



May 8, 2015  
Company Report  
Rating: BUY  
TP: HK\$ 4.50

Share price (HK\$) 3.12  
Est. share price return 44.2%  
Est. dividend yield 4.0%  
Est. total return 48.2%

Previous Rating & TP BUY; HK\$ 3.30  
Previous Report Date Jan 23, 2015

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

**Key Data**

52Wk H/L(HK\$) 3.34/1.79  
Issued shares (mn) 9,068  
Market cap (HK\$ mn) 28,656  
3-mth avg daily turnover (HK\$ mn) 40.14  
Major shareholder(s) (%):  
Sinochem Group 62.90

Source(s): Company, Bloomberg, ABCI Securities

**FY14 Revenue breakdown (%)**

Property Development 46.9  
Property Leasing 6.0  
Hotels 9.9  
Land Development 34.6  
Others 2.6

Source(s): Company, ABCI Securities

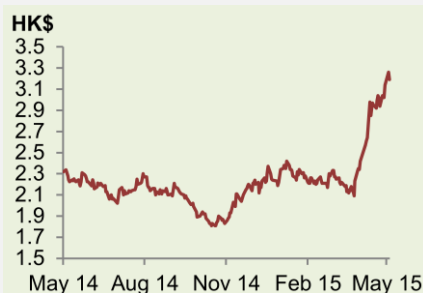
**Share performance (%)**

	Absolute	Relative*
1-mth	30.6	17.8
3-mth	39.8	23.6
6-mth	67.2	41.4

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

Franshion (817 HK)

Attractively valued SOE player; top BUY in sector

- Presales in April jumped 170% YoY to RMB 2.3bn following favorable policies launched in recent months.
- Three out of 7 sites acquired in 2014 are located in tier-1 cities; RMB11.3bn attributable land capex of RMB 11.3bn should increase saleable resources for 2015.
- Maintain BUY with a revised TP of HK\$ 4.50 (from HK\$ 3.30) based on a 40% (from 50%) discount to FY15E NAV

**Presales surged 170% YoY in Apr 2015.** As a result of various favorable policies (rate and RRR cuts, lower down payment ratio for 2<sup>nd</sup>-home purchase) in recent months, Franshion's presales rebounded 170%YoY to RMB2.3bn in Apr and 53% YoY to RMB 891mn in Mar, reversing the downtrend observed in Jan (-81%YoY) and Feb (-42% YoY). We expect sales momentum to accelerate further in 2H14. For 2015, Franshion announced a sales target of RMB 24.8bn (implying a 15% YoY growth) for 2015, of which RMB 21.8bn would be coming from residential/commercial sales (+18%YoY) and RMB3bn from land sales (+0%YoY). The announced target growth is higher than the 10% average growth target among peers.

**Franshion announced its long-term target by achieving a presale of RMB80bn by 2019 (34%CAGR in 2015-19).** This will be achieved by a) developing its primary landbank instead of selling to any third parties. Together with the Nanjing primary development secured in Jan 2015, total landbank for primary development reached 21.4mn sqm; b) engaging in more JV projects. Since 2014, most of Franshion's new projects are JV projects. Franshion decides that a 50-70% stake in new projects will be optimal; **2) rental revenue to reach HK\$ 5bn (vs. HK\$3.5bn from investment properties and hotels in 2014).** This could be achieved by the addition of 0.69mn sqm of investment properties under construction at present.

**Quality landbank addition.** Franshion acquired several premium land sites in 2014 during the market downturn. In particular, 3 out of 7 sites acquired are located in tier-1 cities. Franshion spent a total of RMB11.3bn in attributable land capex in 2014 (or 61% of total presales in 2014), which should allow for more saleable resources for the Group going forward. Franshion also acquired an 80% stake in a primary development project in Nanjing Jiangning Shangfang City center in Jan 2015 with an area of 3.8mn sqm. Total estimated cost for the project is RMB 17bn (or ~RMB 4,500/sqm) and completion is expected to take place in 8 years. Only 12 km away from downtown, this site will be Franshion's first project in shantytown renewal. ASP in the region is around RMB 11-15k/sqm at present. With a cost of debt of 5.4% in 2014 (down from 5.6% in 2013), this SOE player is set to outperform via accelerated expansion of presales and landbank. In contrary, private developers, which suffered from tight cash flow and refinancing issues in the past year, will likely remain cautious in acquiring land. (Continue next page)

**Results and Valuation**

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (HK\$ mn)	20,719	29,548	31,204	37,406	41,713
Chg (% YoY)	20.6	42.6	5.6	19.9	11.5
Core net profit (HK\$ mn)	2,910	3,610	3,751	4,819	5,565
Chg (% YoY)	35.1	24.0	3.9	28.5	15.5
Core EPS (HK\$)	0.30	0.37	0.38	0.48	0.55
Chg (% YoY)	30.7	22.8	3.6	26.3	14.6
BVPS (HK\$)	3.07	3.53	3.82	4.19	4.62
Chg (% YoY)	18.8	15.1	8.2	9.7	10.2
Core PE (x)	10.5	8.5	8.2	6.5	5.7
PB (x)	1.0	0.9	0.8	0.7	0.7
ROE (%)	10.0	10.9	10.5	12.3	13.0
ROA (%)	2.4	2.6	2.7	3.3	3.4
DPS (HK\$)	0.10	0.12	0.12	0.16	0.18
Dividend yield (%)	3.0	3.7	4.0	5.1	5.9
Net gearing (%)	44.5	58.1	55.4	40.2	11.5

\*Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



**FY14 results review.** Franshion's FY14 core profit rose 24% YoY to HK\$3.6bn. Although Franshion missed its 2014 presales target, margin held up better than expected. Blended gross margin remained high at 39% in 2014 (vs 44% in 2013). Gross margin for land development improves from 36 to 46%, which offset the 11ppt gross margin drop in residential sales (from 45% to 34%) as market competition intensified. In particular, we believe Franshion has deferred its land sales to 2015 to avoid oversupply in the market and stabilize land price. Franshion's rental income also increased 12%YoY to HK\$1.4bn, producing a steady cashflow stream for the group. Net gearing remains healthy at 56% as at Dec 14, although higher than 41% a year ago. DPS of HK\$0.115, implying 5% dividend yield on current share price.

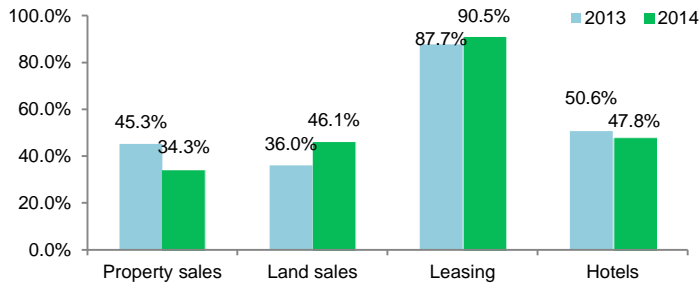
**SOE developers with attractive valuations—top BUY in the sector.** We factor in Franshion's latest land acquisitions and raise our 2015E-16E net profit by 20-30% to reflect better-than-expected presales. We also lift our FY15E NAV to HK\$ 7.42 (from HK\$6.64) and TP to HK\$ 4.50 (from HK\$ 3.30) based on a 40% discount to NAV. Franshion's valuations at 8.2x FY15E P/E and a 58% discount to FY15E NAV are the lowest among SOE developers (COLI: 9.9x FY15E P/E, 0% discount to FY15E NAV; CR Land: 12.0x FY15E P/E, 5% discount to FY15E NAV).

**Risk factors:** 1) Rising litigation risks across sector; 2) Further slowdown in land sales.

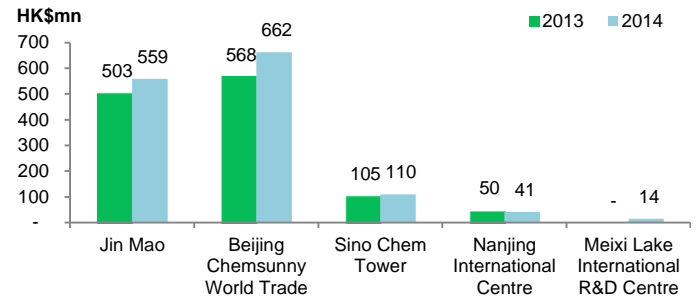
**Exhibit 1: Franshion's FY14 results**

P&L	2014	2013	YoY Chg	Operating statistics	2014	2013	YoY Chg
	HK\$m	HK\$m	(%)	Contracted GFA ('000 sqm)	0.88	0.57	54
<b>Turnover</b>	<b>29,548</b>	<b>20,719</b>	<b>43</b>	Contracted ASP (RMB/sqm)	20,924	25,466	(18)
Property sales	21,895	9,708	126	<b>Presales (RMBm)</b>	<b>18,487</b>	<b>14,591</b>	<b>27</b>
Primary land development	3,650	7,160	(49)	GFA Delivered (mn sqm)	0.88	0.22	299
Property leasing	1,399	1,249	12	Booked ASP (HK\$/sqm)	24,936	44,144	(44)
Hotel	2,127	2,061	3	<b>Property sales booked (HK\$m)</b>	<b>21,895</b>	<b>9,708</b>	<b>126</b>
Others	478	541	(12)	Land sold (mn sqm)	0.99	2.59	(62)
Cost of Sales & direct operating costs	(17,989)	(11,519)	56	Booked ASP (HK\$/sqm)	3,684	2,768	33
<b>Gross Profit</b>	<b>11,559</b>	<b>9,200</b>	<b>26</b>	<b>Land sales (HK\$m)</b>	<b>3,650</b>	<b>7,160</b>	<b>(49)</b>
<b>Gross Margin (%)</b>	<b>39.1</b>	<b>44.4</b>	<b>-4.1ppt</b>	<b>Gross margin by segment</b>	<b>2014</b>	<b>2013</b>	<b>YoY Chg (ppt)</b>
Selling and distribution costs	(915)	(624)	47	Property sales	48.0%	48.0%	+13ppt
Administrative expense	(1,679)	(1,162)	45	Land development	31.0%	31.0%	+13ppt
<b>EBIT</b>	<b>8,965</b>	<b>7,415</b>	<b>21</b>	Property leasing	90.0%	90.0%	-
<b>EBIT Margin (%)</b>	<b>30.3</b>	<b>35.8</b>	<b>-5.1ppt</b>	Hotel	53.0%	53.0%	-1ppt
Other income, gains and losses	546	524	4	<b>Balance sheet</b>	<b>Dec 14</b>	<b>Dec 13</b>	<b>HoH %</b>
Fair value gain of investment properties	2,310	1,831	26		<b>HKDm</b>	<b>HKDm</b>	
Other exceptional items	0	0	NA	Gross debt	46,759	35,806	31
Share of profit from JCE/ Associates	(33)	2	(1,528)	Cash	14,053	14,793	(5)
Finance cost	(1,222)	(1,325)	(8)	<b>Net debt</b>	<b>32,707</b>	<b>21,013</b>	<b>56</b>
<b>Profit before tax</b>	<b>10,566</b>	<b>8,448</b>	<b>25</b>	<b>Net gearing- include perpetual instrument(%)</b>	<b>58.1</b>	<b>44.5</b>	<b>+25.5ppt</b>
<b>Tax</b>	<b>(3,884)</b>	<b>(3,393)</b>	<b>14</b>				
- LAT	(1,094)	(1,286)	(15)				
- Enterprise tax	(2,790)	(2,107)	32				
<b>Profit after tax</b>	<b>6,682</b>	<b>5,055</b>	<b>32</b>				
Minority Interest	(1,360)	(807)	68				
<b>Net profit</b>	<b>5,322</b>	<b>4,247</b>	<b>25</b>				
<b>Underlying net profit</b>	<b>3,610</b>	<b>2,910</b>	<b>24</b>				

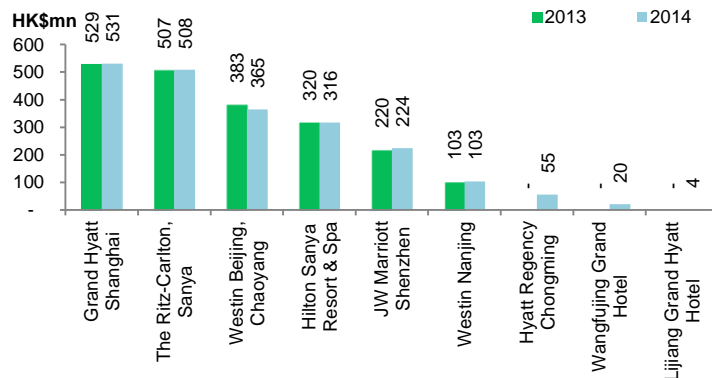
Source(s): Company, ABCI Securities

**Exhibit 2: Franshion's GPM breakdown by division**


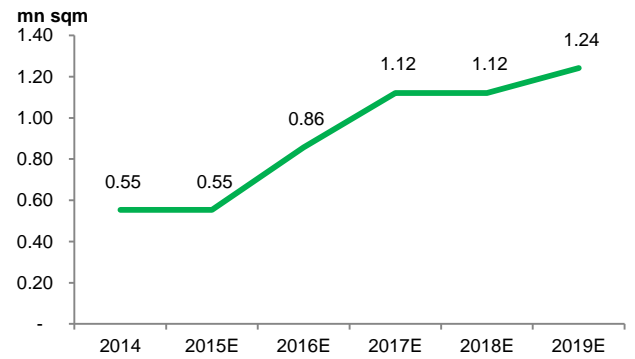
Source(s): Company; ABCI Securities

**Exhibit 3: Rental revenue breakdown**


Source(s): Company; ABCI Securities

**Exhibit 4: Hotel revenue breakdown**


Source(s): Company; ABCI Securities

**Exhibit 5: GFA of Franshion's completed investment properties**


Source(s): Company; ABCI Securities estimates

**Exhibit 6: Franshion's land acquisition**

Month	City	GFA mn sqm	Land premium RMB mn	AV RMB/sqm	stake %
Jan-15	Qingdao	0.481	754	1,569	100%
Dec-14	Changsha	0.191	297	1,553	100%
Dec-14	Changsha	0.499	1,396	2,800	100%
Oct-14	Chongqing	0.826	2,135	2,586	40%
Sep-14	Guangzhou	0.314	3,242	10,314	50%
Feb-14	Beijing	0.559	6,000	10,735	25.5%-50%
Jan-14	Shanghai	0.289	10,100	34,924	36%
Jan-14	Hangzhou	0.242	2,370	9,781	85%
<b>Total</b>		<b>3.401</b>	<b>26,294</b>	<b>7,731</b>	

Source(s): Company; ABCI Securities



Exhibit 7: Franshion's FY15E NAV

	Attr. GFA (mn sqm)	Net assets value (HKD mn)	% of total	Valuation Method	Implied value per sqm (HKD)
<b>Property development</b>					
Beijing	0.8	9,171	9%	DCF at WACC of 9.2%	10,887
Shanghai	0.5	15,884	15%		32,984
Changsha	2.1	6,198	6%		2,954
Suzhou	0.3	2,013	2%		7,347
Chongqing	1.5	9,053	9%		6,146
Others	6.7	32,420	31%		4,851
<b>Subtotal</b>	<b>10.4</b>	<b>74,738</b>	<b>70%</b>		<b>7,201</b>
<b>Primary Land Development</b>	<b>4.1</b>	<b>14,733</b>	<b>14%</b>	<b>Mkt value</b>	<b>3,629</b>
<b>Investment Properties</b>	<b>0.5</b>	<b>9,463</b>	<b>9%</b>	<b>8.5% cap rate on net rental income</b>	
<b>Hotels</b>		<b>7,172</b>	<b>7%</b>	<b>Market value of stake in Jinmao investment (6139 HK)</b>	
<b>Total 2015E GAV</b>		<b>106,106</b>	<b>100%</b>		
2015E Net debt (including Perpetual convertible securities)		(38,146)	-36%		
<b>Total 2015E NAV</b>		<b>67,960</b>	<b>64%</b>		
No. of share outstanding		9,161			
<b>NAV per share (HKD)</b>		<b>7.42</b>			
Target discount (%)		<b>40%</b>			
<b>Target Price (HKD)</b>		<b>4.50</b>			
<b>WACC</b>	<b>9.2%</b>				
Cost of debt	6.0%				
Cost of Equity	15.0%				
<b>Debt/ (Debt + Equity)</b>	<b>55%</b>				

Source(s): Company, ABCI Securities estimates



**Consolidated income statement (2013A-2017E)**

<b>FY Ended Dec 31 (HK\$ mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Revenue</b>	<b>20,719</b>	<b>29,548</b>	<b>31,204</b>	<b>37,406</b>	<b>41,713</b>
Cost of sales	(11,519)	(17,989)	(16,888)	(19,779)	(22,221)
<b>Gross Profit</b>	<b>9,200</b>	<b>11,559</b>	<b>14,316</b>	<b>17,627</b>	<b>19,492</b>
SG&A expenses	(1,785)	(2,593)	(3,008)	(3,516)	(4,427)
<b>EBIT</b>	<b>7,415</b>	<b>8,965</b>	<b>11,308</b>	<b>14,111</b>	<b>15,064</b>
Finance cost	(1,325)	(1,222)	(1,333)	(1,333)	(1,333)
Share of profit of associates	2	(33)	0	423	1,310
Other income/ (expenses)	524	546	525	261	411
Fair value gain of investment properties	1,831	2,310	0	0	0
Disposal/one-off items	0	(26)	0	0	0
<b>Profit before tax</b>	<b>8,448</b>	<b>10,540</b>	<b>10,500</b>	<b>13,462</b>	<b>15,452</b>
Tax	(3,393)	(3,884)	(4,772)	(5,913)	(6,609)
<b>Profit after tax</b>	<b>5,055</b>	<b>6,656</b>	<b>5,728</b>	<b>7,549</b>	<b>8,843</b>
Minority interest	(807)	(1,360)	(1,977)	(2,730)	(3,278)
<b>Reported net profit</b>	<b>4,247</b>	<b>5,296</b>	<b>3,751</b>	<b>4,819</b>	<b>5,565</b>
Less: exceptional items	(1,337)	(1,686)	0	0	0
<b>Underlying net profit</b>	<b>2,910</b>	<b>3,610</b>	<b>3,751</b>	<b>4,819</b>	<b>5,565</b>
<b>Per share</b>					
Underlying EPS (HK\$)	0.30	0.37	0.38	0.48	0.55
DPS (HK\$)	0.10	0.12	0.12	0.16	0.18
Payout ratio (%)	32%	31%	33%	33%	34%
BVPS (HK\$)	3.07	3.53	3.82	4.19	4.62
<b>Growth %</b>					
Revenue	20.6%	42.6%	5.6%	19.9%	11.5%
Gross Profit	27.8%	25.6%	23.9%	23.1%	10.6%
EBIT	28.0%	20.9%	26.1%	24.8%	6.8%
Underlying net profit	35.1%	24.0%	3.9%	28.5%	15.5%
<b>Margin %</b>					
Gross margin	44.4%	39.1%	45.9%	47.1%	46.7%
Gross margin (post-LAT)	15.0%	21.7%	22.4%	21.6%	21.4%
EBIT margin	35.8%	30.3%	36.2%	37.7%	36.1%
Core net margin	17.8%	16.8%	18.4%	19.1%	18.1%
<b>Key assumptions</b>					
Contracted Sales (HK\$m)	18,384	23,108	26,445	34,888	57,663
GFA sold (m sqm)	0.57	0.88	0.89	0.92	1.91
ASP (HK\$/sqm)	32,087	26,155	29,724	37,885	30,223
Booked Sales (HK\$)	9,708	21,895	22,592	24,762	27,788
GFA delivered (m sqm)	0.22	0.88	0.74	0.75	0.94
Booked ASP (HK\$/sqm)	44,144	24,936	30,489	33,165	29,644

Source: Company, ABCI Securities estimates



**Consolidated balance sheet (2013A-2017E)**

<b>As of Dec 31 (HK\$ mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
<b>Current assets</b>	<b>46,720</b>	<b>55,658</b>	<b>55,755</b>	<b>60,619</b>	<b>76,806</b>
Cash	14,490	12,455	11,603	18,486	36,755
Restricted cash	303	1,598	1,598	1,598	1,598
Trade & other receivables	4,202	3,593	3,593	3,593	3,593
Properties under development	10,714	18,319	18,319	18,319	18,319
Properties held for sale	5,915	7,619	7,619	7,619	7,619
Land under development	5,163	3,400	4,349	2,330	248
Other current assets	17,011	19,693	20,642	18,623	16,541
<b>Non-current assets</b>	<b>74,123</b>	<b>82,367</b>	<b>85,411</b>	<b>85,521</b>	<b>84,622</b>
Property, plant & equipment	7,495	12,423	12,910	13,388	13,855
Properties under development	33,318	27,759	33,316	32,526	29,850
Land under development	4,549	9,560	6,560	6,560	6,560
Investment properties	22,018	24,356	24,356	24,356	24,356
Investment in Associate and JCE	42	1,861	1,861	2,284	3,593
Other non-current assets	6,700	6,408	6,408	6,408	6,408
<b>Total Assets</b>	<b>120,843</b>	<b>138,026</b>	<b>141,166</b>	<b>146,140</b>	<b>161,428</b>
<b>Current Liabilities</b>	<b>39,604</b>	<b>33,903</b>	<b>32,801</b>	<b>32,034</b>	<b>40,511</b>
Short term borrowings	6,139	4,072	4,072	4,072	4,072
Trade & other payables	9,504	13,629	13,629	13,629	13,629
Pre-sales deposits	16,749	9,610	8,508	7,741	16,217
Other current liabilities	7,212	6,592	6,592	6,592	6,592
<b>Non-current liabilities</b>	<b>34,020</b>	<b>47,790</b>	<b>47,790</b>	<b>47,790</b>	<b>47,790</b>
Long term borrowings	29,667	42,687	42,687	42,687	42,687
Other payables	-	-	-	-	-
Other non-current liabilities	4,353	5,103	5,103	5,103	5,103
<b>Total Liabilities</b>	<b>73,624</b>	<b>81,693</b>	<b>80,591</b>	<b>79,825</b>	<b>88,301</b>
<b>Net Assets</b>	<b>47,219</b>	<b>56,333</b>	<b>60,574</b>	<b>66,316</b>	<b>73,128</b>
<b>Shareholders Equity</b>	<b>28,974</b>	<b>33,062</b>	<b>35,688</b>	<b>39,061</b>	<b>42,957</b>
Perpetual Convertible Securities	4,588	4,588	4,588	4,588	4,588
Minority Interest	13,658	18,682	20,297	22,666	25,582
<b>Total Equity</b>	<b>47,219</b>	<b>56,333</b>	<b>60,573</b>	<b>66,315</b>	<b>73,127</b>
<b>Key ratio</b>					
Gross debt (HK\$m)	35,806	46,759	46,759	46,759	46,759
Net debt (HK\$m)	21,013	32,707	33,558	26,675	8,406
Net gearing (%)	45%	58%	55%	40%	11%
Contracted sales/ Total assets (x)	0.15	0.17	0.19	0.24	0.36

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2013A-2017E)**

<b>FY ended Dec 31 (HK\$ mn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
EBITDA	7,684	9,277	11,628	14,441	15,405
Change in Working Capital	(10,505)	2,491	(3,134)	3,514	14,707
Tax payment	(2,365)	(3,884)	(4,772)	(5,913)	(6,609)
<b>Operating Cashflow</b>	<b>(5,186)</b>	<b>7,884</b>	<b>3,723</b>	<b>12,043</b>	<b>23,503</b>
Purchase of PP&E	(808)	(808)	(808)	(808)	(808)
Addition of Investment Properties	0	0	0	0	0
Investment in Associate/ JCE	0	0	0	0	0
Proceeds from Disposals	0	0	0	0	0
Others	32	546	525	261	411
<b>Investing Cashflow</b>	<b>(776)</b>	<b>(262)</b>	<b>(283)</b>	<b>(547)</b>	<b>(397)</b>
Debt raised	25,961	10,000	10,000	10,000	10,000
Debt repaid	(21,339)	(20,397)	(10,000)	(10,000)	(10,000)
Interest expenses	(1,947)	(2,477)	(2,806)	(2,806)	(2,806)
Equity raised	0	0	0	0	0
Convertible securities coupon payments	(317)	(312)	(312)	(312)	(312)
Dividend to shareholders	(641)	(1,043)	(1,125)	(1,446)	(1,670)
Others	5,848	4,573	(50)	(50)	(50)
<b>Financing Cashflow</b>	<b>7,564</b>	<b>(9,655)</b>	<b>(4,293)</b>	<b>(4,613)</b>	<b>(4,837)</b>
<b>Net cash inflow/ (outflow)</b>	<b>1,602</b>	<b>(2,034)</b>	<b>(853)</b>	<b>6,883</b>	<b>18,269</b>
Cash- beginning	12,888	14,490	12,456	11,603	18,486
<b>Cash- year-end</b>	<b>14,490</b>	<b>12,456</b>	<b>11,603</b>	<b>18,486</b>	<b>36,755</b>

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

ABC 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**