial burden, with interest coverage ratio declining from 1.88x in 2007 to 0.94x in 2014. This indicates interest rate changes would have a strong impact on earnings. We estimate for every 25 bp increase in interest rate, 2015E/16E earnings will reduce by 11.8%.

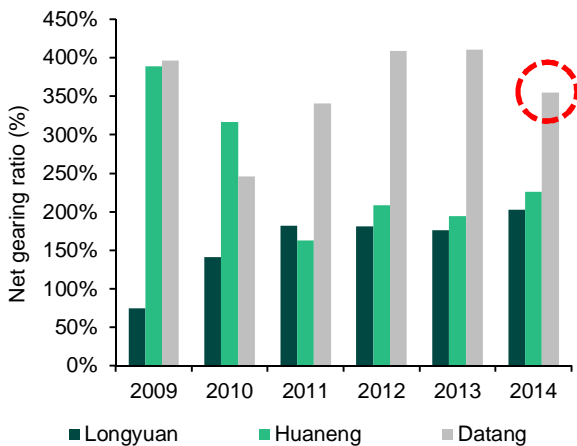
Low interest coverage ratio increases earnings volatility

Due to Datang's high net gearing ratio and negative free cash flow, its interest coverage ratio decreased from 1.91x in 2010 to 0.94x in 2014, suggesting that its earnings is highly sensitive to changes in interest rate. The low interest coverage ratio implies that its net income is likely to swing from profit to loss (and vice versa) and results in frequent earnings shock.

Declining power tariff should hit Datang the hardest

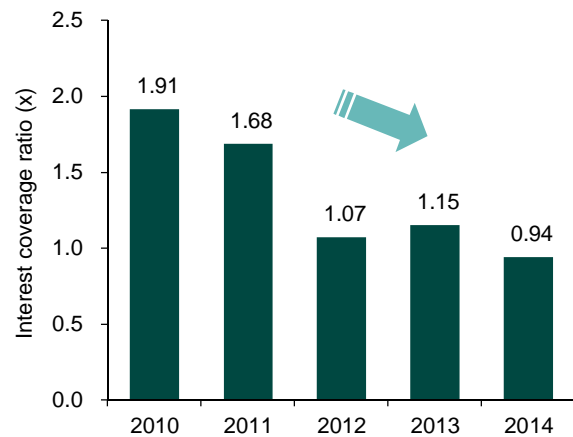
China's wind power tariff would maintain a downtrend going forward due to: 1). A cheaper wind power tariff should encourage more users to switch from traditional coal-fire energy to wind energy; 2). China would like to lighten the financial burden of industrial companies to boost the weakening industrial production activities. Given Datang's thinnest net profit margin among wind power operators in our coverage universe, it should suffer the most from the declining wind power tariff. Based on our estimates, for every 1% decline in wind power tariff, Datang's 2015/16E earnings would drop by 10% and 21%.

Exhibit 3: Datang has the highest net gearing ratio among peers



Source(s): Company data, ABCI Securities

Exhibit 4: Low interest coverage ratio suggests Datang's earnings are highly sensitive to interest rate change



Source(s): Company data, ABCI Securities

Future earnings outlook

We expect Datang's 2015E net income to reach RMB 381 mn (vs. RMB150 mn net loss in 2014) on higher utilization hour that rises from 1,803 hours in 2014 to 1,944 hours in 2015E.

Earnings growth

Datang's future earnings growth should be volatile, swinging between profit and loss due to its thin margin. Its future earnings growth should be highly dependent on 1) China's wind resources improvement; 2) wind power capacity growth. With China's improved wind resources, Datang's 2015/16E net income would reach RMB 381mn and RMB 213mn. The Group's high unit all-in capacity cost and net gearing, however, would increase its financial burden and therefore we project a net loss in 2017E.

Capacity growth

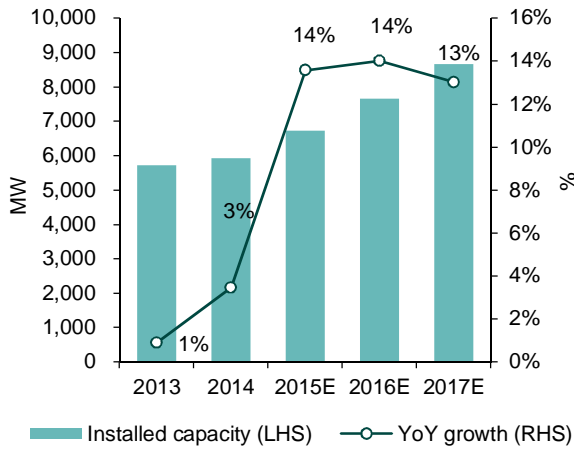
Based on the management's aggressive expansion plan announced in 1H15 results analyst meeting, we project the installed capacity growth to be 14%/14%/13% YoY in 2015-17E. We expect a high-single digit growth for its capacity due to the restraints imposed by its high net gearing ratio. In addition, Datang's unit all-in capacity cost has been trending up and this would hinder its future capacity growth. Despite management guided an optimistic new capacity increment of 1.1GW in each year going forward, we believe this aggressive capacity expansion plan would only last for 3 years, and future capacity growth should return to the high-single digit level.

Net gearing ratio

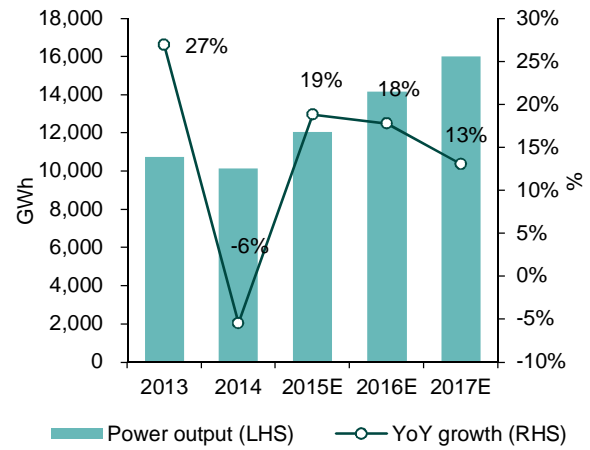
With Datang's negative free cash flow and high all-in capacity cost, we believe its gearing ratio is unlikely to decrease in the short term. Management has confirmed the Group will continue to expand capacity. Hence, we believe the gearing ratio will remain at the 300%-400% level.

Dividend payout ratio

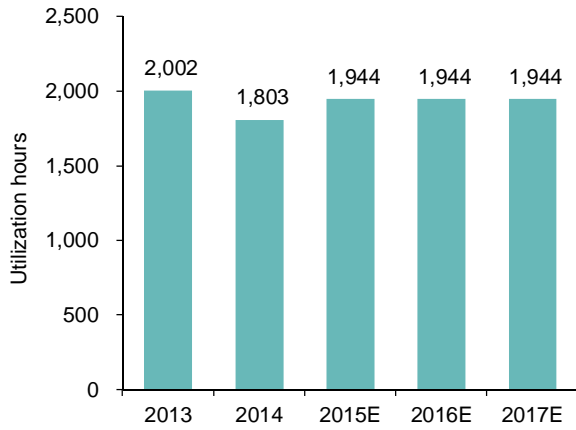
The Group maintained a stable average payout ratio of 33% from 2008-11. Payout ratio was 149% in 2012 to maintain a stable dividend to shareholders in the trough period. Datang guided that have it will maintain a stable level of dividends without providing details on its long-term payout ratio. Given the capital-intensive nature of wind power, future capex is likely to remain high. For profitable years, we believe the payout ratio would be ~20%.

Exhibit 1: Datang's wind capacity outlook


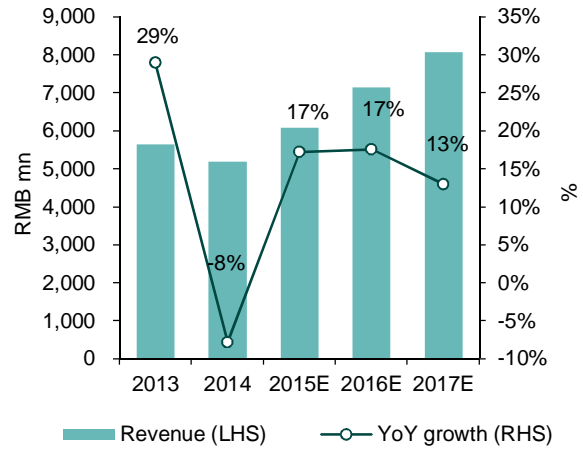
Source(s): ABCI Securities estimates

Exhibit 2: Datang's gross wind power output


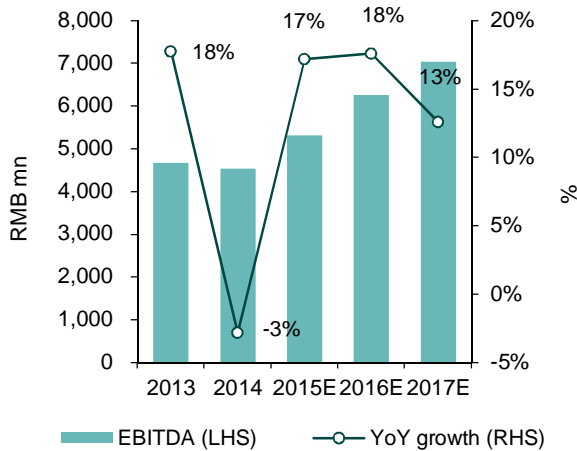
Source(s): ABCI Securities estimates

Exhibit 5: Datang's utilization hours outlook


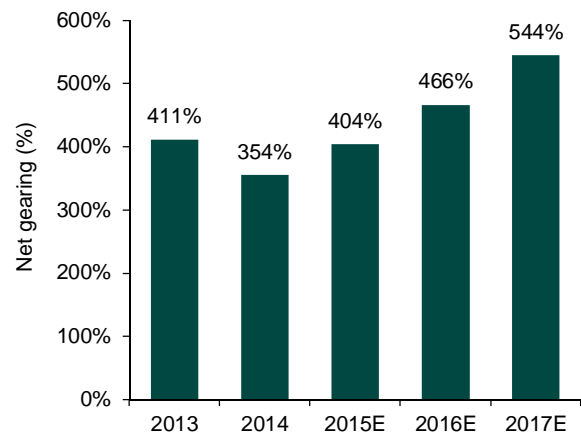
Source(s): ABCI Securities estimates

Exhibit 6: Datang's revenue outlook


Source(s): ABCI Securities estimates

Exhibit 7: Datang's EBITDA outlook


Source(s): ABCI Securities estimates

Exhibit 8: Datang's net gearing ratio


Source(s): ABCI Securities estimates

Valuation

Initiate with HOLD; TP at HK\$1.15

We believe the DCF method is appropriate for valuing companies in the wind sector as it can capture the time value of future cash inflows.

We initiate coverage on Datang with a **HOLD** rating. Our DCF-derived TP of HK\$1.15 is based on 6% WACC. Our TP is equivalent to 17x/31x 2015/16E P/E and 0.6x/0.6x 2015/16E P/B. While our P/E valuation may seem demanding, its P/B valuation is still below book and approaching its historical low of 0.58x in Sep 2012. Thus, we believe its current valuation is justified. We believe any improvement in Datang's operation (increased utilization hour, improvement in wind resources, decline in interest rate decline etc.) should elevate earnings and hence share price. However, investors should be aware of its high net gearing ratio and all-in capacity cost, as these increase the need for fundraising.

Share price catalysts

As Datang is a highly leveraged operator with most its wind farms locating in Inner Mongolia, catalysts for the Group's share price would be 1) power grid capacity improvement in Inner Mongolia; 2) Expansion in southern/coastal regions; 3) Better-than-expected quarterly operation data.

Exhibit 9: Datang's DCF calculation (2015E-2024E)

Datang's DCF calculation	
Perpetual growth rate	1%
WACC	6%
Terminal value	93,076
PV of terminal value	51,025
Cum PV of CF stream	1,868
Enterprise Value	52,893
Less debt	(60,300)
Add cash on hand	17,128
Less: MI	(2,825)
Equity Value	6,896
Shares o/s	7,287
Value per share(HK\$)	1.15

Source(s): The Company, ABCI Securities estimates

Exhibit 10: Datang's WACC calculation (2015E-2024E)

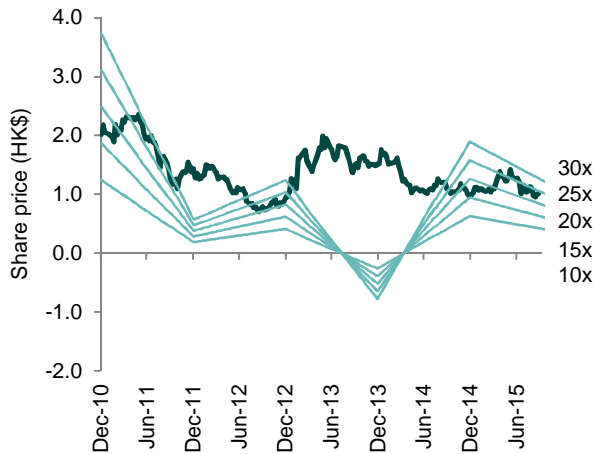
	Assumptions
Risk Free Rate of Return	3.4%
Long Term Cost of Debt	5.0%
Equity Risk Premium	12.8%
Beta	0.98
Tax Rate	25.0%
Target Debt to Total Capital	80.0%
Target Equity to Total Capital	20.0%
Cost of Equity	16.0%
WACC	6.2%

Source(s): The Company, ABCI Securities estimates

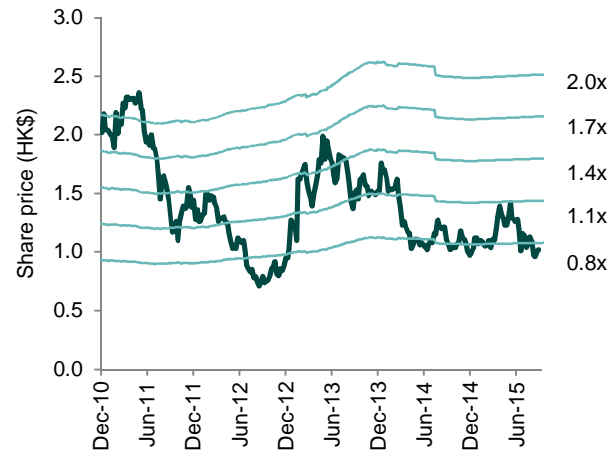
Exhibit 11: Peer comparison

Name	Stock code	Price	Mkt Cap (USDmn)	PER (x)		PBR (x)		Dvd Yield		ROE	
				FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
HK & China											
China Longyuan	916 HK	8.75	9,073	14.9	12.7	1.6	1.4	1%	2%	11%	12%
Huaneng Renewables	958 HK	3.07	3,853	13.0	10.3	1.4	1.2	1%	2%	11%	12%
Datang Renewable	1798 HK	1.07	1,004	17.1	11.6	0.6	0.6	1%	1%	3%	5%
Huadian Fuxin Energy	816 HK	3.13	3,396	9.0	7.2	1.2	1.1	2%	3%	14%	15%
Beijing Jingneng Clean	579 HK	2.65	2,349	7.7	6.7	1.0	0.9	3%	4%	13%	15%
China Suntien Green Energy	956 HK	1.55	743	11.1	8.8	0.6	0.6	3%	4%	5%	7%
Avg.				12.1	9.6	1.1	1.0	2%	2%	10%	11%
International											
Acciona Sa	ANA SM	70.55	4,597	22.5	19.8	1.2	1.2	3%	3%	6%	6%
Theolia Sa - Regr	TEO FP	0.60	127	n.a.	n.a.	0.0	0.0	n.a.	n.a.	-4%	-1%
Edp Renovaveis Sa	EDPR PL	6.02	5,972	36.5	28.1	0.9	0.9	1%	1%	3%	3%
Greentech Energy Systems	GES DC	7.50	122	13.4	13.4	0.5	0.5	1%	1%	4%	4%
Avg.				24.1	20.4	0.7	0.6	1%	2%	2%	3%

Source(s): Bloomberg, prices are as of Oct 12, 2015

Exhibit 12: Datang's fwd PE chart


Source(s): Bloomberg, ABCI Securities estimates

Exhibit 13: Datang's fwd PB chart


Source(s): Bloomberg, ABCI Securities estimates

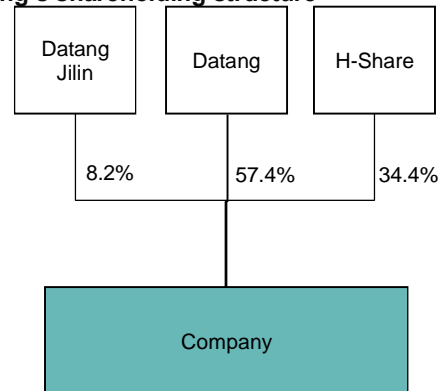
Company overview

Background

Datang is the subsidiary and renewable energy arm of Datang Group, which is the fifth largest power generation company in China in terms of total installed capacity.

Datang Group is the company's major shareholder and currently controls a 57% stake. Datang is the largest wind power operator in Inner Mongolia. The company was first listed on the main board of the Hong Kong Stock Exchange by way of a global offering in Dec 2010.

Exhibit 14: Datang's shareholding structure



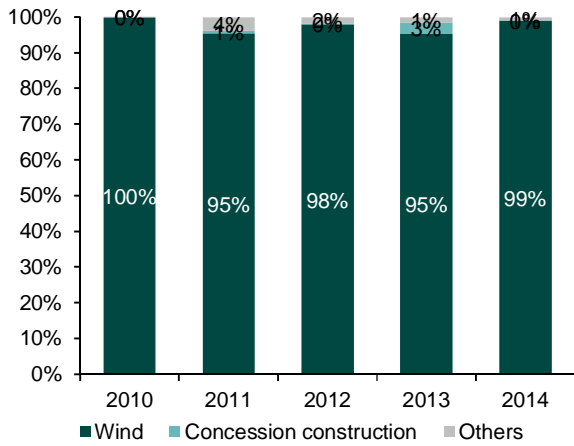
Source(s): The Company, ABCI Securities

Major assets and business

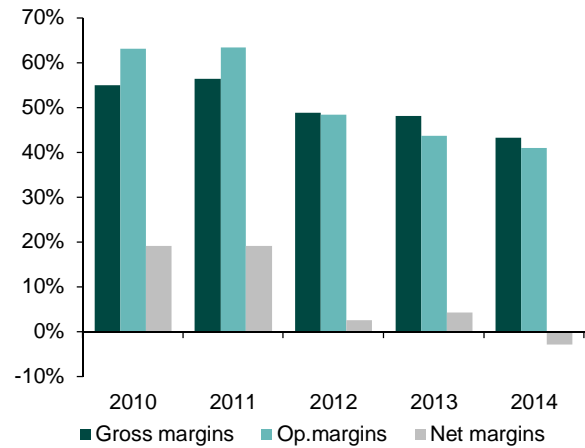
Datang has been concentrating in wind power operation business and currently controls 5,916 MW of installed wind capacity in China, which accounted for 6% of China's existing wind capacity in 2014. Inner Mongolia/northeast China took up 42%/23% of the Group's 2014 wind power capacity.

Revenue breakdown

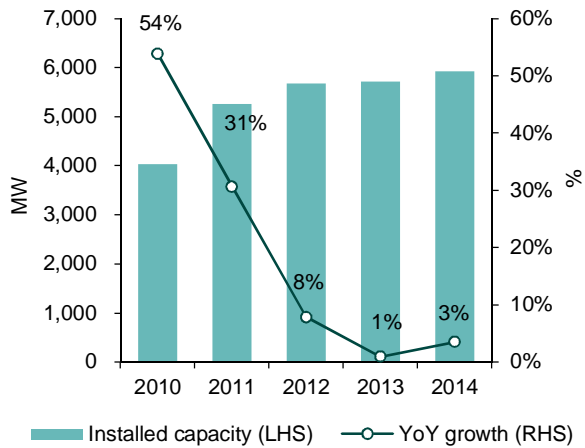
Datang reported a revenue of RMB5.2 bn for 2014, down 8% YoY compared to the 29% YoY increase in 2013, mainly due a 10% YoY decrease in wind power utilization hour to 1,803 hours in 2014 from 2,002 hours in 2013

Exhibit 15: Historical revenue breakdown


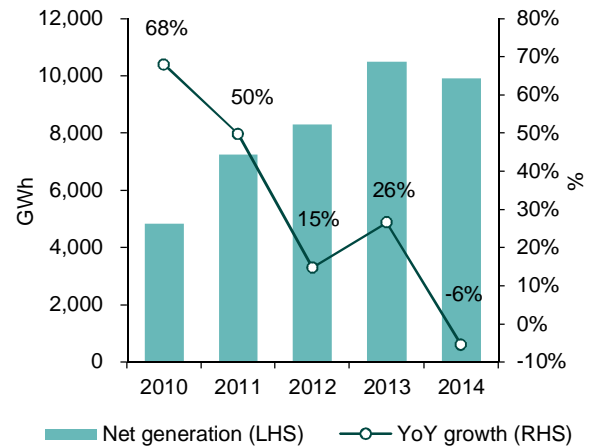
Source(s): Company data, ABCI Securities

Exhibit 16: Datang's historical margins


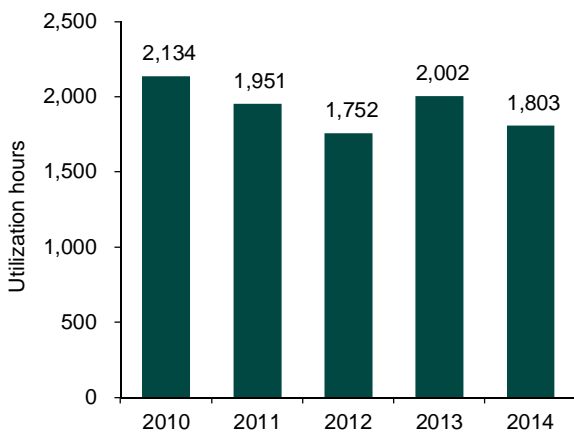
Source(s): Company data, ABCI Securities

Exhibit 17: Datang's installed wind power capacity


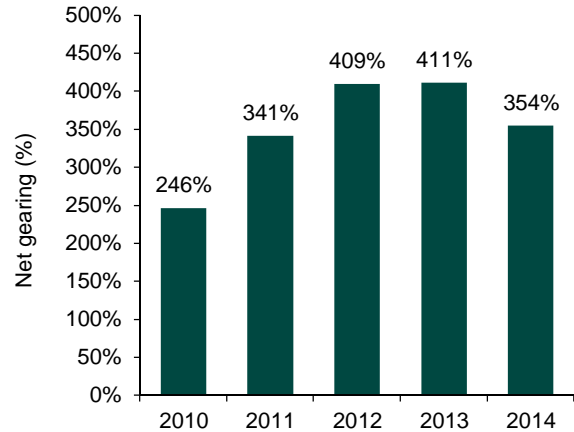
Source(s): Company data, ABCI Securities

Exhibit 18: Datang's net wind power generation


Source(s): Company data, ABCI Securities

Exhibit 19: Datang's utilization hour trend


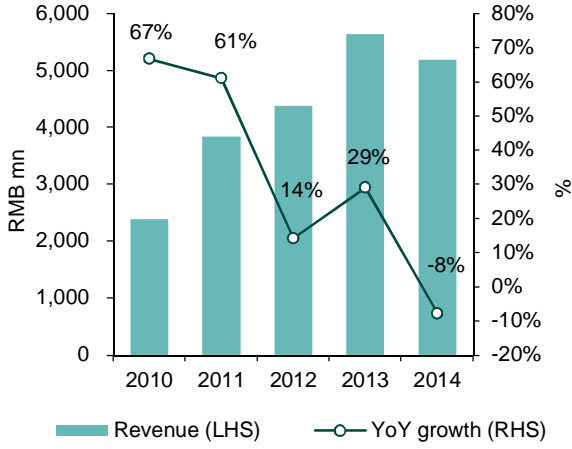
Source(s): Company data, ABCI Securities

Exhibit 20: Datang's net gearing ratio


Source(s): Company data, ABCI Securities

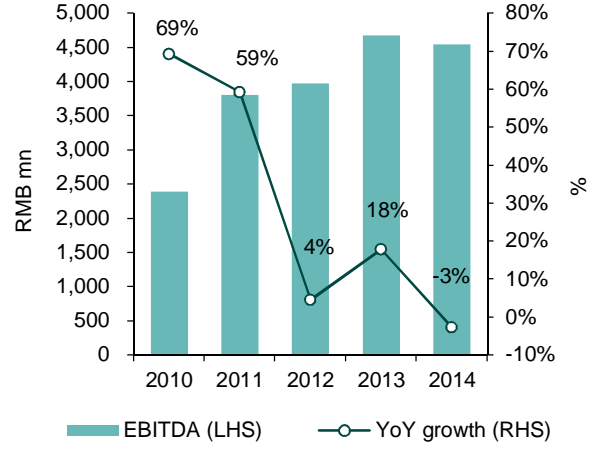


Exhibit 21: Datang's overall revenue growth trend



Source(s): Company data, ABCI Securities

Exhibit 22: Datang's overall EBITDA growth trend



Source(s): Company data, ABCI Securities



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Revenue	5,630	5,186	6,076	7,139	8,061
Wind	5,364	5,132	5,941	6,993	7,902
Concession construction	185	8	0	0	0
Others	80	47	135	145	158
COGS	-2,924	-2,941	-3,276	-3,769	-4,254
Gross profit	2,706	2,245	2,800	3,369	3,807
SG&A	0	0	0	0	0
Net financial income (cost)	-2,108	-2,234	-2,034	-2,827	-3,822
Other income and gains	-238	-72	-185	-218	-270
Pre-tax profit	360	-62	581	325	-286
Income tax	-53	-66	-104	-59	51
Net profit	307	-128	476	267	-234
Profit attributable to:					
Minority interests	-71	-23	-95	-53	47
Equity shareholders of the Company	237	-150	381	213	-188
Basic EPS (RMB)	0.033	-0.021	0.052	0.029	-0.026
DPS (RMB)	0.003	0.000	0.010	0.006	0.000

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2013A-2017E)

As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Current assets	5,912	6,683	20,835	37,537	52,687
Cash and equivalent	1,001	2,190	17,128	33,183	47,770
Pledged and restricted bank deposits	0	350	0	0	0
Trade and bill receivables	3,805	3,279	2,830	3,325	3,754
Other receivables and prepayments	1,089	828	832	978	1,104
Inventories	17	35	45	52	58
Other current assets	0	0	0	0	0
Non-current assets	50,477	53,427	58,897	66,473	73,939
Property, plant and equipment	45,667	48,783	54,537	61,349	67,843
Lease prepayment	0	0	0	0	0
Intangible assets	968	1,016	1,003	990	977
Investment in JV and associates	380	667	667	667	667
Deferred tax assets	36	38	38	38	38
Other non-current assets	3,426	2,923	2,653	3,430	4,414
Total assets	56,388	60,110	79,732	104,011	126,625
Current liabilities	10,270	10,951	13,267	16,920	20,561
Trade and bill payables	309	434	897	826	932
Other payables	4,549	4,294	4,530	5,207	5,871
Short term borrowings	5,412	6,223	7,839	10,887	13,758
Other current liabilities	0	0	0	0	0
Non-current liabilities	34,255	35,510	52,951	73,353	92,561
Deferred tax liabilities	32	29	29	29	29
Long-term borrowings	33,766	35,020	52,461	72,862	92,070
Other non-current liabilities	458	461	461	461	461
Total liabilities	44,525	46,462	66,218	90,273	113,122
Minority interests	2,571	2,730	2,825	2,878	2,832
Shareholders' equities	9,292	10,918	10,688	10,859	10,672

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Profit before tax	360	-62	581	325	-286
Change in depreciation and amortization	2,218	2,398	2,697	3,092	3,491
Change in working capital	7	728	1,148	-479	-171
Net financial cost (income)	2,111	2,234	2,234	1,874	2,650
Income tax paid	-35	-73	-23	-95	-53
Net interest received	16	13	0	0	0
Others	-13	-45	-70	-82	-93
CF Operating	4,663	5,193	6,567	4,635	5,539
Capex	-4,601	-5,513	-8,422	-9,875	-9,956
Increase in intangible assets	0	0	-15	-16	-17
Others	-276	-222	0	0	0
CF Investing	-4,877	-5,735	-8,437	-9,891	-9,973
Net Capital raise	0	0	13	0	0
Net debt financing	1,665	3,969	19,056	23,450	22,079
Dividend payout	-257	-77	0	-76	-43
Interest paid	-2,215	-2,355	-2,262	-2,062	-3,015
Others	-79	195	0	0	0
CF Financing	-885	1,732	16,808	21,312	19,021
Net change in cash	-1,099	1,190	14,937	16,055	14,587
Cash at the beginning	2,104	1,001	2,190	17,128	33,183
Adjustment (Time deposit & FX effect)	-4	-1	0	0	0
Cash at the end	1,001	2,190	17,128	33,183	47,770

Source(s): Company, ABCI Securities estimates

Key Ratio (2013A-2017E)

FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Sales mixed (%)					
Wind	95.28	98.95	97.78	97.96	98.03
Concession construction	3.29	0.15	0.00	0.00	0.00
Others	1.43	0.90	2.22	2.04	1.97
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	48.06	43.28	46.09	47.20	47.22
Operating profit margin	43.66	40.95	41.89	43.00	42.72
Pre-tax margin	6.40	-1.19	9.55	4.55	-3.55
Net profit margin	5.46	-2.46	7.83	3.73	-2.91
Selling & administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Effective tax rate	14.72	-106.87	18.00	18.00	18.00
Growth (%)					
Revenue	28.90	-7.89	17.16	17.50	12.92
Gross profit	26.96	-17.05	24.75	20.33	12.98
Operating profit	16.25	-13.60	19.83	20.62	12.19
Net profit	64.76	-141.50	-473.17	-44.01	-187.96
Balance sheet ratios					
Current ratio (x)	0.58	0.61	1.57	2.22	2.56
Quick ratio (x)	0.47	0.53	1.50	2.16	2.51
Cash ratio (x)	0.10	0.23	1.29	1.96	2.32
Trade and bill receivables days	246.65	230.79	170.00	170.00	170.00
Trade and bill payables turnover days	38.53	53.84	100.00	80.00	80.00
Inventory turnover days	2.11	4.37	5.00	5.00	5.00
Total debt / equity ratio (%)	421.63	377.74	564.15	771.24	991.69
Net debt / equity ratio (%)	410.85	354.48	403.91	465.66	544.05
Returns (%)					
ROAA	0.4	-0.3	0.5	0.2	-0.2
ROAE	2.6	-1.5	3.5	2.0	-1.7
Payout ratio	95.28	98.95	97.78	97.96	98.03

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Ng King Chuen Kelvin, 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

ABC Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return \pm 6% mStock return < Market return rate
Sell	Stock return < Market return \pm 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 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	2.6 m180 day volatility/180 day benchmark index volatility
High	1.5 m180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 m180 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. ABC Securities Company Limited is under no obligation to update or keep current the information contained herein. ABC Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABC Securities Company Limited, into other areas, units, groups or affiliates of ABC 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**