



Feb 4, 2015
 Company Report
 Rating: BUY
 TP: HK\$ 2.10

Share price (HK\$) 1.56
 Est. share price return 34.6%
 Est. dividend yield 6.0%
 Est. total return 40.6%

Previous Rating & TP BUY; HK\$2.30
 Previous Report Date Jan 23, 2014

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Key Data

52Wk H/L(HK\$) 1.76/1.30
 Issued shares (mn) 6,027
 Market cap (HK\$ mn) 9,221
 3-mth avg daily turnover (HK\$ mn) 5.4
 Major shareholder(s) (%):
 Lin's family 56.7

Source(s): Company, Bloomberg, ABCI Securities

FY13 Revenue breakdown (%)

Property development 97.2
 Property management 2.4
 Property investment 0.4

Source(s): Company, ABCI Securities

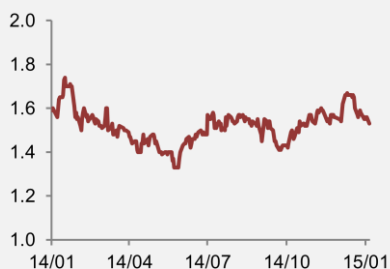
Share performance (%)

	Absolute	Relative*
1-mth	(5.6)	(8.2)
3-mth	3.4	(0.2)
6-mth	(2.5)	(2.2)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

CIFI (884 HK)

Offshore lending to reduce cost; maintain BUY

- One of the fastest-growing developers with 2014 presales surging 39% YoY to RMB 21.2bn; margin in 2015 is likely to improve as presales ASP jumped 14% YoY in 2014
- CIFI managed to reduce its finance cost by raising USD bond and offshore loans in Jan 2015 despite tough financing environment for small/mid-sized players
- Maintain BUY with revised TP of HK\$ 2.10 (from HK\$ 2.30) based on 60% discount to NAV

Impressive presales growth, high ASP and improved margin on increased exposure in tier-1 regions. As CIFI continued its tier-1 expansion strategy in 2014, the Group's presales surged 39% YoY to RMB 21.2bn compared to the sector average growth of 18% YoY. In 2014, 44% of total land capex were allocated for projects in tier-1 cities, which will provide CIFI with quality sellable resources in 2015. We expect CIFI's presales to grow 10%-20% for 2015F. Presales ASP jumped 14% YoY to HK\$ 12,200/sqm for 2014. We expect CIFI's gross margin to rebound to 30% level from 24%-26% in previous years on geographic shift to tier-1 cities. Going forward, CIFI targets to change its product mix from 80% mass market and 20% office & commercial to 35% mass market, 35% upgraders, 20% office and 10% commercial by sales. Increasing share of products for upgraders should improve CIFI's ASP and margins in the future.

Finance cost continues to improve amid litigation crisis among small/mid-cap players. CIFI's has been actively managing its debt portfolio to reduce finance cost. Effective interest rate dropped from 10.0% in 2010 to 8.7% in 1H14 on more favorable rate of CIFI's offshore borrowing. Despite recent scandals among small/mid-sized developers, the Group was able to raise US\$ 200mn in Jan 2015 at a lower rate of 8.3% (vs. 8.875% a year ago) based on its proven track record and transparent land acquisition in tier 1/2 cities. The Group also secured a club loan of US\$ 120mn at HIBOR +4.75% in Jan 2015, lower than the rate at HIBOR +5.65% obtained in July 2013. For onshore borrowing, we believe CIFI would not be affected by litigations against various small/mid-sized developers. Borrowing rate should stay at 1.15-1.2x PBOC rate, which is 40bps lower after the latest rate cut in Nov 2014. We expect CIFI's offshore debt proportion to increase further from the current ~40% level and help reduce interest cost.

Maintain BUY with TP HK\$ 2.10. Factoring in the latest land acquisition in Nov-Dec 2014, we revise down our 2015F NAV to HK\$ 5.16 (from HK\$ 5.75). Applying a 60% discount to NAV, our TP is lowered from HK\$ 2.30 to HK\$ 2.10. Trading at 70% discount to NAV, we believe CIFI is undervalued given its 6.0% yield and fundraising ability that remains unscathed by the litigation crisis. CIFI's is our top pick among small/mid-cap private developers. Maintain BUY.

Risk factors: 1) Expensive land acquisition may expand presales scale but erode margins; 2) Low daily turnover of the Group's shares

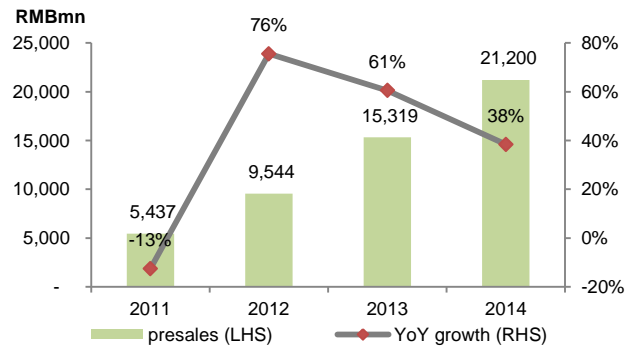
Results and Valuation

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
Revenue (RMB mn)	8,144	11,909	16,505	18,497	18,886
Chg (% YoY)	103.2	46.2	38.6	12.1	2.1
Underlying Net Income (RMB mn) ¹	921	1,519	1,877	2,080	2,463
Chg (% YoY)	49.7	64.9	23.6	10.8	18.4
Underlying EPS (RMB)	0.16	0.25	0.31	0.35	0.41
Chg (% YoY)	49.7	57.9	23.6	10.8	18.4
BVPS (RMB)	1.14	1.43	1.65	1.89	2.17
Chg (% YoY)	100.3	25.9	15.3	14.7	15.1
Underlying PE (x)	7.8	5.0	4.0	3.6	3.1
P/B (x)	1.1	0.9	0.8	0.7	0.6
ROE (%)	14.1	17.6	18.9	18.3	18.8
ROA (%)	3.4	3.9	4.2	4.2	4.6
DPS(HK\$)	0.04	0.07	0.09	0.10	0.12
Yield (%)	2.6	4.5	6.0	6.6	7.9
Net gearing ² (%)	62.8	67.9	56.3	43.7	(7.3)

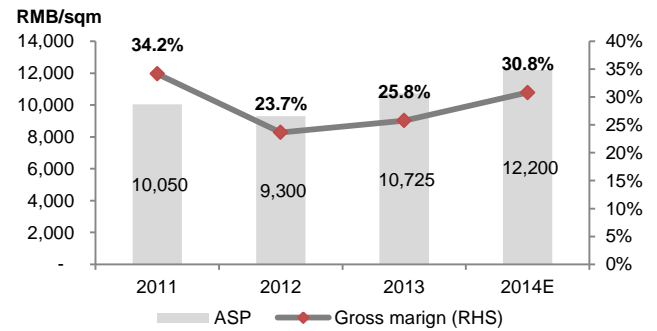
¹Underlying net income = Net profit - revaluation gain of investment properties and one-off items

²Net gearing = Net debt/Total equity

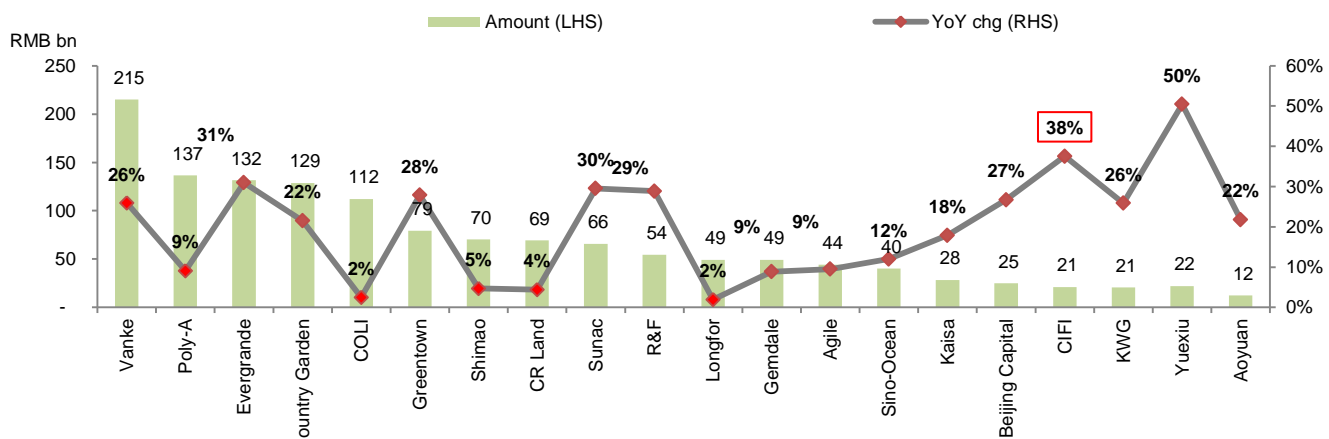
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 1: CIFI's presales


Source(s): Company

Exhibit 2: CIFI's ASP


Source(s): Company, ABCI Securities estimates

Exhibit 3: 2014 presales growth rate


Source(s): Company, ABCI Securities

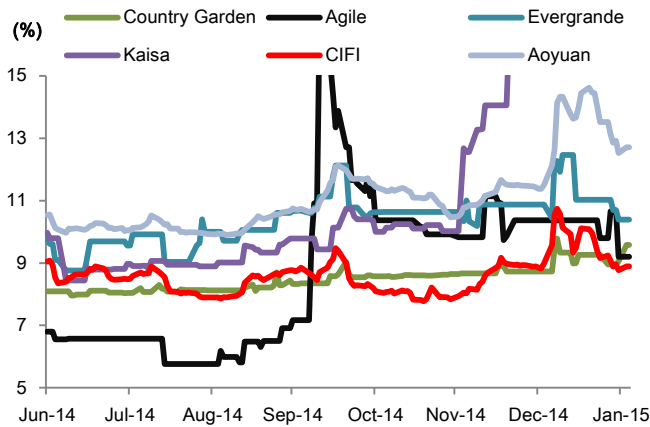
Exhibit 4: CIFI's land acquisition in 2014- Tier 1 cities represent 44% of total attributable spending

Date	City	Project	Stake	Use	Total GFA	Total	Attributable	Attributable
						consideration	consideration	land cost
					mn sqm	RMBmn	RMBmn	RMB/sqm
Jan-14	Zhenjiang	CIFI East One	100%	Residential	0.15	210	210	1,416
Feb-14	Beijing	MOMA CIFI	50%	Residential	0.13	778	389	5,885
Apr-14	Suzhou	Gaoxin District Hushuguan	100%	Residential	0.05	138	138	2,899
May-14	Hefei	Gaoxin District	50%	Residential	0.22	1,165	583	5,319
Jul-14	Suzhou	Wuzhong District	100%	Residential	0.15	630	630	4,214
Sep-14	Shanghai	Pudong	49%	Office and Residential	0.23	4,175	2,046	18,416
Nov-14	Suzhou	Industrial Park	100%	Residential	0.11	1,190	1,190	10,949
Dec-14	Nanjing	Pokou	51%	Residential	0.11	490	250	4,284
Dec-14	Nanjing	Jiangning	100%	Residential	0.05	339	339	6,516
Dec-14	Shanghai	Songjiang	35%	Residential	0.10	629	220	6,056
Total					1.30	9,744	5,994	7,482

Source(s): Company, ABCI Securities

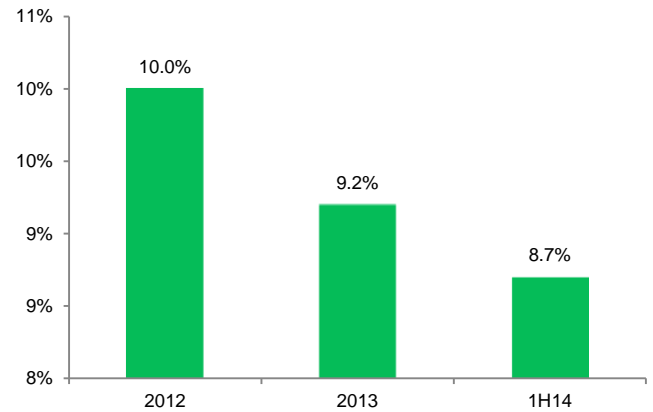


Exhibit 5: CIFI's bond yield vs. peers



Source(s): Bloomberg

Exhibit 6: CIFI's cost of debt



Source(s): Company, ABCI Securities

Exhibit 7: CIFI's new borrowing since 2014

Month	Type of debt	Amount	Effective interest rate	Term	Remarks
		US\$m			
Jan-14	USD bond	200	8.88%	5 yr	
Jan-14	Offshore project USD loan	320	HIBOR +4%	3 yr	For Hangzhou Greenland CIFI city JV project; 50% attributable to CIFI
Nov-14	Offshore project HKD loan	185	HIBOR +4%	3 yr	For Shanghai Henderson CIFI city JV project; 50% attributable to CIFI
Jan-15	USD bond	200	8.30%	4 yr	A retap of Jan 2014 issuance
Jan-15	Club loan	120	HIBOR +4.75%	3 yr	Arrangers: Standard Chartered Bank, HSBC, Hang Seng Bank and Bank of Shanghai

Source(s): Company, ABCI Securities

Exhibit 8: CIFI's FY15E NAV

	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Shanghai	1.2	7,499	24%	DCF at WACC of 9.8%	6,249
Suzhou	1.1	4,074	13%		3,630
Hangzhou	0.4	2,198	7%		6,084
Beijing	0.4	2,509	8%		6,818
Tianjin	1.0	2,697	9%		2,645
Chongqing	1.2	2,906	9%		2,503
Others	4.6	8,658	28%		1,866
Subtotal	9.9	30,542	97%		
Property investment & management		875	3%	6.5% cap rate on 2014E net rental income	
Total 2015E GAV		31,417	100%		
2015E Net debt		(6,517)	-21%		
Total 2015E NAV		24,900	79%		
No. of share outstanding (diluted)		6,027			
NAV per share (RMB)		4.13			
Ex rate		1.25			
NAV per share (HKD)		5.16			
Target discount (%)		60%			
Target Price (HKD)		2.10			

WACC	9.8%
Cost of debt	8.5%
Cost of Equity	15.0%
Debt/ (Debt + Equity)	61%

Source(s): Company, ABCI Securities estimates



Exhibit 9: Valuation of Hong Kong-listed and PRC-listed developers

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV (%)	Valuation									
						3M	YTD	2014		P/E			Yield (%)			P/B			
						(HKD bn)	(local ccy)	% Chg		% Chg	% Chg	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E
Residential:																			
1	COLI	688 HK	BUY	28.30	192	23.25	3	1	8	(17.74)	10.0	8.7	7.8	2.0	2.3	2.6	1.7	1.5	1.3
2	Vanke-H	2202 HK	NR		179	17.70	19	2	30	(7.34)	13.6	9.1	7.7	2.9	3.4	3.9	2.0	1.8	1.5
3	CR Land	1109 HK	NR		129	19.60	6	(4)	10	(30.12)	13.8	10.2	8.7	2.2	2.6	2.9	1.3	1.2	1.1
4	Country Garden	2007 HK	NR		62	3.08	(0)	(1)	(28)	(54.57)	5.9	4.7	4.3	6.7	7.4	8.2	0.9	0.9	0.8
5	Shimao	813 HK	NR		57	16.42	(3)	(5)	4	(50.04)	6.3	5.2	4.6	4.8	5.8	6.5	1.1	1.0	0.8
6	Longfor	960 HK	NR		59	10.06	8	1	(5)	(47.69)	7.6	6.6	5.7	2.8	3.1	3.4	1.1	1.0	0.9
7	Evergrande	3333 HK	BUY	3.80	47	3.26	8	4	24	(66.12)	4.1	4.9	3.3	16.4	7.1	10.6	0.6	0.4	0.4
8	Sino Ocean	3377 HK	NR		36	4.81	6	9	(8)	(46.65)	8.5	7.9	6.9	4.8	4.8	5.3	0.7	0.6	0.6
9	Guangzhou R&F	2777 HK	NR		28	8.80	(2)	(7)	(11)	(71.57)	3.9	4.4	3.8	8.7	7.4	8.2	0.7	0.5	0.5
10	Sunac	1918 HK	BUY	9.90	23	6.94	2	(12)	81	(71.31)	5.3	4.9	4.0	3.4	3.7	4.5	1.4	1.1	0.9
11	Yuexiu Properties	123 HK	NR		19	1.53	4	3	(13)	(65.62)	12.4	7.0	6.5	5.0	5.1	5.4	0.5	0.5	0.5
12	Agile	3383 HK	NR		18	4.63	4	5	(43)	(73.66)	3.2	3.2	3.2	10.1	7.8	7.9	0.4	0.4	0.3
13	KWG	1813 HK	NR		14	4.96	(15)	(7)	33	(67.75)	5.0	4.0	3.4	7.3	7.6	8.9	0.6	0.6	0.5
14	Greentown	3900 HK	HOLD	8.50	15	6.83	(23)	(11)	(30)	(59.89)	3.1	3.3	3.4	7.8	7.3	7.3	0.5	0.5	0.4
15	Kaisa	1638 HK	Under review		8	1.59	(46)	0	(33)	(76.46)	2.8	2.3	2.1	9.4	10.0	13.1	0.4	0.4	0.3
16	CIFI	884 HK	BUY	2.10	9	1.56	4	1	(1)	(69.79)	5.0	4.0	3.6	4.5	6.0	6.6	0.9	0.8	0.7
17	COGO	81 HK	NR		9	4.02	(3)	2	(46)	(69.01)	3.3	3.8	3.4	2.7	2.5	2.7	0.8	0.7	0.6
18	BJ Capital Land	2868 HK	NR		8	3.69	35	26	22	(32.91)	5.3	3.9	3.1	7.4	7.7	7.7	0.7	na	na
19	China Aoyuan	3883 HK	BUY	1.90	3	1.23	(2)	0	(18)	(77.73)	4.0	3.4	2.5	8.1	8.8	10.1	0.4	0.3	0.3
HK Listed Avg							0	0	(1)	(55.58)	6.5	5.3	4.6	6.2	5.8	6.6	0.9	0.8	0.7
- Large cap (>HKD30b) avg							6	1	4	(40.03)	8.7	7.2	6.1	5.3	4.5	5.4	1.2	1.1	0.9
- Small-mid cap (<HKD30b) avg							(4)	(0)	(5)	(66.88)	4.8	4.0	3.5	6.8	6.7	7.5	0.7	0.6	0.5
1	Vanke-A	000002 CH	NR		179	12.96	38	(7)	56	(15.84)	11.9	8.0	6.7	3.2	3.5	4.1	1.9	1.6	1.3
2	Poly-A	600048 CH	NR		135	10.15	73	(6)	105	(41.67)	12.6	8.3	7.0	1.9	2.3	2.9	2.0	1.7	1.4
3	China Merchants Property	000024 CH	NR		77	26.27	98	(0)	96	(22.12)	18.5	13.7	11.6	1.2	1.4	1.7	2.4	2.2	1.9
4	Gemdale	600383 CH	NR		53	9.56	20	(16)	74	(24.01)	11.8	11.1	9.3	1.0	1.5	1.6	1.5	1.3	1.2
A-share Listed Avg							57	(7)	83	(25.91)	13.7	10.3	8.6	1.8	2.2	2.6	1.9	1.7	1.5
Commercial:																			
1	SOHO China	410 HK	NR		28	5.30	(9)	(3)	(14)	(33.75)	5.0	10.2	18.1	5.9	5.8	5.6	0.6	0.6	0.6
2	HLP	101 HK	NR		101	22.50	(6)	3	(8)	(35.20)	19.9	15.6	16.2	3.4	3.5	3.5	0.8	0.8	0.7
3	China South City	1668 HK	BUY	4.60	20	2.47	(30)	(30)	67	(72.88)	6.3	5.7	4.1	5.7	7.7	9.7	0.9	0.9	0.8
4	Hui Xian REIT	87001 HK	NR		23	3.47	5	(0)	(3)	(20.69)	24.8	15.4	14.8	7.1	7.1	7.4	0.6	0.7	0.7
5	Franshion	817 HK	BUY	3.30	20	2.21	18	(0)	(14)	(66.71)	7.4	6.9	6.2	4.3	4.7	5.3	0.7	0.7	0.6
6	Shui On Land	272 HK	NR		14	1.75	(5)	(4)	(21)	(51.05)	9.5	15.0	13.3	3.5	3.1	3.0	0.3	0.3	0.3
8	Yuexiu REIT	405 HK	NR		11	4.08	7	5	11	na	48.3	30.0	24.8	6.6	7.0	7.4	0.7	0.7	0.8
9	Zall	2098 HK	NR		9	2.57	(7)	(4)	(2)	na	26.1	na	na	0.0	na	na	1.0	na	na
10	Wuzhou	1369 HK	NR		6	1.34	(28)	(9)	10	na	14.2	7.3	4.9	2.6	3.1	4.7	2.0	na	na
Commercial Avg							(6)	(6)	3	(50.81)	16.4	12.0	11.6	5.1	6.4	7.3	0.9	0.7	0.6
- Developers							(6)	(10)	5	(56.10)	11.4	9.0	9.2	4.7	6.2	7.3	0.9	0.7	0.6
- Landlords/REIT							1	(9)	(3)	(48.04)	36.6	22.7	19.8	6.8	7.1	7.4	0.7	0.7	0.7

* Share price as at Feb 3, 2015

Source(s): Bloomberg, ABCI Securities estimates



Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Revenue	8,144	11,909	16,505	18,497	18,886
Cost of sales	(6,218)	(8,841)	(11,423)	(12,819)	(12,922)
Gross Profit	1,926	3,069	5,082	5,678	5,964
SG&A expenses	(549)	(822)	(1,097)	(1,266)	(1,354)
EBIT	1,377	2,246	3,985	4,412	4,609
Finance cost	(43)	(188)	(122)	(131)	(147)
Share of profit of associates	-	(14)	157	381	531
Other income/ (expenses)	40	75	80	101	159
Fair value gain of investment properties	-	-	-	-	-
Disposal/one-off items	1,466	857	-	-	-
Profit before tax	2,840	2,975	4,099	4,762	5,153
Tax	(819)	(934)	(1,700)	(1,934)	(2,040)
Profit after tax	2,021	2,041	2,399	2,828	3,113
Minority interest	(84)	(147)	(522)	(748)	(651)
Reported net profit	1,937	1,894	1,877	2,080	2,463
<i>Less: exceptional items</i>	<i>(1,016)</i>	<i>(375)</i>	-	-	-
Underlying net profit	921	1,519	1,877	2,080	2,463
Per share					
Underlying EPS (RMB)	0.16	0.25	0.31	0.35	0.41
DPS (RMB)	0.04	0.07	0.09	0.10	0.12
Payout ratio (%)	25%	28%	30%	30%	30%
BVPS (RMB)	1.14	1.43	1.65	1.89	2.17
Growth %					
Revenue	103.2%	46.2%	38.6%	12.1%	2.1%
Gross Profit	40.6%	59.3%	65.6%	11.7%	5.0%
EBIT	38.2%	63.2%	77.4%	10.7%	4.5%
Underlying net profit	49.7%	64.9%	23.6%	10.8%	18.4%
Margin %					
Gross margin	23.7%	25.8%	30.8%	30.7%	31.6%
Gross margin (post-LAT)	22.0%	23.7%	25.3%	24.9%	25.6%
EBIT margin	16.9%	18.9%	24.1%	23.9%	24.4%
Core net margin	11.3%	11.9%	13.6%	13.2%	13.7%
Key assumptions					
Presales (RMB mn)	9,544	15,319	21,523	25,047	25,718
GFA sold (mn sqm)	1.03	1.43	1.72	1.88	1.80
ASP (RMB/sqm)	9,300	10,725	12,492	13,318	14,319
Booked Sales (RMB mn)	7,991	11,579	16,148	18,120	18,489
GFA delivered (mn sqm)	0.73	1.24	1.33	1.45	1.41
Booked ASP (RMB/sqm)	10,877	9,346	12,166	12,491	13,091

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Current assets	22,570	29,829	32,490	36,970	40,907
Cash	4,591	7,061	8,672	11,241	20,455
Restricted cash	-	100	100	100	100
Trade & other receivables	1,396	3,370	3,370	3,370	3,370
Property under development	15,809	16,996	18,046	19,957	14,679
Other current assets	774	2,302	2,302	2,302	2,302
Non-current assets	4,286	9,277	12,458	12,641	12,855
Property, plant & equipment	106	47	54	61	68
Investment properties	3,956	4,650	4,650	4,650	4,650
Investment in Associate and JCE	-	4,299	7,473	7,649	7,856
Other non-current assets	225	281	281	281	281
Total Assets	26,857	39,106	44,949	49,612	53,761
Current Liabilities	13,580	18,632	21,904	24,474	26,353
Short term borrowings	3,372	3,017	5,017	7,017	9,017
Trade & other payables	2,982	6,330	6,330	6,330	6,330
Pre-sales deposits	6,202	8,068	9,340	9,910	9,788
Other current assets	1,024	1,218	1,218	1,218	1,218
Non-current liabilities	6,336	11,318	11,318	11,318	11,318
Long term borrowings	5,578	10,357	10,357	10,357	10,357
Other payables	-	-	-	-	-
Other non-current assets	757	961	961	961	961
Total Liabilities	19,916	29,951	33,223	35,793	37,671
Net Assets	6,941	9,155	11,726	13,819	16,090
Shareholders Equity	6,550	8,611	9,925	11,381	13,105
Perpetual capital instrument	-	-	545	484	430
Minority Interest	391	544	1,256	1,954	2,555
Total Equity	6,941	9,155	11,726	13,819	16,090
Key ratio					
Gross debt (RMB mn)	8,950	13,374	15,374	17,374	19,374
Net debt (RMB mn)	4,360	6,213	6,602	6,033	(1,181)
Net gearing (%)	63%	68%	56%	44%	-7%
Presales/ Total assets (x)	36%	39%	48%	50%	48%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2012A-2016E)

FY ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
EBITDA	1,390	2,259	3,998	4,425	4,622
Change in Working Capital	(383)	1,545	1,321	(162)	6,479
Tax payment	(400)	(817)	(1,700)	(1,934)	(2,040)
Operating Cashflow	607	2,988	3,619	2,329	9,062
Purchase of PP&E	(13)	(17)	(20)	(20)	(20)
Addition of Investment Properties	(28)	35	-	-	-
Others	(110)	(4,233)	(2,938)	305	485
Investing Cashflow	(150)	(4,214)	(2,958)	285	465
Debt raised	6,081	11,288	10,000	10,000	10,000
Debt repaid	(4,967)	(6,825)	(8,000)	(8,000)	(8,000)
Interest expenses	(704)	(1,065)	(1,222)	(1,310)	(1,470)
Equity raised	1,352	308	-	-	-
Dividend to shareholders	-	(185)	(563)	(624)	(739)
Others	(202)	175	735	(111)	(104)
Financing Cashflow	1,560	3,696	950	(44)	(312)
Net cash inflow/ (outflow)	2,017	2,470	1,611	2,569	9,214
Cash- beginning	7,762	4,591	7,061	8,672	11,241
Cash- year-end	9,779	7,061	8,672	11,241	20,455

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.

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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.

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