農銀國際
ABC INTERNATIONAL
ABCI SECURITIES COMPANY LIMITED

Company Report

PanAsialum (2078 HK)
March 12, 2013
Initiation

Rating: Buy
TP: HK$4.30

Key data

Share price (Mar 11, 2013)	HK$2.65
12 mth target price	HK$4.30
Upside/downside	62.2%
Issued shares	1,200.00mn
Mkt cap	HK$3,180mn
Free-float	25%
20-day avg. shares volume	6.78mn
Listing date	5-Feb-13
IPO price	HK$4.13
Major shareholder:	The Pan Family Trust (75%)
Chairman and founder:	Mr. Marcus Pan
Auditors:	PricewaterhouseCoopers

Source: The Company, ABCI Securities

Revenue breakdown by (%)

	FY12	YoYChg
By products:		
Electronic parts	46.9	44.5
Branded OPLV products	10.6	41.3
Construction & industrial products	42.5	-7.3
Total	**100.0**	**16.6**
By geographic:		
The PRC (excl HK)	62.8	30.3
Australia	30.1	0.0
N America	2.1	-5.6
HK	2.9	-26.4
Others	2.1	58.1
Total	**100.0**	**16.6**

Source: Company

Gross profit breakdown by (%)

	FY12	YoYChg
By products:		
Electronic parts	51.6	73.5
Branded OPLV products	9.5	34.0
Construction & industrial products	38.8	-14.1
Total	**100.0**	**21.8**

Source: Company

Analysts
Philip Chan
Tel: (852) 2147 8805
Email: philipchan@abci.com.hk

Lisa Lee
Tel: (852) 2147 8809
Email: lisalee@abci.com.hk

Business in fast-growth track

We predict its net profit to grow by CAGR of 32.6% fromFY12 to FY14 due to increase in sales of high-value-added aluminum unibody chassis for tablets and laptops to the Foxconn Technology (2354 TT). Its competitive edge comes from the cost advantage achieved by its vertically integrated production line to recycle scrap materials from the production of unibody chassis. High customer and product concentration are our major concerns but these risks are inevitable given the tablet market is dominated by Apple. In view of its est. FY13 ROAE 33.3%, its payout policy and market valuation of its downstream customers, we set TP at HK$4.30 which represent FY13 PER of 10x and gross yield of 3.0%.

Beneficiary of robust growth in aluminum unibody chassis in consumer electronics industry – The upcoming two years revenue growth is driven by the increase production capacity of unibody chassis. We predict its annual processing capacity to grow by 19.1%/22.6% in FY13/FY14 and proportion of gross profit of its electronic parts business will increase from 51.6% in FY12 to 63.8%/68.7% in F13/FY14.

Win-win situation between Panasialum and Foxconn Technology group – The vertically integrated production process of the former allows it to recycle large amount of scrap materials in CNC production process and to offer cost advantage to the latter. We see this cost advantage as the glue to bond the business relationship between them. We predict the gross profit margin of its electronic parts business improved from 27.8% in FY12 to 36.2% in FY13.

High customer concentration risk - As the global multimedia tablet market is dominated by Apple which relies on several global ECMs such as Foxconn Tech to manage the supply chain. Sales to Foxconn Tech group accounted for 45.7% of total sales in FY12. We expect the ratio to increase to 51.0%/55.9% in FY13/FY14. This risky business model is compensated by impressive est. FY13 ROAA of 21.6% and ROAE of 33.3%.

Financial Summary

FY ended Sep 30	FY10A	FY11A	FY12A	FY13E	FY14E
Revenue (HK$ mn)	1,366.9	2,090.6	2,437.0	2,836.1	3,363.1
Chg (%YoY)	-	52.9	16.6	16.4	18.6
Net profit (HK$ mn)	86.7	260.3	357.1	515.9	627.7
Chg (%YoY)	-	200.3	37.2	44.5	21.7
EPS (HK$/share)	0.096	0.289	0.397	0.430	0.523
FD PER (x)	-	-	6.68	6.16	5.07
DPS (HK$), post-listing	-	-	-	0.129	0.157
Gross yield	-	-	-	4.87	5.92
NBV (HK$/share)	0.487	0.709	0.818	1.967	2.361
P/B (x)	-	-	3.24	1.35	1.12
ROAE (%)	-	48.3	52.0	33.3	24.2
Equity/Assets (%)	49.7	55.8	42.5	77.7	81.5

EPS & NBV for FY13-14 based on 1.2bn issued shares, for FY10-12 based on 0.9bn shares.
Source: PanAsialum, ABCI Securities estimates

Contents

Summary

PanAisalum Holdings Co Ltd ("the Group" or "Panasialum") will derive its earnings growth in coming two years by change of its product mix and increase in sales volume of high value-added aluminum unibody chassis for consumer electronics products such as iPad, iPad mini & Mac (laptops & desktops). We predict the output capacity of CNC products (mainly aluminum unibody chassis) will increase from 43.4mn units (100% for tablets) at the end of FY12 to 63.4mn units (72% for tablets; 28% for others) at the end of FY14, up 46%. We predict its net profit/FD EPS will grow by CAGR of 32.6%/14.8% from FY12 to FY14. The visibility of its earnings growth is clear. The earnings growth in FY13 is mainly driven by the full year contribution of CNC machines installed in FY12 to produce unibody chassis for iPad and iPad mini. The earnings growth in FY14 will be derived from the newly installed CNC machines in 2013 to produce unibody chassis and stands for Apple's Mac. We assume dividend payout at 30% to reward shareholders. Est. DPS for FY13 is HK$0.129. As the Group raised HK$1.1bn (net) fresh capital in Feb 2013, we predict its NBV will increase to HK$1.967/share at end FY13.

Overall, customer and product concentration risks are two major risks to the Group. These risks remain high and we expect them to increase in coming two years due to nature of supply chain in consumer electronics industry and high market concentration in the tablet market. The high risk profile of the Group's business model is compensated by relatively high return rates. We estimate its ROAA and ROAE at 21.6% and 33.3% for FY13 respectively. Investors of PanAsialum should diversify the investment risk by portfolio management rather than hoping the Group to diversify customer and product concentration risks in the short to medium-terms.

In view of the potential earnings growth, business risks and market valuation of comparable stocks and downstream customers, we set 12-mth target price of the stock at HK$4.30, which represent 10x FY13 FD PER, 3% gross dividend yield, or 2.18x FY13 P/B (vs FY13 ROE 21.8%).

Market Valuation Summary of Comparable Stocks

Ticker	Stock	Share price (local)	FY	Report Curncy	Est. EPS	Est. PER	FY	Est EPS	EPS Chg (%YoY)	Est. PER	P/B
AAPL US	Apple	431.72	9/12	US$	44.10	9.78	9/13	44.48	0.87	9.70	3.18
	Tablet casing makers:										
2078 HK	**PanAsialum**	**2.65**	**9/12**	**HK$**	**0.397**	**6.68**	**9/13**	**0.430**	**8.32**	**6.16**	**1.35**
3336 HK	Ju Teng	4.04	12/12	HK$	0.476	**8.49**	12/13	0.582	22.27	**6.94**	0.94
2474 TT	Catcher	126.50	12/12	NT$	12.095	**10.46**	12/13	13.477	11.43	**9.39**	1.68
5264 TT	Casetek	142.50	12/12	NT$	9.050	**15.75**	12/13	14.360	58.68	**9.92**	2.68
					Average	**10.34**		Average		**8.10**	1.66
	Apple's ECM:										
2354 TT	Foxconn Tech	81.20	12/12	NT$	6.407	**12.67**	12/13	7.852	22.56	**10.34**	1.78
2474 TT	Catcher	126.50	12/12	NT$	12.095	**10.46**	12/13	13.477	11.43	**9.39**	1.68
4938 TT	Pegatron	42.60	12/12	NT$	2.710	**15.72**	12/13	3.961	46.17	**10.75**	1.03
					Average	**12.95**		Average		**10.16**	1.50
	Aluminum extrusion product makers:										
1333 HK	Zhongwang	2.87	12/12	Rmb	0.300	**7.67**	12/13	0.355	18.34	**6.48**	0.74
2789 HK	Yuanda	0.88	12/12	Rmb	0.098	**7.20**	12/13	0.133	35.72	**5.30**	1.05
					Average	**7.43**		Average		**5.89**	0.90

Share prices based on closing prices at Mar 11, 2013
Source: Bloomberg, ABCI Securities estimates

Investment Themes

Expecting gross profit margin to edge up to 29% in FY13 from 25% in FY12

Put strong focus on high-value-added products

The Group is an aluminum product manufacturer and has three business segments – electronic parts, branded OPLV products and construction & industrial products. Electronic parts segment has become the major business growth driver of the Group, contributing 46.9% and 51.6% of total revenue and total gross profit for FY12 respectively. This segment registered revenue growth and gross profit growth of 44.5% and 73.5% for FY12 respectively. The robust growth of the electronic parts is the result of its sales of high margin CNC products to the Foxconn Technology group (2354 TT). The Group expands the product scope in electronic parts products from low-value-added heat sink to high-value-added aluminum plates and CNC products (refer to products processed by CNC machining technology) such as aluminum unibody chassis for iPad. Subsequently, gross profit margin of electronic parts segment increased from 7.7% in FY10 to 23.1% in FY11 and 27.8% in FY12. Subsequent to the change of product mix, overall gross profit margin of the Group improved from 21.4% in FY10 to 24.1% in FY11 and 25.2% in FY12. The Group plans to increase its production capacity of its high-value-added CNC processing services in 2013. We believe the Group is making a wise move that will enhance return of shareholders.

Global tablet market share

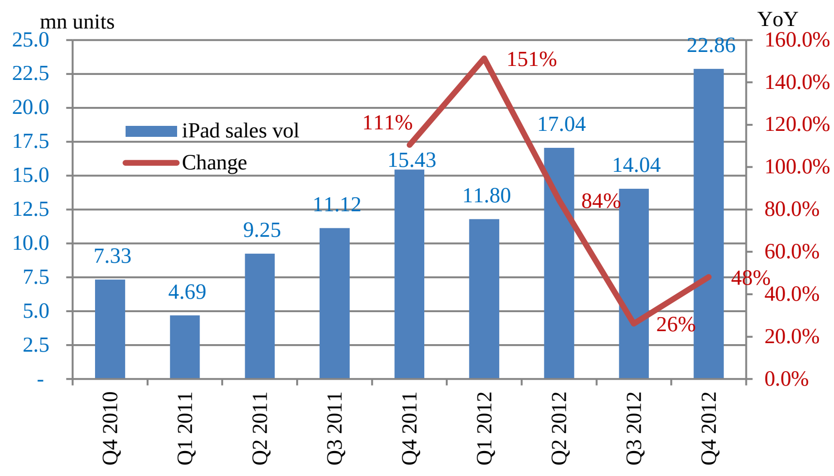
	In Q4 2012
Apple	43.6%
Samsung	15.1%
Amazon	11.5%
ASUS	5.8%
Barnes & Noble	1.9%
Others	22.1%
Total	100.0%

Source: IDC

Strong demand for Apple's iPad

The tablet market is highly concentrated and dominated by Apple. Apple sold 58.3mn units (up 80.0%YoY) of iPad during the 12 months period ended Sep 30, 2012. In Q4 2012, Apple launched new version of iPad (so-called iPad 4) and smaller screen iPad (ie. iPad Mini). Apple sold a total of 22.86mn (up 62.9%QoQ or 48.1%YoY) of iPad (including iPad Mini) in Q4 2012. We expect the strong growth momentum of iPad to sustain in 2013-14 as tablets are displacing notebooks.

Exhibit: Sales Volume of iPad by Apple



Source: Apple Inc

Bottleneck is in production capacity in a fast-growing tablet market

At end of 2012, the Group's production capacity of unibody chassis for iPad was 43.4mn units. The production capacity of unibody chassis of the group is less than sales volume of Apple's iPad. Hence, the bottleneck of the growth of the Group is its production capacity rather than the sales growth of Apple's iPad.

Foxconn Technology posting 22.8% growth in revenue in Jan-Feb '13

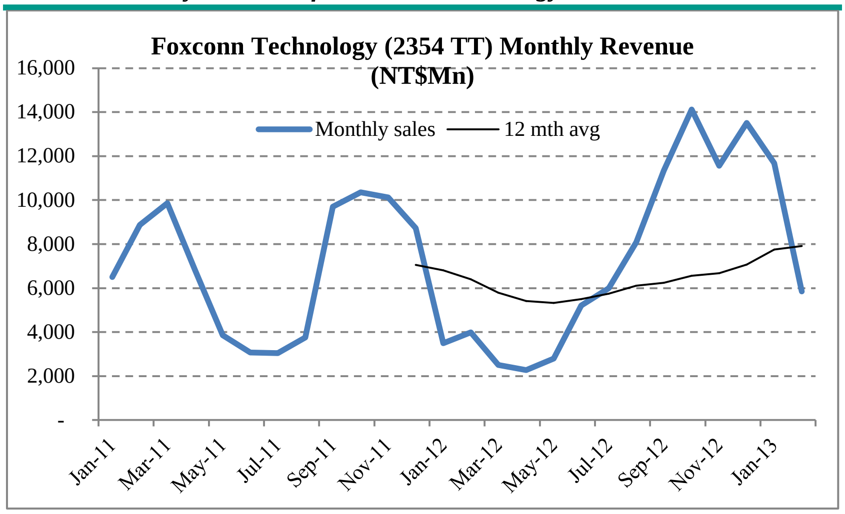
Establish a foothold in the Apple's supply chain via Foxconn Technology

The Group succeeds in binding mutually beneficial business relationship with the Foxconn Technology group, which are one of the global leading consumer electronics contract manufacturers (ECM). Foxconn Technoolgy (2354 TT) is a major ECM for the production of Apple's iPad and iPad mini.

The Group has established business relationship with the Foxconn Technology group for over 12 years. The Group initially supplied heat sinks (a type of cooler block installed in the consumer electronic goods such as desktop computers) to the Foxconn Technology group. In 2009, the Group started to supply aluminum plates to the Foxconn Technology group for producing unibody chassis used in popular multimedia tablets. In 2011 and 2012, the Group entered into CNC machining centers purchase agreements with the Foxconn Technology group, in which the latter sold CNC machining centers to the former and agreed to provide technical assistance and purchase CNC products from the former at pre-determined criteria. We see these agreements as not just sales and purchase agreements, since the Group has also obtained technology transfer from the Foxconn Technology group.

Foxconn Technology (listed in the Taiwan stock market) will unveil its monthly revenue on regular base. Its unaudited monthly revenue is able to provide us a yardstick to monitor the business performance of its upstream suppliers such as PanAsialum. Foxconn Technology posted a 66.6%YoY growth in revenue in Jan 13 but its revenue tumbled 22.8%YoY in Feb 13. For the first two months of 2013, Foxconn Technology reported a 20.2%YoY growth in revenue to NT$17.5bn.

Exhibit: Monthly revenue of Foxconn Technology



Source: Foxconn Technology, Taiwan Stock Exchange

Growing customer concentration is inevitable

Mutually beneficial relationship with the Foxconn Technology group

The Foxconn Technology group contributed 45.7% and 97.3% towards the Group's revenue and the revenue of the electronic parts segment for FY12. We predict proportion of sales to the Foxconn Technology group to total revenue will increase to 51.0% in FY13 and 55.9% in FY14. Hence, customer concentration risk keeps rising in coming two years. We admit that customer concentration risk to the Group is high in view of the revenue composition. However, we have to look at their relationship from both sides. The Group is currently the only external supplier to the Foxconn Technology group of aluminum unibody chassis for multimedia tablets.

When we visited the CNC machine plant of the Group, we observed the CNC process to produce unibody chassis would produce large amount of scrap aluminum materials. For an ECM such as the Foxconn Technology group, they do not have large scale non-ferrous metal production facilities and it is hard for the Foxconn Technology group to recycle the scrap materials which can both reduce consumption of materials and lower the unit production cost. We believe the Foxconn Technology group is motivated by cost reduction pressure to outsource CNC processing to third party to lower their production cost. The Foxconn Technology group needs to find a reliable external supplier to help them to lower their production cost in CNC processing. The Group has over 12 years of business relations with the Foxconn Technology group and the Group has smelting and casting facilities in the upstream that can recycle the scrap materials from the CNC process in order to reduce production cost. So, the Foxconn Technology group finds the Group as a reliable business partner which is able to help them to lower unit production cost.

We anticipate its major customer, the Foxconn Technology group, will increase the outsourcing of the CNC products to the Group as the latter has integrated aluminum processing facilities and is able to lower the unit cost by recycling the scrap aluminum during the CNC processing in the production process.

We believe the business relationship between the Group and the Foxconn Technology group is tied by the capability of the former to offer price-competitive products at specified quality in mass quantity. Unless the Foxconn Technology group is integrated upward to non-ferrous metal processing, they will not enjoy cost advantage as much as the Group in the production of unibody chassis using CNC machining technology.

Enjoy cost advantage through recycling scrap material in the vertically integrated production process

Integrated production line offering cost advantage

The capability of recycling scrap aluminum material is a crucial factor to lower the production cost of electronic parts by using CNC machining technology in production. As the Group has a vertically integrated production line, large amount of scrap aluminum carved out from aluminum plates in CNC machining centers are able to be recycled in the Group's smelting facilities. Hence, aluminum consumption in the CNC processing will be reduced.

We believe the Foxconn Technology group, a leading global ECM in consumer electronics industry, will not easily outsource the manufacturing processes to third parties such as the Group unless the suppliers have technology proprietary in production of core components/parts or are able to offer significant cost advantage to the Foxconn Technology group. We classify the Group as able to offer cost advantage to the Foxconn Technology group.

Prepare for further business cooperation with the Foxconn Technology group

Capitalizing cost advantage to widen product scope

Currently, the Group's CNC machining centers produce aluminum unibody chassis to the Foxconn Technology group. The Group plans to widen its product scope to products such as aluminum cases for miniature desktop computers, aluminum cases and stands for integrated desktop computers and aluminum unibody chassis for the popular laptop computers. If the Group succeeds in expanding the scope of products, this will enhance the utilization rate of its CNC machining centers and the profitability of the Group. The Group plans to acquire another 335 CNC machining centers from the Foxconn Technology group in 2013 in order to satisfy the expected increase in demand for various types of CNC products.

It is an industry norm for well-known consumer electronics brands to certify the suppliers in the supply chain to ensure the product quality and production processes are in compliance with their requirements. We believe the products and production processes of the Group are also examined by the Foxconn Technology group's customers. If the Group is able to expand its product scope in electronic parts segment, the move is an indication of the recognition by the Foxconn Technology group's customers.

To widen customer base from various industries

Succeed in integrated downstream of aluminum extrusion products to capture further value in the supply chain of the production process

The Group has succeeded in transitioning its business focus from traditional aluminum extrusion products to a diversified product portfolio encompassing aluminum parts for cutting-edge consumer electronic products, branded integrated door and window systems and aluminum extrusions for applications in the construction and various other industries. Our industry analysis indicates that aluminum extrusion industry is highly competitive and fragmented. To enhance product competitiveness, upstream aluminum extrusion manufacturers such as the Group needs to integrate downstream to widen the customer base from various industries in order to provide more value-added services or products to customers.

Tap into the furnishing product industry in the PRC market

The Group succeeds in expanding its branded "OPLV" products in the PRC market. The branded OPLV products include mid- to high-end integrated aluminum door and window systems primarily targeting end-customers in the residential property decoration and remodeling market in China. The branded products are primarily sold through distributors in China. At the end of Sep 30, 2012, the Group had 577 OPLV distributors.

This business segment contributed 10.6% of total revenue of the Group and 9.5% of total gross profit of the Group for FY12. Revenue and gross profit of the branded OPLV products segment grew by 41.3%YoY and 34.1%YoY for FY12 respectively. We consider this as another growth driver of the Group in coming years.

Retail sales growth of decoration products slowing down to 24.6%

Looking forward, the business performance of this business segment is subject to the macro-economic environment in the PRC market. In particular, the housing market and retail sales market will affect the sales performance of the OPLV distributors and in turn affect sales performance of the branded OPLV products segment. We believe the sales performance of the OPLV distributors is affected by the retail sales of decoration products. According to the National Bureau of Statistics of China, retail sales of decoration products grew by 26.6%YoY, 32.3%YoY and 30.1%YoY for 2009, 2010 and 2011 respectively. The retail sales growth of decoration products was slowing down to 24.6% in 2012. The austerity measures to curb property speculation are dragging down the retail sales growth of decoration products.

The housing market in China will affect the market demand for decoration and furniture products. We observe the recovery of property transactions in

4Q 2012. If the property transactions continue to recover, this will become a favorable factor to boost the demand for decoration and furniture products in the future.

Concern on construction & industrial products segment

Export market is our major concern

The construction & industrial products segment was the largest revenue and gross profit contributor to the Group in FY10. The Group has reduced reliance on this business segment after it succeeds in expanding its business in electronic parts and branded OPLV products segments. The construction & industrial products segment contributed 42.5% of the Group's revenue and 38.8% of the Group's gross profit in FY12. However, the business performance of this segment was adversely affected by the anti-dumping duties and countervailing duties charged by the major export markets of the Group such as Australia, the US and Canada. The price competitiveness of products in this business segment has diminished significantly. Although the Group has adopted new product strategy to mitigate the adverse impacts, we remain cautious on this business segment in the short to medium terms. Revenue of this segment declined by 7.3%YoY in FY12; whereas, gross profit of this segment plunged 14.1%YoY in FY12. Sales volume fell in two consecutive financial years, down 15.1% YoY in FY11 and 11.5% YoY in FY12.

Moreover, customer concentration risk is this segment is high. The P & O Companies are one of the major customers to the Group, contributing 25.8% of total revenue and 60.8% of total segment revenue for FY12. The receivable turnover days owed by the P & O Companies had increased from 112 days in FY10 to 184 days in FY12. The customer concentration risk in this segment induced credit risk to the Group.

Strong earnings growth momentum

We identify the following growth drivers of the Group.

Installed CNC machineries in 2012 to give full year contribution in FY13

1. **Increasing sales of high-value-added CNC products (unibody chassis, cases and stands) to the Foxconn Technology group** - After the Group has installed 692 CNC machining centers in 2012 and will further add 335 CNC machining centers in 2013, we predict revenue from the electronic parts segment to grow by 29.5%YoY in FY13 due to first time full year business contribution from the installed CNC machining centers in 2012 and contribution from the additional CNC machining centers in 2013. The segment gross profit will jump by 68.9% YoY in FY13 due to increase in revenue and the expected increase in gross profit margin. We project segment gross profit margin to improve from 27.8% in FY12 to 36.2% in FY13 due to higher proportion of sales of high-value-added CNC products.

2. **Increasing sales of branded OPLV products backed by the recovery of local housing market** – As we expect the housing market in China to continue recovery in 2013, the demand for furnishing products such as the Group's branded OPLV products will be boosted. We predict the segment sales to grow by 36.5% in value and 30.0% in volume in FY13.

3. The overall business growth momentum will be dragged down by the expected declining sales in the construction & industrial products segment. We expect the segment sales to decline by 3.1%YoY in value and 5.0%YoY in volume in FY13.

Overall, we predict total revenue of the Group to grow by 16.4%YoY and 18.6%YoY in FY13 and FY14 respectively. We estimate net profit to grow by 44.5% YoY and 21.7% YoY in FY13 and FY14 respectively.

Undervalued fixed assets and strong performance of electronic parts business deliver impressive ROAA and ROAE

Attractive profitability ratios

We estimate ROAA of the Group at 25.7% and 24.8% for FY11 and FY12 respectively. Its ROAE was 48.3% and 52.0% for FY11 and FY12 respectively. We are impressed by these profitability ratios. The high ROAA was the results of successful diversification of product lines to high-value-added products in FY11 and FY12, the low book value of its fixed assets and high assets turnover ratio. The land use rights of its main plant with total site area of 129,133sq.m or total GFA of 83,888.53sq.m. were recorded at book value of HK$9.4mn (net basis) as of Sep 30, 2012. We believe the land value is undervalued in the book. The surveyor Savills Valuation and Professional Services Ltd valued the property at Rmb161mn as of 30/11/2012.

The capex of the Group will increase in 2012 and 2013 due to the purchases of CNC machining center and expansion of production facilities. Net debt/equity ratio increased from 28.7% at 30/9/2011 to 59.5% at 30/9/2012. As the Group raised net proceeds of HK$1.1bn capital in Feb 2013, the balance sheet will be de-leveraged. We estimate the Group to register net cash of HK$596mn at end of FY30/9/2013, against net debt of HK$438mn at end of FY30/9/2012.

Valuation

The Group engages in the production of aluminum parts for consumer electronic products as well as aluminum extrusion products. However, our business projection indicates the proportion of its electronic parts business will continue to increase; whereas, its proportion of its other aluminum extrusion product businesses will decline. When we appraise the Group, we take the shift of its business composition into consideration.

Comparable peers at FY13 PER range of 6.9-9.9x

Since the largest customer of the Group, the Foxconn Technology group, is affiliates and associates to Taiwan-listed Hon Hai Precision Industry, the average est. FY13 PER of Hon Hai (2317 TT) and Foxconn Technology (2354 TT) is 9.54x.

Among HK and Taiwan listed companies which are focusing on production of casings for tablets, we identify Ju Teng (3336 HK), Catcher Technology (2474 TT) and Casetek (5624 TT). The FY12 PER and FY13 PER range of them are 8.49-15.75x and 6.94-9.92x respectively.

Downstream ECM peers at FY13 PER range of 9.4-10.7x

The Group is manufacturing aluminum unibody chassis for the production of multimedia tablets. The tablet market is dominated by Apple and Samsung. We identify three electronic contract manufacturers, Foxconn Technology (2354 TT), Catcher Technology (2474 TT) and Pegatron (4938 TT), for the production of Apple's tablets. The FY12 PER and FY13 PER range of them are 10.46-15.72x and 9.39-10.75x respectively.

Valuation in line with downstream customer

In view of the growth momentum of the Group, the risks and returns profile of the Group's business model, the market valuation of the comparable stocks competing with the Group, and the market valuation of the Group's downstream customers, **we set 12-mth target price at HK$4.30, which represent est FY13 FD PER of 10x and gross yield of 3.0%.**

Industry Analysis

Global mobile device aluminum casing industry

Increasing use of Aluminum in mobile devices industry

There are a number of factors that need to be taken into consideration when selecting materials to be used as casings and chassis of mobile devices. They are:

I. **Production scale:** Smartphone and mobile device markets generate over 500mn unit shipments per year. Therefore, materials to be considered for use in these devices have to be abundant in supply so as to meet the scale of demand and demand growth in the mobile device industry.

II. **Material properties:** Material's properties such as cost, weight, strength, flexibility, customization, durability, interaction with radio signals, toxicity, environmental impact and aesthetics are factors that need to be considered for production of mobile devices. The key form factor trend for mobile devices is towards thinner and lighter products, creating a need for materials that are strong enough to endure both impact and torsion stresses encountered in the daily use of a portable device while maintaining a low device weight.

III. **Regulatory and industry standards:** Mobile device market is global in nature. Therefore, to be practical, the materials in use and the design of the product have to comply with regulations across different markets and countries.

IV. **Aesthetics:** The aesthetics of mobile devices is becoming increasingly important as they have become among the most personal items of technology a consumer owns.

Although plastics score well in the first three criteria mentioned above, aluminum is increasingly considered for use in mobile devices especially in respect to the aesthetics criteria. Aluminum, which also meet the first three criteria, can be engineered to deliver multiple surface finishes, looks, feels and colors and be made to resist scratching, corrosion and heat. In comparison to plastics, it signals better to the consumers about the high costs associated with increasingly complex mobile devices. In addition, the continued advancements in metallurgy, machining and finishing technologies are driving the applicability of aluminum in mobile device design. Advances in CNC lathing have enabled the creation of complex device frames from a single block of aluminum while maintaining production efficiencies, finish requirements and the high degree of precision required in mobile devices.

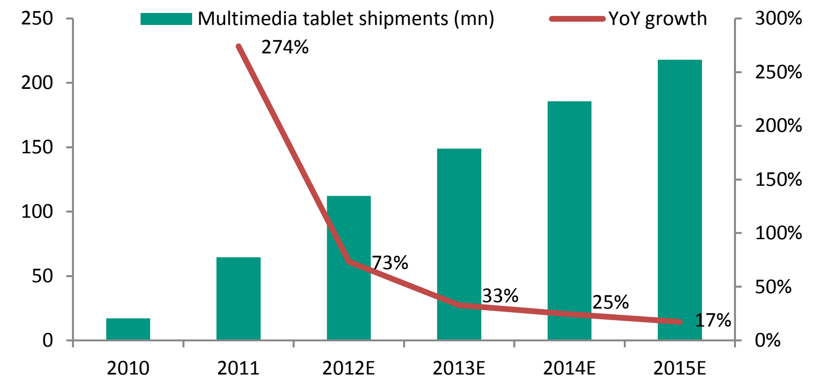
The popular use of aluminum can be sighted in the use of multimedia tablets, including iPad (which is one of the most popular multimedia tablets in the world), smartphones and laptop computers. Demand for aluminum casing products especially CNC products will be driven by the strong demand growth in mobile devices with increasing complexity.

However, due to the intense competition in the industry, only manufacturers with a cost advantage can survive. Since manufacturing of thin aluminum casing from aluminum block involve lots of cutting and drilling, large quantity of scrap aluminum will be produced during the production process, especially for products with larger size. Cost advantage can be derived from the ability to recycle/reuse the scrap aluminum into the production of aluminum casing. As aluminum recycling involves smelting and is a capital intensive industrial process, it becomes an entry barrier to the industry, and gives large-scale producers, such as the Group, a competitive edge.

Demand for aluminum casing products driven by strong growth of mobile devices

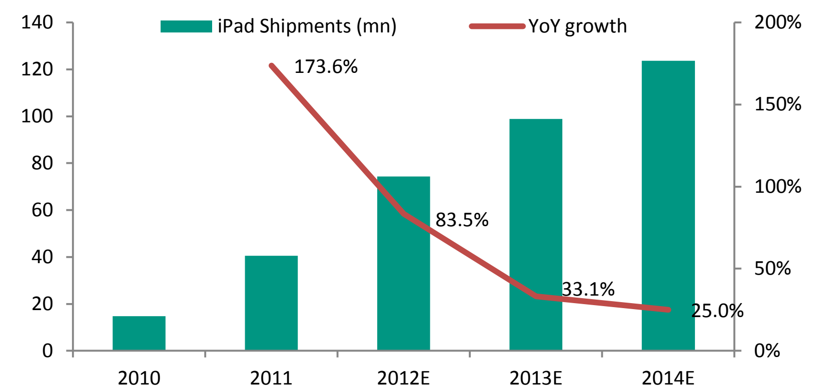
Multimedia tablets: With a user-friendly interface and portable size, multimedia tablets provide user access to entertainment and information anytime and anywhere with the increasing coverage of WiFi network. According to ABI research, annual multimedia tablet shipments worldwide surpassed 64 mn units in 2011 and is expected to reach 218 mn units in 2015, representing a 4-yr CAGR growth of 35.5%. In particular, ABI estimated that iPad shipments will increase by 84%YoY to 74.3mn units in 2012 and 33%YoY to 98.9mn units in 2013.

Exhibit: Multimedia tablet shipments worldwide



Source: ABI Research

Exhibit: iPad shipments worldwide

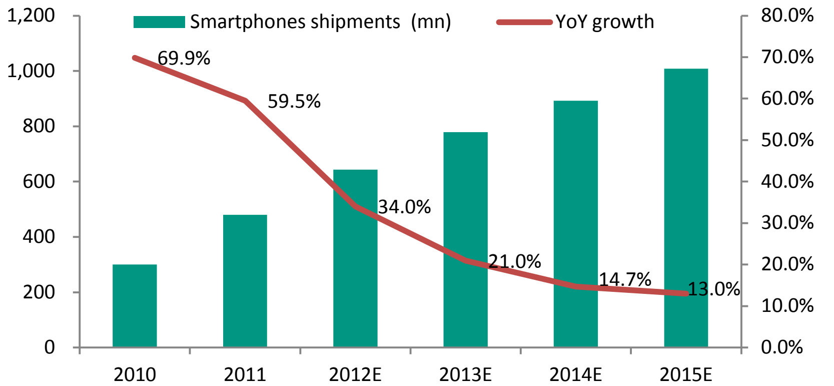


Source: ABI Research

Smartphones: Content and application demand pushes smartphone demand. Services such as mobile browsing, instant messaging, mobile music and video downloads are prompting users to adopt smartphones. In addition, location-based services that allow users to locate the nearest ATM, restaurant, gas station and so on are becoming increasingly popular, and smartphones with GPS are now being pitched as substitutes for in-car navigation systems. These services and the declining prices of smartphones are contributing to rising user demand for the devices.

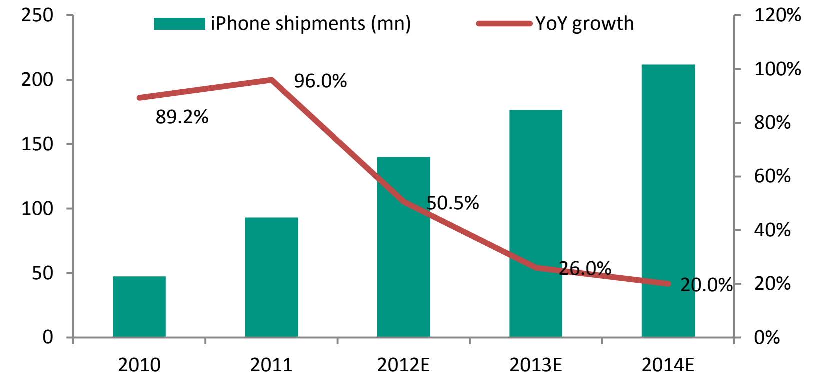
According to ABI research, annual smartphone shipment worldwide reached 480.1mn units in 2011 and is expected to reach 1,008.6 mn units in 2015, representing a 4-yr CAGR growth of 20.4%. In particular, ABI estimated that iPhone shipments will increase by 50%YoY to 140.1 mn units in 2012 and 26%YoY to176.5 mn units in 2013.

Exhibit: Smartphone shipments worldwide



Source: ABI Research

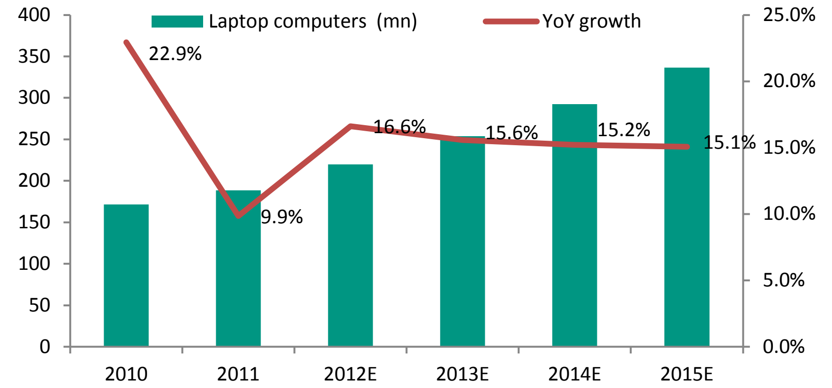
Exhibit: iPhone shipments worldwide



Source: ABI Research

Laptop computers: Without much technology breakthrough, ABI Research forecasts that laptop computers shipments worldwide will increase steadily from 188.4mn in 2011 to 336.6mn in 2015, representing a CAGR of 15.6%.

Exhibit: Laptop shipments worldwide



Source: ABI Research

The strong growth in media devices, including multimedia tablets, smartphones and laptop computers will continue to be the major growth drivers for the aluminum casing products, especially the CNC products.

Global aluminum extrusion products industry

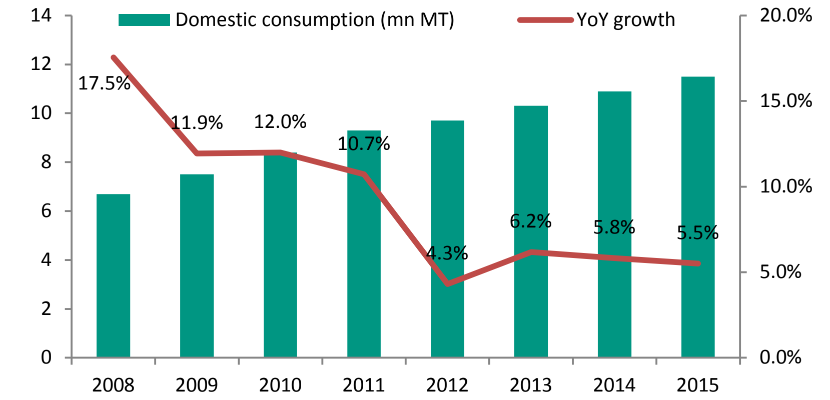
Products growth driven by industrial sector

With the rapid development in industrial, construction and real estate sectors, aluminum extrusion product output in China increased to 10.1mn MT in 2011, with a CAGR of 11.7% since 2007. In 2011, 92% of the aluminum extrusion product output was consumed domestically and the remaining was exported. China has become the world’s largest producer and consumer of aluminum extrusion products in terms of volume.

Aluminum extrusion products can be classified as for construction & industrial use. Construction-use products include window, door frames and curtain walls while industrial-use products are typically used in transportation, machinery and equipment, consumer durable goods, aviation and aerospace, the energy industry, agriculture, military machinery and equipment.

According to ICIS Consulting and CRU, China’s aluminum extrusion products for construction use/ industrial use accounted for 64%/36% of total consumption as opposed to 41%/59% in the US. With expectations of relatively fast development for the mechanical and electrical equipment and consumer durable goods industries, ICIS Consulting estimates that the share of aluminum extrusion products consumed by the Chinese industrial sector will increase from 36% in 2011 to 41% in 2016. By 2015, ICIS Consulting estimates that the consumption of aluminum extrusion products in China will increase to 11.5mn MT, representing a 4-yr CAGR of 5.4%.

Exhibit: China Aluminum Extrusion Consumption (2007-2015)



Source: ICIS Consulting

Steady supply growth

China's aluminum extrusion product industry is fragmented with over 600 aluminum extrusion product manufacturers in China, among which 85% are small plants focusing on construction products with a production capacity below 10,000MT per year. Only approximately 15 aluminum extrusion products manufacturers in China have an annual production capacity of over 150,000 MT.

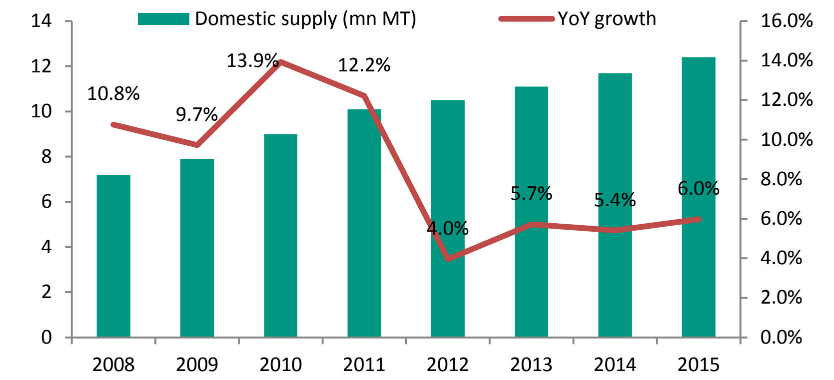
Major China Aluminum Alloy Extrusion Producers in 2011

	Company name	Province	Production capacity 000 MT	Actual production 000 MT
1	Zhongwang Aluminum	Liaoning	640	443
2	Asia Aluminum Holdings Limited	Guangdong	310	280
3	GuangYa Aluminum Co., Ltd.	Guangdong	300	230
4	Guangdong Fenglu Aluminum Industry Co., Ltd.	Guangdong	300	216
5	Shandong Huajian Aluminum Co., Ltd.	Shandong	200	140
6	Guangdong Jianmel Aluminum Profile Factory Co., Ltd.	Guangdong	170	130
7	Taishan Aomei	Shandong	170	108
8	Guangdong Weiye Aluminum Profile Factory Co., Ltd.	Guangdong	200	141
9	Guangdong Huachang Aluminum Profile Factory Co., Ltd.	Guangdong	150	120
10	Guangdong Haomei Aluminum Co., Ltd	Guangdong	150	110

Source: Company reports, ICIS Consulting

According to ICIS Consulting, aluminum extrusion supply in China will grow steadily from 10.1mn MT in 2011 to 12.4mn MT in 2015, representing a CAGR of 5.3% as compared to 5.4% CAGR growth of consumption during the same period. It is expected that the relatively balanced supply and demand growth will lead to a moderate increase trend in processing fees.

Exhibit: China Aluminum Extrusion Supply (2007-2015)



Source: ICIS Consulting

Favorable pricing mechanism in aluminum extrusion industry

It is an international practice to price the aluminum extrusion products on a cost-plus basis measured by weight, comprising the price of aluminum per kilogram at prevailing benchmark rates and a negotiated per kilogram processing fee. The cost-plus pricing mechanism mitigates the risks of raw material costs changes bear by the aluminum extrusion market participants.

Due to the favorable pricing mechanism, profitability of the aluminum extrusion producers will be dependent on processing fees. Processing fees differ depending on the application, size, processing requirements, brand and quality. In general, aluminum extrusion products for industrial applications enjoy higher processing fees due to the high technical requirements and lower competition compared with construction applications, especially with regard to transportation applications. Accordingly, the processing fees for industrial application producers generally enjoy a higher profit margin, leaving them less susceptible to spot market price fluctuations.

According to ICIS Consulting, the demand growth for aluminum extrusion products for construction applications is estimated to stabilize at 4% annually from 2011 to 2015 while processing fees for construction applications is estimated to increase by Rmb100 per year through 2015, with an annual growth rate of 1%. On the other hand, due to high technical barriers and strong downstream demand, ICIS Consulting forecasted that demand for aluminum extrusion products for construction applications to grow by at least 10% annually which support the processing fees for industrial applications to grow by 3% annually from 2012 to 2015. According to ICIS Consulting, aluminum extrusion product supply and demand will continue to become more balanced given recent delays in production capacity expansion plans. Therefore, it expects a continued moderate increases in processing fees for construction application and a faster growth in processing fees for industrial application. Due to the favorable pricing mechanism and forecasted upward price trend of processing fees, aluminum extrusion producers, especially those produced for industrial application, will grow in coming years.

Business Strategies

The Group has successfully transitioned their business focus from traditional aluminum extrusion products to a diversified product portfolio including consumer electronic products and branded integrated door and window systems. The Group's aim is to continue their business diversification and to obtain a leading position in the consumer electronics parts market segment. The Group will pursue their goal through 4 major business strategies:

I. Further strengthen the relationship with the Foxconn Technology group and major customer in Australia

The Group will continue to vigorously apply the stringent quality standards to the products they produce, allocate additional production capacity to meet the increasing orders from the Foxconn Technology group. The Group will also follow closely on the Foxconn Technology group' business development to secure mandates from them to manufacture new types of products. For the Australia customers, the Group will develop capabilities to offer more value-added products to cater their needs.

Comment: The relationship between the Group and the Foxconn Technology group began in 2000. The high level of quality of the Group's products have enabled the Group to sell higher value products to the Foxconn Technology group, starting from selling heat sinks in 2000, to aluminum plates in 2009 and further to higher value products, unibody chassis, in 2011. However, putting too much focus on the business plan of a particular customer will put the Group into a high customer concentration risks. In addition, no specific long term agreements are signed between the Group and the Foxconn Technology group. Their relationship is all based on the cost advantage that the Group can offer to the Foxconn Technology group. Therefore it is vital for the Group to maintain its cost advantage, or in other words, its aluminum scrap recycling business and to ensure the capacity of the particular business will increase in accordance to its downstream business.

II. Expand manufacturing capacity and continue to improve manufacturing efficiency to further enhance profitability

The Group will continue to expand their manufacturing capacity, especially for their CNC processing capacity to meet with strong demand growth. The Group also plans to gradually upgrade their machinery and equipment for regular aluminum extrusion products to be more efficient in raw materials and energy consumption.

Comment: The Group plans to buy an additional of 335 CNC machining centers to meet with the Foxconn Technology group' demand. The capacity plan may need an initial investment of over HK$500mn. Therefore, the expansion plan is subject to the fund-raising ability of the Group. In our view, the CNC machining centers can be adjusted to produce different types of products and therefore have a relatively high resell value. The high resell value of the machines reduces investment risks and therefore will increase the funding ability of the Group.

III. Continue to promote its OPLV brand and enhance its Branded OPLV Product distribution network

The Group plans to develop its OPLV brand through designing new products of superior aesthetics and functionalities that meet the demand of the growing number of home-owning customers in China. In addition, the Group plans to consolidate their OPLV distribution network by discontinuing cooperation with underperforming OPLV Distributors and developing new ones to enhance profitability. The Group also plans to expand their coverage from smaller Chinese cities to first-tier Chinese cities including Beijing and Shanghai.

Comment: In our view, expanding the OPLV products business can diversify its business risks. Since the target customers of the OPLV products are mid-high income group customers, we believe it will provide room for revenue growth if they expand their coverage to first-tier cities. However, revenue growth in the particular market will depend on housing policy as well as the property market in China. The future performance of this segment is also subject to the Group to find competent distributors to penetrate into new cities or areas.

IV. Further develop technical expertise and R&D capabilities

The Group plans to further improve their R&D capabilities by continuing to focus on R&D efforts to develop manufacturing process-related know-how to improve product quality and save production cost. The Group also intends to develop new fabrication processes to provide greater value-added products to meet the demand of their key customers. In addition, the Group plans to continue to vigorously protect its intellectual property rights in markets where it operates.

Comment: Apart from their own R&D capabilities, the Group's capabilities to satisfy customers demand will rely on a transferal of technology know-how from the Foxconn Technology group. Since the Group has to follow the Foxconn Technology group mandate with regards to the specified products that are sold to the Foxconn Technology group, part of the technology know-how is transferred from the Foxconn Technology group to the Group. In order to produce more higher-value added products to this particular customer, a continual transfer of technology know-how from the Foxconn Technology group is needed. This will again depend on the relationship between the Group and the Foxconn Technology group.

Business Model Analysis

The Group derives its revenue from three product segments, namely electronics parts, branded OPLV products and construction & industrial products which are operating in five geographical areas, namely the PRC (excluding Hong Kong), Australia, North America (Canada and the United States), Hong Kong and others. These three types of products are aluminum-based products.

Product Segments

Product segment	Type of products	Major customers
Electronic parts	Aluminum parts for consumer electronics products, examples include chassis for computers and heat sinks	The Foxconn Technology group (12 yrs business relationship)
Construction & industrial products	Products sold for construction & industrial use, examples include window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods	The P & O Companies
Branded OPLV products	Door and window frames systems marketed under "OPLV" brand and sold through distributors	577 distributors as of 30/9/2012 with 36.2% of them having relationship of 2 yrs or more

Source: The Company

Revenue Composition

Sales of electronic parts, construction & industrial products and branded OPLV products contributed 46.9%, 42.5% and 10.6% of total revenue for FY12 respectively.

Among these three product segments, sales of electronic parts and branded "OPLV" products were growth drivers of the Group from FY10 to FY12. We anticipate the sales of electronic parts and "OPLV" products will remain the growth drivers of the Group in coming two financial years due to the continued growth of aluminum-based unibody in the consumer electronic products and the continued retail sales growth of home furnishing and decoration products.

Gross Profit Composition Analysis

Total gross profit of the Group grew by 72.9%YoY and 21.8% YoY for FY11 and FY12 respectively, due to increase in sales of electronic parts and branded "OPLV" products and increase in gross profit margin of electronic parts. The gross profit growth in FY12 was dragged by the decline in sales of construction & industrial products and the decline in gross profit margins of branded "OPLV" products and construction & industrial products.

Gross profit generated from electronic parts, construction & industrial products and branded OPLV products contributed 51.6%, 38.8% and 9.5% of total gross profit of the Group for FY12 respectively. Electronic parts division has become the largest profit contributor to the Group, among the three business segments. Proportion of gross profit contributed from electronic parts increased from 3.2% in FY10 to 36.3% in FY11 and 51.6% in FY12 of total gross profit of the Group. The proportion of gross profit contributed from construction & industrial products declined from 85.8% in FY10 to 38.8% in FY12 of total gross profit of the Group.

Sales Performance Analysis

FY ended Sep 30	2010 HK$mn	2011 HK$mn	2012 HK$mn	2010 Prop.	2011 Prop.	2012 Prop.	2011 Chg (YoY)	2012 Chg (YoY)
Sales breakdown by products:								
Electronics parts	119.8	791.5	1,143.5	8.8%	37.9%	46.9%	560.7%	44.5%
Branded OPLV products	129.4	182.7	258.2	9.5%	8.7%	10.6%	41.2%	41.3%
Construction & industrial products	1,117.7	1,116.4	1,035.3	81.8%	53.4%	42.5%	-0.1%	-7.3%
Total revenue	**1,366.9**	**2,090.6**	**2,437.0**	**100.0%**	**100.0%**	**100.0%**	**52.9%**	**16.6%**
Sales breakdown by areas:								
The PRC (excl HK)	501.5	1,174.7	1,530.1	36.7%	56.2%	62.8%	134.3%	30.3%
Australia	679.1	732.7	732.8	49.7%	35.0%	30.1%	7.9%	0.0%
N America	119.6	53.4	50.5	8.7%	2.6%	2.1%	-55.3%	-5.5%
HK	55.7	96.6	71.1	4.1%	4.6%	2.9%	73.5%	-26.4%
Others	11.1	33.2	52.5	0.8%	1.6%	2.2%	199.1%	58.2%
Total revenue	1,366.9	2,090.6	2,437.0	100.0%	100.0%	100.0%	52.9%	16.6%

Source: The Company, ABCI Securities estimates

Gross Profit Composition Analysis

FY ended Sep 30	2010 HK$mn	2011 HK$mn	2012 HK$mn	2010 Prop.	2011 Prop.	2012 Prop.	2011 Chg (YoY)	2012 Chg (YoY)
Gross profit breakdown by products:								
Electronics parts	9.3	183.0	317.6	3.2%	36.3%	51.6%	1872.0%	73.6%
Branded OPLV products	32.3	43.7	58.6	11.1%	8.7%	9.5%	35.4%	34.0%
Construction & industrial products	250.3	278.0	238.8	85.8%	55.1%	38.8%	11.1%	-14.1%
Total gross profit	**291.9**	**504.7**	**614.9**	**100.0%**	**100.0%**	**100.0%**	**72.9%**	**21.8%**
Gross profit breakdown by areas:								
The PRC (excl HK)	57.1	238.9	386.2	19.6%	47.3%	62.8%	318.4%	61.7%
Australia	202.1	234.5	207.1	69.2%	46.5%	33.7%	16.0%	-11.7%
N America	17.1	7.0	3.1	5.9%	1.4%	0.5%	-59.1%	-55.6%
HK	15.2	22.1	16.6	5.2%	4.4%	2.7%	45.5%	-25.0%
Others	0.3	2.1	1.9	0.1%	0.4%	0.3%	524.1%	-13.0%
Total gross profit	291.9	504.7	614.9	100.0%	100.0%	100.0%	72.9%	21.8%

Source: The Company, ABCI Securities estimates

Gross Profit Margin Analysis

FY ended Sep 30	2010	2011	2012
Gross profit margin by products:			
Electronics parts	7.7%	23.1%	27.8%
Branded OPLV products	24.9%	23.9%	22.7%
Construction & industrial products	22.4%	24.9%	23.1%
Overall gross profit margin	**21.4%**	**24.1%**	**25.2%**
Gross profit margin by areas:			
The PRC (excl HK)	11.4%	20.3%	25.2%
Australia	29.8%	32.0%	28.3%
N America	14.3%	13.1%	6.2%
HK	27.3%	22.9%	23.3%
Others	3.1%	6.5%	3.6%
Overall gross profit margin	21.4%	24.1%	25.2%

Source: The Company, ABCI Securities estimates

Production Cost Analysis

Aluminum ingots are major raw materials in the production. Cost of aluminum ingots accounted for 71.2% of total cost of sales and 53.3% of total revenue for FY12.

Production Cost Analysis

FY ended Sep 30	2010	2011	2012
Cost of sales composition			
Aluminum ingots	75.7%	76.0%	71.2%
Other raw materials	13.4%	13.3%	14.6%
Wages	3.5%	3.3%	6.3%
Utilities	3.2%	2.6%	3.3%
Depreciation	1.6%	1.3%	2.4%
Non-refundable VAT	2.0%	3.1%	1.7%
Others	0.6%	0.4%	0.5%
Total	100.0%	100.0%	100.0%
COGS/Revenue breakdown #:			
Aluminum ingots	59.5%	57.7%	53.3%
Other raw materials	10.5%	10.1%	10.9%
Wages	2.8%	2.5%	4.7%
Utilities	2.5%	2.0%	2.5%
Depreciation	1.3%	1.0%	1.8%
Non-refundable VAT	1.6%	2.3%	1.3%
Others	0.4%	0.3%	0.3%
Total	78.6%	75.9%	74.8%
Overall gross profit margin	21.4%	24.1%	25.2%

Source: The Company;#: ABCI Securities estimates

Aluminum Ingot Cost

FY ended Sep 30 (HK$/kg)	2010	2011	2012
Aluminum ingots purchase price			
Max purchase price	18.0	19.2	19.0
Min purchase price	13.1	16.2	16.0
Avg purchase price	15.9	17.9	18.4
Chg (YoY)		12.4%	3.1%

Source: The Company

Our sensitivity analysis indicates for a 10% increase (or decrease) in cost of aluminum ingots and other costs and product prices remain unchanged, gross profit margin would have decreased (or increased) by 5.33 ppt.

To cushion off unfavorable move of aluminum cost, the Group adopts “cost-plus” pricing policy on its major products. The risk of the fluctuation of aluminum cost will partly transfer to the customers.

Inventory Turnover Cycle

FY ended Sep 30	2010	2011	2012
Inventories turnover days	66	37	40
Raw materials turnover days#	-	13	15
WIP turnover days#	-	11	10
Finished goods turnover days#	-	13	14

Inventories turnover days= Average inventories/COGS x 365 days
Source: The Company; #: ABCI Securities estimates

Exhibit: China Shanghai Changjiang Aluminium Spot Price (Rmb/MT), Period: Jan 4, 2010 to Mar 11, 2013

Remark: Quoted price includes 17% VAT.
Source: Bloomberg

Exhibit: China Shanghai Changjiang Aluminium Spot Price (Rmb/MT), Period: Sep 28, 2012 to Mar 11, 2013

Remark: Since Sep 28, 2012, aluminium spot price in Shanghai has declined by 6.2% to Rmb14,540/ton on Mar 11, 2013. Quoted price includes 17% VAT.
Source: Bloomberg

Electronic Parts Segment

The sales of electronic parts registered CAGR of 209% from FY10 to FY12 due to increasing sales of aluminum-based electronic parts to the Foxconn Technology group. The Foxconn Technology group refer to affiliates and associates to Hon Hai.

The sales of electronic parts grew by 560.7%YoY in FY11 as the Group started to supply aluminum plates to the Foxconn Technology group. In FY12, the Group commenced to supply aluminum-based unibody chassis to the Foxconn Technology group. The aluminum-based unibody chassis has higher technical requirement and is manufactured by CNC machining centers. In this report, CNC products refer to aluminum-based electronic parts which are processed by CNC machining centers. The sales of electronic parts grew by 44.5%YoY in FY12.

Our analysis indicates the electronic parts business segment is the major growth driver of the Group in coming years due to the following reasons.

- Our industry analysis indicates the demand for aluminum-based unibody chassis or parts processed by CNC machining centers will remain strong in coming years.
- In July 2011, the Group has entered into a five-year agreement with the Foxconn Technology group, which is typical in the industry for significant suppliers to the Foxconn Technology group. We consider the five-year agreement entered in July 2011 provides mutually agreed procedures for the Group to consummate sales transactions to the Foxconn Technology group.
- The Group purchased CNC machining centers from the Foxconn Technology group under the machinery purchase agreements entered in 2011 and 2012. These are not simple S&P agreements in our view. We consider the Foxconn Technology group are transferring CNC machining technology to the Group via these agreements. Moreover, the Foxconn Technology group undertook to order from the Group aluminum parts fabricated using the CNC machining centers under the 2012 agreement for 3 years, provided that their in-house capacity is insufficient to process relevant orders they have received, the Group’s capacity is sufficient and the price of the Group’s CNC products is lower than their in-house production cost.
- We anticipate its major customer, the Foxconn Technology group, will increase the outsourcing of the CNC products to the Group as the latter has integrated aluminum processing facilities and is able to lower the unit cost by recycling the wasted aluminum during the CNC processing in the production process.
- We believe the business relationship between the Group and the Foxconn Technology group is tied by the capability of the former to offer price competitiveness products at specified quality in mass quantity. Unless the Foxconn Technology group are integrated upward to non-ferrous metal processing, they will not enjoy cost advantage as much as the Group in the production of unibody chassis using CNC machining technology.
- The Group and the Foxconn Technology group are mutually reliant on each other. The sales to the Foxconn Technology group accounted for 45.7% of total sales of the Group or 97.3% of total sales of electronic parts sales for FY12. The Foxconn Technology group estimate that the aluminum unibody chassis and plates supplied by the Group for purposes of the multimedia tablets accounted for over 50% of such devices

assembled by the Foxconn Technology group since the year ended 30/9/2011.

- The Group commenced operation of the CNC plant in October 2011. Since March 2012, the Group has added 225 CNC machining centers. The Group has increased its number of CNC machining centers to 692 at present with annual processing capacity of 45.7mn units. The expansion of the CNC processing capacity during FY12 will give full year contribution to the Group in FY13.
- Our analysis indicates that the unit gross profit of electronic parts (measured by value per kg) is higher than that of the branded OPLV products and construction & industrial products. The higher proportion of sales of electronic products will give the Group a favorable change of product mix to enhance overall profitability.
- The Group plans to add 335 machines to further increase the CNC processing capacity. We expect the additional CNC machining centers in FY13 will give full-year contribution to the Group in FY14.
- The Group is supplying non-CNC products (heat sink products, plates for multimedia tablets and laptop computers) and CNC products (unibody chassis for multimedia tablets) to the Foxconn Technology group. The Group plans to expand the product scope such as aluminum cases for miniature desktop computers, aluminum cases and stands for integrated desktop computers and aluminum unibody chassis for the popular laptop computers. If the Group succeeds in expanding the scope of products, this will enhance the utilization rate of its CNC machining centers and the profitability of the Group.

Gross profit analysis of electronic parts segment

FY ended Sep 30	2010	2011	2012
Sales volume to (MT)			
Foxconn Companies	5,001.1	26,596.5	30,629.6
chg (YoY)	-	*431.8%*	*15.2%*
Other customers	611.6	220.3	1,315.9
chg (YoY)	-	*-64.0%*	*497.3%*
Total	5,612.7	26,816.8	31,945.5
chg (YoY)	-	*377.8%*	*19.1%*
ASP to (HK$/kg)			
Foxconn Companies	21.4	29.6	36.3
chg (YoY)	-	*37.9%*	*22.9%*
Other customers	20.6	24.1	23.2
chg (YoY)	-	*16.8%*	*-3.7%*
Total	21.3	29.5	35.8
chg (YoY)	-	*38.3%*	*21.3%*
Sales value to (HK$mn)			
Foxconn Companies	107.2	786.2	1,113.0
chg (YoY)	-	*633.4%*	*41.6%*
Other customers	12.6	5.3	30.5
chg (YoY)	-	*-57.9%*	*475.5%*
Total	119.8	791.5	1,143.5
chg (YoY)	-	*560.7%*	*44.5%*
COGS (HK$mn)	(110.5)	(608.5)	(825.9)
Gross profit (HK$mn)	9.3	183.0	317.6
Gross profit margin	7.7%	23.1%	27.8%
Unit gross profit (HK$/kg)	**1.65**	**6.82**	**9.94**
chg (YoY)	-	**312.7%**	**45.7%**

Source: The Company, ABCI Securities estimates

In our gross profit analysis, we put the focus on the unit gross profit (i.e. gross profit per unit volume sold by the Group) as the ASP and gross profit margin will be distorted by the price of major raw material (ie. aluminum ingots). Our industry analysis indicates the manufacturers in the industry are adopting cost-plus pricing policy and charging processing fee on top of raw material cost. Hence, the unit gross profit gives us an insight of the value-added by the production process employed by the Group. Prior to 2011, the Group was mainly supplying heat sinks to the Foxconn Technology group. We estimated the unit gross profit was HK$1.65/kg in FY10. In FY11, the Group started to supply aluminum plates for the popular multimedia tablets and laptop computers to the Foxconn Technology group. We estimated the unit gross profit increased to HK$6.82/kg, up 312.7%YoY. In FY12, the Group started to supply aluminum unibody chassis for the multimedia tablets to the Foxconn Technology group. We estimate that the unit gross profit increased to HK$9.94/kg, up 45.7%YoY. The increase in unit gross profit demonstrates the Group is able to provide more value-added processing services to the Foxconn Technology group. We believe the unit gross profit of CNC products such as aluminum unibody chassis is higher than heat sink or aluminum plates. If the Group increases the proportion of sales of CNC products in electronic parts segment, the average unit gross profit of this segment will be boosted.

Gross profit margin of the electronic parts segment increased from 7.7% in FY10 to 23.1% in FY11 and 27.8% in FY12. The increase in gross profit margin is the result of the change in product mix with higher proportion of high-value added CNC products. As the Group plans to increase its CNC production capacity in a bid to boost the output and sales volume of high-value added CNC products, we believe the favorable change of product mix will enhance the gross profit margin subsequently.

CNC Production Capacity

	No. of CNC machining centers	Annual Processing Capacity (mn units)	Annual Processing Capacity (mn units/CNC machine)
End of 9/2012	657	43.4	0.066
Latest	692	45.7	0.066

Remark: Annual processing capacity is calculated as the maximum processing capacity on the basis of 20 hours a day (two worker shifts), 26 days a month.
Source: The Company, ABCI Securities estimates

We estimate the average annual processing capacity per CNC machining center is 0.066mn units. Although the Group has annual processing capacity of 43.4mn units at the end of Sep 2012, the actual production capacity and production volume in FY12 was 26.7mn units and 22.0mn units as the CNC machining centers were purchased and installed in phases in FY12. The utilization rate of CNC machining centers was 82% on average in FY12. The installed CNC machining centers as of Sep 30, 2012 will give full-year contribution to the Group in FY13.

The Group has added 35 CNC machining centers subsequent to Sep 30, 2012, bringing total number of CNC machining centers to 692 units. The Group plans to further add 335 CNC machining centers, bringing total number of CNC machining centers to 1,027 machines. As the additional CNC machining centers will be installed and operated in phases in FY13, they will give full-year contribution to the Group in FY14.

Purposes of Additional CNC machining centers

No. of additional CNC machining centers	Purposes
200	Plan to manufacture aluminum cases and stands for a line of integrated desktop computers to supply to the Foxconn Technology group, which assemble such integrated desktop computers for a leading global consumer electronics designer
135	Plan to produce aluminum unibody chassis for laptop computers to supply to the Foxconn Technology group, which assemble such laptop computers for the leading global consumer electronics designer

Source: The Company, ABCI Securities estimates

Customer concentration risk and the corresponding credit risk are major business risks of this business segment. Sales to the Foxconn Technology group accounted for 45.7% and 97.3% of total revenue of the Group and total revenue of the electronic parts business segment for FY12 respectively. Trade receivables due from the Foxconn Technology group accounted for 51.0% of total outstanding trade receivables of the Group as of Sep 30, 2012.

Analysis of business risk exposure to the Foxconn Technology group

FY ended Sep 30	2010	2011	2012
Sales to the Foxconn Technology group (HK$mn)	107.2	786.2	1,113.0
Sales to the Foxconn Technology group/total revenue	7.8%	37.6%	45.7%
Sales to the Foxconn Technology group/total sales of electronic parts	89.5%	99.3%	97.3%
Trade receivables due from the Foxconn Technology group (HK$mn)	26.4	152.9	415.3
Foxconn Companies trade receivables turnover days	92	42	93
Foxconn Companies trade receivables/total trade receivables	7.3%	29.2%	51.0%

Source: The Company, ABCI Securities estimates

Branded OPLV Products Segment

The branded OPLV products include mid- to high-end door and window frames primarily targeting end-customers in the residential property decoration and remodeling market in China. The branded products are primarily marketed under "OPLV" (Chinese name"澳普利發") brand and sold through distributors in China. At the end of Sep 30, 2012, the Group has 577 OPLV distributors.

This business segment contributed 10.6% of total revenue of the Group and 9.5% of total gross profit of the Group for FY12. The Group began to develop its OPLV distribution network in FY08. This segment registered revenue growth of 41.2% and 41.3% for FY11 and FY12 respectively. Our analysis indicates the revenue growth was attributed to expansion in sales coverage, increase in number of distributors, careful selection of distributors, good product design and development and differentiated pricing strategy. Subsequently, this segment registered sales volume and ASP growth from FY10 to FY12.

Our analysis indicates the unit gross profit (measured by gross profit per sales volume) increased from HK$7.23/kg in FY10 to HK$7.77/kg in FY12. We believe the increase in unit gross profit is the result of the above-mentioned factors. However, gross profit margin declined from 24.9% in FY10 to 23.9% in FY11 and 22.7% in FY12. The gross profit margin was distorted by aluminum metal cost. When we evaluate the value-added of this product segment, we prefer to look at unit gross profit change. The increase in unit gross profit suggests the Group is able to enhance product value.

Business Performance of Branded OPLV Products Segment

FY ended Sep 30	2010	2011	2012
Sales volume (MT)	4,462.0	5,727.4	7,535.3
chg (YoY)	-	28.4%	31.6%
ASP (HK$/kg)	29.0	31.9	34.3
chg (YoY)	-	10.0%	7.4%
Sales revenue (HK$mn)	129.4	182.7	258.2
chg (YoY)	-	41.2%	41.3%
COGS (HK$mn)	(97.1)	(139.0)	(199.6)
Gross profit (HK$mn)	32.3	43.7	58.6
Gross profit margin	24.9%	23.9%	22.7%
Unit gross profit (HK$/kg)	**7.23**	**7.63**	**7.77**
chg (YoY)	**-**	**5.5%**	**1.9%**
Distribution network performance:			
No. of distributors, beginning	203	424	589
Add	227	248	133
Terminate	-6	-83	-145
No. of distributors, end	424	589	577
Net add (reduce)	221	165	(12)
Avg. sales/distributor (HK$mn)	0.413	0.090	0.111
chg (YoY)	-	-78.2%	22.8%
Avg. sales/distributor (MT)	14.233	11.308	12.925
chg (YoY)	-	-20.6%	14.3%

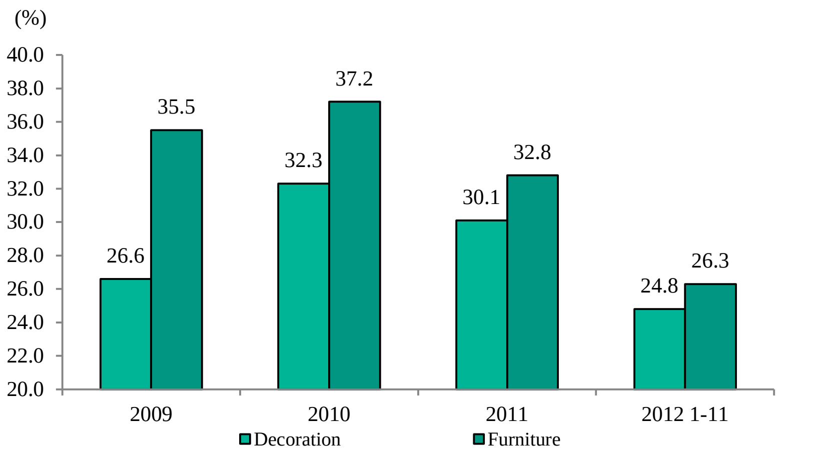
Remark: Avg. sales/distributor = Sales value or sales volume/ average number of distributors during the period
Source: The Company, ABCI Securities estimates

Although the Group expanded its distribution network sharply from 203 distributors at end of FY09 to 424 distributors at end of FY10 and 589 distributors at the end of FY11, we estimate that the average sales to distributor fell by 78% from HK$0.413mn/distributor in FY10 to HK$0.090mn/distributor in FY11. The Group kept reviewing its relationship with distributors. In FY11, the Group added 248 distributors but terminated relationship with 83 distributors. In FY12, the Group added 133 distributors but terminated 145. The active review of OPLV distribution network helped to boost up average sales per distributor in FY12. We estimate average sales per distributor increased by 22.8% in value and 14.3% in volume for FY12.

Looking forward, the business performance of this business segment is subject to the macro-economic environment in the PRC market. In particular, the housing market and retail sales market will affect the sales performance of the OPLV distributors and in turn affect sales performance of the branded OPLV products segment. We believe the sales performance of the OPLV distributors is affected by the retail sales of decoration products. According to the National Bureau of Statistics of China, retail sales of decoration products grew by 26.6%, 32.3% and 30.1% for 2009, 2010 and 2011 respectively. The retail sales growth of decoration products was slowing down in 2010 and 2011. The retail sales growth of decoration products further slowed down to 24.8% for the first eleven months of 2012. According to the National Bureau of Statistics, retail sales growth of furniture products also slowed down from 35.5% in 2009 to 37.2% in 2010, 32.8% in 2011 and 26.3% for the first eleven months of 2012. Although the Group posted impressive sales value and volume growth rates from FY10 to FY12, its OPLV distributors were facing the slowdown of retail sales growth of decoration products and furniture products. This business challenge will indirectly affect the Group when it expands its sales network.

The housing market in China will affect the market demand for decoration and furniture products. We observe the recovery of property transactions in the 4Q 2012. If the property transactions continue to recover, this will become a favorable factor to boost the demand for decoration and furniture products in the future.

Exhibit: China Retail Sales Value Growth – Decoration products and Furniture Products



Source: National Bureau of Statistics

Key commercial terms in OPLV distribution agreements:

- Designate one OPLV Distributor to operate in one sales region
- Require a new OPLV Distributor to commit to developing a guaranteed minimum number of sub-distributors or retail stores and making a guaranteed minimum annual purchase
- Typically 20% down payment, balance paid upon delivery
- Accept exchange requests for quality reasons
- Not to distribute other producers' products to compete with the Group

Construction & Industrial Products Segment

The products of this business segment primarily include exterior and interior decoration components and materials for residential and office buildings and other architectural structures, including curtain wall systems, panels, louvers, mullions, grilles, sunscreens, canopies and door and window frames. This business applies "cost-plus" pricing policy. The pricing is based on the pricing of aluminum per kg at prevailing benchmark rates and a negotiated per kg processing fee. Hence, when we analyze the financial performance of this segment, we put the focus on unit gross profit generated from the sales. The unit gross profit can give us an insight on the value-added in the production process.

Business Performance of Construction & Industrial Products Segment

FY ended Sep 30	2010	2011	2012
Sales volume (MT)	41,046.8	34,858.5	30,857.8
chg (YoY)	-	-15.1%	-11.5%
ASP (HK$/kg)	27.2	32.0	33.6
chg (YoY)	-	17.6%	4.8%
Sales revenue (HK$mn)	1,117.7	1,116.4	1,035.3
chg (YoY)	-	-0.1%	-7.3%
COGS (HK$mn)	(867.4)	(838.3)	(796.5)
Gross profit (HK$mn)	250.3	278.0	238.8
Gross profit margin	22.4%	24.9%	23.1%
Unit gross profit (HK$/kg)	**6.10**	**7.98**	**7.74**
chg (YoY)	**-**	**30.8%**	**-3.0%**

Source: The Company, ABCI Securities estimates

This business segment contributed 42.5% and 38.8% of total revenue and total gross profit of the Group for FY12 respectively. North America and Australia markets are major export markets of the products in this business segment. However, the export sales of this product segment from FY10 to FY12 were adversely affected by the antidumping duties and countervailing duties implemented by the US, Canada and Australia on construction & industrial aluminum products imported from China. This business segment recorded decline in sales volume from FY10 to FY12. Sales volume fell 15.1% in FY11 and 11.5% in FY12 due to decline in export sales to the North America markets which have implemented heavy anti-dumping duties and countervailing duties on construction & industrial aluminum products imported from China. Export sales of the Group to the Australia was less adversely affected as the anti-dumping duties and countervailing duties charged by Australia is less than US and Canada and the Group began to sell assembled "ready-for-sale" products to Australia not subject to the duties. Export sales of the Group to the North America markets plunged 55.3% in FY11 and 5.5% in FY12. Meanwhile, export sales to Australia edged up 7.9% in FY11 and recorded flat growth in FY12.

The major customer of this segment is the P & O Companies, which contributed 25.8% and 60.8% of the total revenue of the Group and the total sales of the construction & industrial goods in FY12. The major risk of this business segment is the customer concentration risk and the credit risk incurred on the P & O Companies.

Analysis of business risk exposure on the P & O Companies

FY ended Sep 30	2010	2011	2012
Sales to the P & O Companies (HK$mn)	402.0	624.0	629.1
Sales to the P & O Companies/total revenue	29.4%	29.8%	25.8%
Sales to the P & O Companies/total sales of construction & industrial products segment	36.0%	55.9%	60.8%
Trade receivables due from the P & O Companies (HK$mn)	247.3	284.8	348.7
, of which overdue portion (HK$mn)	121.8	155.9	225.0#
P & O Companies trade receivables turnover days	112	156	184
P & O Companies trade receivables/total trade receivables	68.8%	54.5%	42.9%

Note #: The overdue amount of HK$225.0mn has been settled as of Nov 27, 2012.
Source: The Company, ABCI Securities estimates

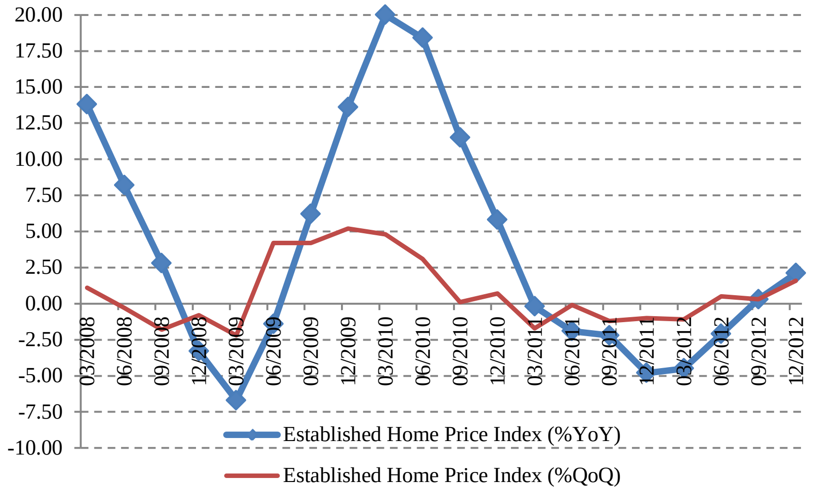
We believe the business performance of this segment in the short to medium terms will be significantly affected by the following factors:

- The trade relationship between China and major countries the Group exports to
- The macro-economic environment and housing market in Australia
- The business performance and financial condition of the P & O Companies
- The capability of the Group to diversify the customer base and the markets
- The capability of the Group to develop new construction & industrial products which are able to meet market demand and price competitiveness of the products will be less adversely affected by anti-dumping duties or countervailing duties

As the Australia market is still the major export market of this business segment, we take cautious attitude on this segment in view of the prevailing macro-economic condition and the housing market in Australia.

Home price rebounded 2.1%YoY or 1.6%QoQ in Q4 2012, showing recovery signal in 2H 2012

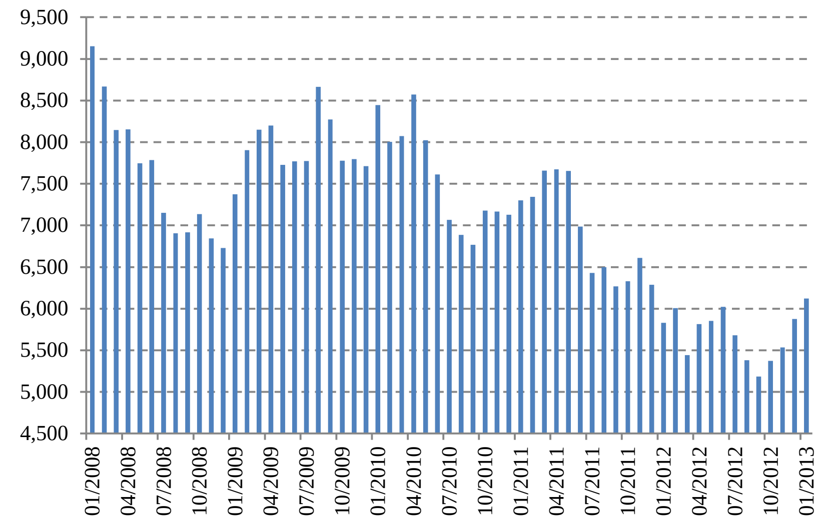
Exhibit: Australia Home Price Index - Established Homes(2003-2004=100) (Period: Q1 2008 – Q4 2012)



Source: Australian Bureau of Statistics

New home sales recovering since Oct 2012

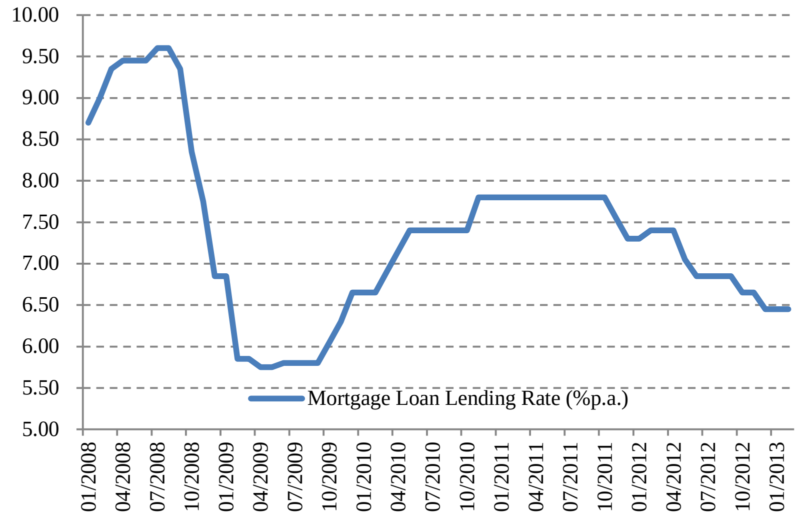
Exhibit: Australia Housing Industry Association - New Private Home Sales (units) (Period: Jan 2008 – Jan 2013)



Source: Bloomberg

Cutting mortgage lending rates to turn around the property market and stimulate the economy

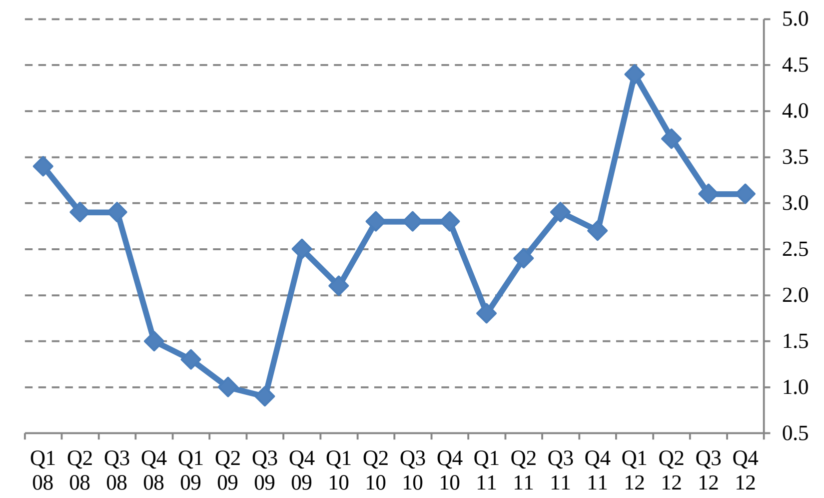
Exhibit: Australia Lending Rate for Standard Housing Loans Issued by Banks (Period: Jan 2008 – Feb 2013)



Source: Reserve Bank of Australia

Economy is stabilizing

Exhibit: Australia Real GDP (%YoY) (Period: Q1 2008 – Q4 2012)



Source: Australian Bureau of Statistics

Production capacity

We identify two major factors that will constrain the growth momentum of the Group in the future. In view of its integrated production process from smelting and casting, die design and fabrication, extrusion, aging, surface treatment to downstream CNC processing, its aluminum extrusion capacity and CNC machining centers processing capacity are two major production processes that will constrain the output of aluminum extrusion which the aluminum will be used by the three business segments. Processing capacity of its CNC machining centers will constrain the growth momentum of its CNC products.

At the end of Sep 2012, the production capacity of its aluminum extrusion is 108,000MT. For FY12, the Group produced 88,510MT of aluminum extrusion at utilization rate of 82%. We consider this utilization rate is high. If the Group does not expand its production capacity of aluminum extrusion in the short to medium terms, the Group needs to constrain the sales volume of some low margin businesses.

The Group started to provide CNC processing services in FY12. At the end of Sep 20, 2012, the Group had 657 CNC machining centers with annual processing capacity of 43.4mn units. At present, the Group has 692 CNC machining centers with annual processing capacity of 45.7mn units. The Group plans to add 335 CNC machining centers with annual processing capacity of 17.7mn units to further strengthen its CNC processing capacity, which we estimate will bring total CNC machining centers to 1,027 and annual processing capacity of 63.4mn units. We anticipate its CNC machining centers installed in FY12 will give full year contribution to the Group in FY13. Its CNC installed or to be installed in FY13 will give full year contribution to the Group in FY14.

Capital Expenditure Plan

Production process	Plan	Amount
CNC processing capacity	Establish new production line, including cutting and polishing machinery and add 335 CNC machining centers	Approx. HK$533mn
Aluminum extrusion	Relocate plant and increase annual aluminum extrusion capacity to 150,000MT in three years	Approx. HK$266.5mn

Source: The Company; ABCI Securities estimates

Hon Hai Supply Chain

As the Foxconn Technology group is the largest customer of the Group, supply chain management of Hon Hai will directly affect the business operation (e.g. working capital management, profitability and financial gearing) of the Group. In addition, as Hon Hai is one of leading operators in the ECM industry, its business performance will also affect the business performance of the upstream suppliers, such as the Group. The market valuation of Hon Hai (in terms of PER rating) is able to give us a reference on the valuation of its suppliers such as the Group.

Based on public information, we identified 43 listed companies which are suppliers of Hon Hai and its group companies. Their median historical PER is 22.4x. The estimated PER for current year and next year is 18.7x and 16.0x respectively. The median account receivable turnover and inventory turnover days are 66 days and 62 days.

For Hon Hai, its account payable turnover days are 46 days. Hence, suppliers of Hon Hai with account receivable turnover days over 46 days indicate they have relatively weak bargaining power against Hon Hai. On the contrary, suppliers of Hon Hai with account receivable turnover days less than 46 days suggest they have better bargaining power against Hon Hai.

For Hon Hai, its inventory turnover days are 14 days vs median average of 62 days of its suppliers. Hon Hai maintains very low inventory level and passes the stock keeping pressure to its suppliers. Hence, suppliers of Hon Hai need financial resources to run working capital (i.e. long receivable and inventory turnover days). In particular, suppliers with weak bargaining power will tie up financial resources to finance Hon Hai by offering longer credit period and keeping sufficient large inventory to meet Hon Hai's orders.

Although Hon Hai reported gross profit margin of 3.89%, the median average of gross profit margin of its suppliers was 21.78% high. Although suppliers enjoyed high gross profit margin on average, their median ROAA was 5.31% low. In contrast, ROAA of Hon Hai was 6.65%. Hon Hai is utilizing its bargaining power to pass some financial burdens (e.g. longer supplier credit period, suppliers' maintaining large stock level, suppliers' expanding fixed asset investment) to meet Hon Hai's future business expansion. Hence, sales/average assets of Hon Hai was 2.26x; whereas, median average of its suppliers was 1.07x. From this point of view, Hon Hai is relying on suppliers not only to supply input materials/parts/components but also to provide other types of supports (e.g. longer suppliers credit, high inventory back up, fixed asset investments). Hence, the relationship of Hon Hai and most of its suppliers is not simply a supplier & customer relationship but business partners.

Mainland China Suppliers of Hon Hai

Among the A-share markets, we identified 8 listed companies which are suppliers of Hon Hai. Their median historical PER was 39.5x. Their median estimated PER for this year and next year are 31.4x and 22.1x respectively. Their median account receivable turnover and inventory turnover are 121 days and 65 days. The Chinese suppliers are offering a very long credit period to Hon Hai. However, their inventory turnover level is in line with market average. Their median gross profit margin was 29.4% with ROAA of 7.79%, but sales to average assets ratio was 0.71x low. Chinese suppliers need to tie up financial resources in working capital (trade receivable &

inventory) and to keep expanding P.P.E to meet Hon Hai's orders. High gross profit margin is the result of the suppliers to price in extra financing cost into selling prices of products sold to Hon Hai. These 8 listed companies in the A-share markets are selling connectors, PCB, lithium battery modules, computer & communication products, purifying products, packaging products, laser cutters or LED products. None of them are selling aluminum alloy unibody casing.

Taiwanese Suppliers of Hon Hai

Among the Taiwan-listed stocks, we identified 14 listed companies as Hon Hai's suppliers. Their median historical PER was 23.0x. Their median estimated PER for this year and next year are 17.3x and 11.9x respectively. Their median a/c receivable turnover and inventory turnover are 73 days and 30 days respectively. Their median gross profit margin was 3.86% with ROAA of 2.03% and sales/average assets at 0.80x. In terms of working capital management, Taiwanese suppliers are unwilling to offer longer credit period and exercising tight control on inventory level. They are competing in thin margin.

Exhibit: Summary of operating statistics of Hon Hai suppliers

	GP margin (%)	ROAA (%)	ROAE (%)	A/C rec turnover (days)	Inventory turnover (days)	A/C payable turnover (days)	Sales/ avg assets (x)
Hon Hai (2317 TT)	3.89	6.65	16.16	38	14	46	2.26
Sample group (median figure)							
43 Hon Hai suppliers (list co)	22.35	4.74	9.85	53	36	57	0.99
8 Mainland China suppliers (A-shares)	29.39	7.79	14.16	121	65	85	0.71
14 Taiwan suppliers (Taiwan listing)	3.86	2.03	3.07	73	30	55	0.80
15 US suppliers (US listing)	38.38	6.39	13.36	60	85	57	0.78

Source: Company reports, Bloomberg

Exhibit: List of Hon Hai's Suppliers

		Products
Suppliers in A-share markets		
002475 CH	LUXSHARE PRECISION	Connectors
002463 CH	WUS PRINTED CIRCUIT	PCB
300207 CH	SUNWODA ELECTRONIC	Li battery module, structural module
002635 CH	SUZHOU ANJIE TECHNOLOGY	Computer & communication products
002341 CH	SHENZHEN SELEN SCIENCE	Purifying product & engineering service
002303 CH	SHENZHEN MYS ENVIRONMENTAL	Packaging products
300227 CH	SHENZHEN SUNSHINE LASER	Templates & accessory products, flexible PCB
002008 CH	HAN'S LASER TECHNOLOGY	Laser cutter, maker & printer; LED products
Taiwan-listed suppliers		
4958 TT	ZHEN DING TECHNOLOGY HOLDING	Printed circuit board
2354 TT	FOXCONN TECHNOLOGY CO LTD	Desktop computers and colour monitors
3481 TT	INNOLUX CORP	LCD
2328 TT	PAN-INTERNATIONAL INDUSTRIAL	Raw cables, cable assembly, connectors
2409 TT	AU OPTRONICS CORP	TFT-LCDs, plasma display panels
3312 TT	GMI TECHNOLOGY INC	USB storage devices, Ethernet
3062 TT	CYBERTAN TECHNOLOGY INC	Equipment for broadband network
3665 TT	BIZLINK HOLDING INC	Connectors
3498 TT	USUN TECHNOLOGY CO LTD	Automatic electromechanical integrated systems
2392 TT	CHENG UEI PRECISION INDUSTRY	Connectors, cable assemblies, power packs
6151 TT	GINAR TECHNOLOGY CO LTD	Engineering thermoplastics
3413 TT	FOXSEMICON INTEGRATED TECH	Semi-conductor equipment
6145 TT	POWER QUOTIENT INTERNATIONAL	Data storage hardware
3149 TT	G TECH OPTOELECTRONICS CORP	LCD glasses
US-listed suppliers		
A US	AGILENT TECHNOLOGIES INC	Bio-analytical and electronic measurement service
INTC US	INTEL CORP	Computer components and related products
AVT US	AVNET INC	Computer products, semiconductors
TXN US	TEXAS INSTRUMENTS INC	Semiconductors
AVGO US	AVAGO TECHNOLOGIES LTD	Semiconductors
PPG US	PPG INDUSTRIES INC	Protective and decorative coatings, flat glass, chemicals
PLCM US	POLYCOM INC	Video, voice, data and web conferencing collaboration solutions
DIOD US	DIODES INC	Semiconductors
ONNN US	ON SEMICONDUCTOR CORPORATION	Semiconductors
BELFA US	BEL FUSE INC-CL A	Magnetic components
DOV US	DOVER CORP	Manufacturing equipment
SYNA US	SYNAPTICS INC	Provides user interface solutions
PX US	PRAXAIR INC	Gas
CAVM US	CAVIUM INC	Semiconductor processors
AFOP US	ALLIANCE FIBER OPTIC PRODUCT	Fiber optic components

Source: Company reports, Bloomberg

Exhibit: Operating statistics and valuation of Hon Hai's Suppliers in A-share markets

		Gross profit margin (%)	ROAA (%)	ROAE (%)	A/C receivable turnover (days)	Inventory turnover (days)	A/C payable turnover (days)	Sales/ avg assets (x)
002475 CH	LUXSHARE PRECISION	21.78	7.69	14.61	128	46	153	0.83
002463 CH	WUS PRINTED CIRCUIT	21.75	7.95	10.49	88	37	81	0.76
300207 CH	SUNWODA ELECTRONIC	19.43	7.79	11.59	90	65	61	0.97
002635 CH	SUZHOU ANJIE TECHNOLOGY	36.08	13.43	15.64	113	56	68	0.71
002341 CH	SHENZHEN SELEN SCIENCE	24.14	6.19	14.16	167	115	87	0.71
002303 CH	SHENZHEN MYS ENVIRONMENTAL	31.45	2.74	3.21	99	82	109	0.47
300227 CH	SHENZHEN SUNSHINE LASER	54.26	7.72	10.60	133	89	85	0.47
002008 CH	HAN'S LASER TECHNOLOGY	37.99	12.99	28.52	137	228	81	0.65
	Median	**27.80**	**7.76**	**12.88**	**121**	**74**	**83**	**0.71**
	Avg	30.86	8.31	13.60	119	90	91	0.70
	High	54.26	13.43	28.52	167	228	153	0.97
	Low	19.43	2.74	3.21	88	37	61	0.47

Exhibit: Operational statistics of Hon Hai and its affiliates

		Gross profit margin (%)	ROAA (%)	ROAE (%)	A/C receivable turnover (days)	Inventory turnover (days)	A/C payable turnover (days)	Sales/ avg assets (x)
2317 TT	HON HAI PRECISION INDUSTRY	3.89	6.65	16.16	38	14	46	2.26
2354 TT	FOXCONN TECHNOLOGY	3.54	8.57	13.17	69	10	56	0.90
2038 HK	FOXCONN INTERNATIONAL*	5.33	(2.38)	(3.80)	63	37	54	1.03

		Share price (local)	Hist. PER (x)	Curr yr PER (x)	Next yr PER (x)
2317 TT	HON HAI PRECISION INDUSTRY	87.20	10.88	11.09	9.37
2354 TT	FOXCONN TECHNOLOGY	88.60	15.06	14.01	10.88
2038 HK	FOXCONN INTERNATIONAL*	3.73	Loss	n/a	n/a

Note *: The Group has not had a trade relationship with Foxconn Int'l and its subsidiaries.
Share prices dated at Jan 11, 2013; Source: Bloomberg

Financial Forecast

Major Assumptions

- We assume the Group is able to arrange finance to implement its capacity expansion plan to enlarge its CNC processing capacity and aluminum extrusion capacity.
- The Group will add 135 CNC machining centers in Q1 2013 and another 200 CNC machining centers in Q4 2013.
- The Group will increase its aluminum extrusion capacity from 108,000MT to 150,000MT, up38.9%, in three years.
- The Group will enlarge its electronic parts business as stated in its business strategies.
- The Group maintains good business relationship with its two major customers – the Foxconn Technology group and the P & O Companies.
- Aluminum materials will remain or become the major material to produce unibody chassis for multimedia tablets and laptop computers, cases and stands for integrated desktop computers or laptop computers.
- The Group will maintain its existing business practice in product pricing policy, credit policy and working capital management.
- The anti-dumping duties and countervailing duties charged on the Group's export products will not significantly increase.

CNC Processing Capacity Projection

As of Sep 30	2012	2013F	2014F
Number of CNC machining centers	657	827	1,027
Chg	-	25.9%	24.2%
Annual processing capacity (mn units)	43.4	51.7	63.4
Chg	-	19.1%	22.6%

F: ABCI Securities estimates
Source: The Company

Sales Volume, ASP and Unit Gross Profit Projection

FY ended Sep 30	2010	2011	2012	2013F	2014F
Electronic parts segment:					
Sales volume (MT)	5,613	26,817	31,946	41,266	53,284
ASP (HK$/kg)	21.3	29.5	35.8	35.9	36.0
Unit gross profit (HK$/kg)	1.65	6.82	9.94	13.00	13.00
Branded "OPLV" products segment:					
Sales volume (MT)	4,462	5,727	7,535	9,796	11,755
ASP (HK$/kg)	29.0	31.9	34.3	36.0	37.8
Unit gross profit (HK$/kg)	7.23	7.63	7.77	7.89	7.97
Construction & industrial products segment:					
Sales volume (MT)	41,047	34,859	30,858	29,315	28,729
ASP (HK$/kg)	27.2	32.0	33.6	34.22	34.91
Unit gross profit (HK$/kg)	6.10	7.98	7.74	7.74	7.74

Remark: Unit gross profit = Segment gross profit/segment sales volume
F: ABCI Securities estimates
Source: The Company

Profit Forecast

FY ended Sep 30 (HK$mn)	2010	2011	2012	2013F	2014F
Revenue breakdown by product:					
Electronics parts	119.8	791.5	1,143.5	1,480.5	1,916.2
Branded OPLV products	129.4	182.7	258.2	352.4	444.1
Construction & industrial products	1,117.7	1,116.4	1,035.3	1,003.2	1,002.8
Total revenue	1,366.9	2,090.6	2,437.0	2,836.1	3,363.1
Gross profit breakdown by product:					
Electronics parts	9.3	183.0	317.5	536.46	692.69
Branded OPLV products	32.3	43.7	58.6	77.28	93.66
Construction & industrial products	250.3	278.0	238.8	226.82	222.28
Total gross profit	291.9	504.7	614.9	840.56	1,008.64
Distribution and selling expenses	(115.6)	(89.3)	(102.6)	(119.1)	(141.2)
Administrative expenses	(80.1)	(82.3)	(138.7)	(153.1)	(181.6)
Other income	7.0	7.8	4.0	0.5	0.0
Other gains/(losses) — net	5.7	(45.2)	27.2	*0.0*	*0.0*
Operating profit	**108.9**	**295.7**	**404.8**	**568.8**	**685.8**
Finance costs, net of income	(14.0)	(21.3)	(25.5)	(20.0)	(18.0)
Pre-tax profit	**94.9**	**274.4**	**379.3**	**548.8**	**667.8**
Income tax	(8.2)	(14.1)	(22.2)	(32.9)	(40.1)
Net profit	**86.7**	**260.3**	**357.1**	**515.9**	**627.7**

Remark: The Group declared dividends of HK$29mn, HK$70mn and HK$260mn for FY10, FY11 and FY12 respectively. We assume dividend payout ratio at 30% for FY13 and FY14 respectively.
F: ABCI Securities estimates; Source: The Company

Balance Sheet Projection

As of Sep 30 (HK$mn)	2010	2011	2012	2013F	2014F
Non-current assets:					
Property, plant & equip	141.1	182.2	399.6	948.3	919.2
Land use rights	9.2	9.6	9.4	9.0	8.6
Deposits & lease prepayments	1.3	2.5	1.8	1.8	1.8
Prepayments for P.P.E.	1.9	7.8	10.0	0.0	0.0
Capital guaranteed fund	4.4	4.4	4.5	4.5	4.5
Derivative financial instruments	0.5	0.3	0.5	0.5	0.5
Total non-current assets	**158.5**	**206.8**	**425.8**	**964.1**	**934.6**
Current assets:					
Inventories	132.3	187.5	208.3	229.1	286.9
Trade receivables	359.2	522.8	813.7	740.4	1,102.4
Prepayments, deposits & other receivables	65.0	89.2	112.7	120.4	156.0
Due from related companies	6.5	4.7	7.9	7.0	8.0
Pledged bank deposits	22.0	21.5	21.5	21.5	21.5
Cash & cash equivalents	139.5	111.4	143.3	954.8	965.5
Total current assets	**724.5**	**937.1**	**1,307.4**	**2,073.2**	**2,540.4**
Total assets	**883.0**	**1,143.9**	**1,733.1**	**3,037.3**	**3,475.0**
Current liabilities:					
Trade payables	17.2	36.4	105.1	113.6	144.4
Other payables & accrued charges	76.7	111.7	146.0	138.3	197.2
Due to a director	8.5	0.0	0.0	0.0	0.0
Derivative financial instruments	21.8	0.0	0.3	0.0	0.0
Loans	279.4	314.5	602.1	380.0	250.0
Finance leases	3.8	1.5	0.4	0.0	0.0
Dividend payable	0.8	0.0	86.0	0.0	0.0
Income tax liab	34.3	41.1	57.2	45.0	50.0
Total current liabilities	**442.6**	**505.1**	**997.2**	**676.9**	**641.6**
Non-current liabilities:					
Finance leases	1.9	0.4	0.0	0.0	0.0
Total non-current liabilities	1.9	0.4	0.0	0.0	0.0
Total liabilities	**444.5**	**505.5**	**997.2**	**676.9**	**641.6**
Total equity	**438.4**	**638.4**	**736.0**	**2,360.5**	**2,833.4**
Total loans	283.3	315.9	602.5	380.0	250.0
Cash & pledged bank deposits	161.5	132.9	164.8	976.4	987.0
Net debt (Net cash)	**121.8**	**183.0**	**437.7**	**(596.4)**	**(737.0)**

Remark: The Group raised net proceeds of HK$1,108mn in Feb 13 by offering 300mn new shares @HK$4.13/share.
F: ABCI Securities estimates
Source: The Company

Major Financial Ratios

FY	2010	2011	2012	2013F	2014F
Growth momentum					
Total revenue	-	52.9%	16.6%	16.4%	18.6%
Gross profit	-	72.9%	21.8%	36.7%	20.0%
Pre-tax profit	-	189.0%	38.3%	44.7%	21.7%
Net profit	-	200.3%	37.2%	44.5%	21.7%
Assets	-	29.6%	51.5%	26.3%	24.3%
Equity	-	45.6%	15.3%	70.1%	50.1%
Profitability ratios					
Gross profit margin:					
Electronics parts	7.7%	23.1%	27.8%	36.2%	36.1%
Branded OPLV products	24.9%	23.9%	22.7%	21.9%	21.1%
Construction & industrial products	22.4%	24.9%	23.1%	22.6%	22.2%
Overall gross profit margin	21.4%	24.1%	25.2%	29.6%	30.0%
EBITDA margin	9.6%	15.5%	18.7%	23.0%	23.9%
EBIT margin	8.0%	14.1%	16.6%	20.1%	20.4%
Pre-tax profit margin	6.9%	13.1%	15.6%	19.4%	19.9%
Net profit margin	6.3%	12.5%	14.7%	18.2%	18.7%
ROAA		25.7%	24.8%	21.6%	19.3%
ROAE		48.3%	52.0%	33.3%	24.2%
Sales/assets	1.55	1.83	1.41	0.93	0.97
Leverage ratios					
Net debt/equity	27.8%	28.7%	59.5%	Net cash	Net cash
Equity/assets	49.7%	55.8%	42.5%	77.7%	81.5%
Liquidity ratios					
Current ratio	1.64	1.86	1.31	3.06	3.96
Quick ratio	1.34	1.48	1.10	2.72	3.51
Net operating cash flow/net profit	1.10	0.33	0.45	1.29	0.63
Net investing cash outflow/net operating cash inflow	0.29	0.89	1.50	0.95	0.22
Repayment capability					
EBITDA/interest expenses	9.28	15.03	17.71	32.66	44.64
EBITDA/(ST loans+int. expenses)	0.44	0.96	0.72	1.63	3.00
Working capital management					
Trade receivables turnover days	79	77	100	100	100
Inventories turnover days	66	37	40	40	40
Trade payables turnover days	7	6	14	20	20
Operating cost ratios					
Selling & distribution cost/revenue	8.5%	4.3%	4.2%	4.2%	4.2%
Admin expenses/revenue	5.9%	3.9%	5.7%	5.4%	5.4%
Effective tax rate	8.7%	5.1%	5.9%	6.0%	6.0%

F: ABCI Securities estimates
Source: The Company; ABCI Securities estimates

Cash Flow Projection

FY ended Sep 30 (HK$mn)	2010	2011	2012	2013F	2014F
Cash flows from operating activities:					
EBITDA	**131.2**	**323.3**	**454.8**	**653.3**	**803.5**
Adjustments	27.0	(12.5)	1.9	0.0	0.0
Total chg in WC	(44.3)	(192.2)	(262.3)	46.5	(366.8)
Cash generated from operations	**113.9**	**118.5**	**194.5**	**699.7**	**436.7**
Interest paid	(14.1)	(21.5)	(25.7)	(20.0)	(18.0)
Income tax paid	(4.8)	(10.1)	(6.7)	(15.0)	(22.0)
Net cash generated from operating activities	**95.0**	**86.9**	**162.1**	**664.7**	**396.7**
Cash flows from investing activities:					
Purchase of PPE and construction in porgress	(11.7)	(74.2)	(244.3)	(633.3)	(88.8)
Others	(15.6)	(2.9)	1.2	0.0	0.0
Net cash used in investing activities	**(27.3)**	**(77.1)**	**(243.1)**	**(633.3)**	**(88.8)**
Cash flows from financing activities:					
Net borrowings	62.1	35.0	287.6	(222.5)	(130.0)
Payment of finance lease liabilities	(4.4)	(3.9)	(1.5)	(0.4)	0.0
Increase in pledged bank deposits	3.6	0.4	0.0	0.0	0.0
Dividends paid to Company's shareholders	(67.0)	(70.8)	(174.0)	(86.0)	(154.8)
Net proceeds of new issues	0.0	0.0	0.0	1,108.0	0.0
Net cash (used in)/generated from financing activities	**(5.8)**	**(39.3)**	**112.2**	**799.1**	**(284.8)**
Net increase/(decrease) in cash and cash equivalents	61.9	(29.5)	31.2	830.5	23.2
Cash and cash equivalents at beginning of the year	77.2	139.5	111.4	143.3	973.8
Exchange gains on cash and cash equivalents	0.4	1.4	0.8	0.0	0.0
Cash and cash equivalents at end of the year	139.5	111.4	143.3	973.8	997.0

F: ABCI Securities estimates
Source: The Company

Sector Valuation

The Group engages in the production of aluminum parts for consumer electronic products as well as aluminum extrusion products. However, our business projection indicates the proportion of its electronic parts business will continue to increase; whereas, its proportion of its other aluminum extrusion product businesses will decline. When we appraise the Group, we take the shift of its business composition into consideration.

Since the Group is at the initial stage of development with high growth potential, we believe PER valuation is an appropriate method to evaluate the Group. We consider the PER rating of its comparable peers in the supply chain.

Since the largest customer of the Group, the Foxconn Technology group, are affiliates and associates to Taiwan-listed Hon Hai Precision Industry. The market valuation of Foxconn Technology and Hon Hai Precision are also as our reference.

So far, the Group is the only external unibody chassis supplier to the Foxconn Technology group for the production of multimedia tablets. Therefore, other suppliers of Foxconn Technology are not directly comparable to the Group.

Among HK and Taiwan listed companies which are focusing on production of metal casings for tablets, we identify PanAsialum (2078 HK), Ju Teng (3336 HK), Catcher Technology (2474 TT) and Casetek (5264 TT).

The Group is manufacturing aluminum unibody chassis for the production of multimedia tablets. The tablet market is dominated by Apple (43.6% mkt share in Q4 2012), according to IDC. We identify three electronic contract manufacturers, Foxconn Technology (2354 TT), Catcher Technology (2474 TT) and Pegatron (4938 TT), for the production of Apple's tablets.

In view of the growth momentum and business risk profile of the Group, the market valuation of the comparable stocks directly or indirectly competing with the Group, and the market valuation of the Group's downstream customers, we set 12-mth target price of the Group's share at HK$4.30, which represent est FY13 FD PER of 10x and gross yield of 3.0%.

Market Valuation Summary of Comparable Stocks

Ticker	Stock	Share price (local)	FY	Report Curncy	Est. EPS	Est. PER	FY	Est EPS	EPS Chg (%YoY)	Est. PER	P/B
AAPL US	Apple	431.72	9/12	US$	44.10	9.78	9/13	44.48	0.87	9.70	3.18
	Tablet casing makers:										
2078 HK	**PanAsialum**	**2.65**	**9/12**	**HK$**	**0.397**	**6.68**	**9/13**	**0.430**	**8.32**	**6.16**	**1.35**
3336 HK	Ju Teng	4.04	12/12	HK$	0.476	**8.49**	12/13	0.582	22.27	**6.94**	0.94
2474 TT	Catcher	126.50	12/12	NT$	12.095	**10.46**	12/13	13.477	11.43	**9.39**	1.68
5264 TT	Casetek	142.50	12/12	NT$	9.050	**15.75**	12/13	14.360	58.68	**9.92**	2.68
					Average	**10.34**		Average		**8.10**	1.66
	Apple's ECM:										
2354 TT	Foxconn Tech	81.20	12/12	NT$	6.407	**12.67**	12/13	7.852	22.56	**10.34**	1.78
2474 TT	Catcher	126.50	12/12	NT$	12.095	**10.46**	12/13	13.477	11.43	**9.39**	1.68
4938 TT	Pegatron	42.60	12/12	NT$	2.710	**15.72**	12/13	3.961	46.17	**10.75**	1.03
					Average	**12.95**		Average		**10.16**	1.50
	Aluminum extrusion product makers:										
1333 HK	Zhongwang	2.87	12/12	Rmb	0.300	**7.67**	12/13	0.355	18.34	**6.48**	0.74
2789 HK	Yuanda	0.88	12/12	Rmb	0.098	**7.20**	12/13	0.133	35.72	**5.30**	1.05
					Average	**7.43**		Average		**5.89**	0.90

Share prices based on closing prices at Mar 11, 2013
Source: Bloomberg, ABCI Securities estimates

Risk Factors

Consumer concentration risks: There was a growing concentration in the Group's customer base. The five largest customers of the Group accounted for 49.9%, 74.6% and 77.9% of the Group's total revenue in FY10, FY11 and FY12 respectively. In particular, aggregate sales revenue attributable to the Foxconn Technology group represented 7.9%, 37.6% and 45.7% in FY10, FY11 and FY12 respectively, while aggregate sales revenue attributable to P & O Companies accounted for 29.4%, 29.8% and 25.8% of the Group's total revenue during the same periods, respectively. The two largest consumers accounted for 71.5% of the total sales of the Group in FY12. The highly concentrated customer base implies that the profitability of the Group will be highly dependent not only on the continual relationship with these customers but also the customers' continue ability to act as suppliers to their own customers and the sustained demand for the end-products they assemble or sell.

Product concentration risks: Significant revenue growth since 2011 was mainly contributed by a huge increase in purchase orders of aluminum plates from the Foxconn Technology group. The new orders was categorized in the Group's 'Electronics Parts' business segment, which contributed to 46.9% of total revenue in FY12 as opposed to 8.8% in FY10 and 37.9% in FY11. Revenue from Electronics Parts increased by 560.7%YoY and 44.5%YoY in FY11 and FY12 respectively, which represented most of the Group's overall revenue growth during the same period. Due to the relatively short history of supplying the Foxconn Technology group on such a large scale, such high growth rate might not be sustainable in the future.

Geographical concentration risks: Sales to Australia accounted for 49.7%, 35.0% and 30.1% of the Group's total revenue in FY10, FY11 and FY12. Hence, the Group's sales to Australia will be affected by the trade relationship between Australia and China. Currently, Australia imposes a 6.9%-16.2% of anti-dumping and countervailing duties (as opposed to 40.8%-407.4% in the US and 1.7%-42.4% in Canada) on imports of Chinese aluminum extrusion products. Any increase in the particular duties will have a negative impact on the Group's profitability margin. In addition, as most of the products sold to Australia are the construction & industrial products, the sales for the particular segment is subject to the growth of the downstream sectors including the property sectors and industrial sectors in Australia.

Market development risks: Branded OPLV products which accounted for 10.6% of the Group's total revenue in 2012 is expected to be one of the growth driver of the Group. However, the market development of the product will depend on independent third-party distributors. As of 30 Sep 2012, the Group had a network of 577 active OPLV Distributors, which they do not have long-term contracts. The particular products face competition from both skilled local marketers and retailers as well as from other retail sectors.

R&D risks: Current production of CNC products for the Foxconn Technology group partly relies on the technology-know-how transferred from the Foxconn Technology group to the Group. The Group may not be able to keep pace with constant evolving of technology, changing customer requirements or preferences if the Foxconn Technology group terminate to transfer any technology-know-how to the Group.

Transparency risks: Major customers of the Group may demand to cut prices if the Group's financial performance becomes more transparent and its major customers come to realize the high margin of its products, which may then lead to margin squeeze.

Appendix

Business History

The Group has begun to engage in the trading of aluminum products since 1997. Although the Foxconn Technology group only became the largest customer of the Group since FY11, the Group's relationship with the Foxconn Technology group can be traced back to 2000, when the Group began to supply heat sinks to Foxconn Companies. In 2009, the Group started to supply the Foxconn Technology group with aluminum plates of required specifications, which they further process into unibody chassis of the multimedia tablets. In November 2011, in addition to aluminum plates, the Group has begun to produce the unibody chassis to the Foxconn Technology group directly, leading to a leap in revenue.

Exhibit: History of the Group

Year	Events
1998	PanAsia Aluminium Ltd and Guangdong Province Zengcheng Aluminum Alloys Materials Factory established a joint venture, PanAsia Aluminum (China) Co. Ltd, to build an aluminum products manufacturing plant to ensure a stable supply of aluminum products to the Group.
1999	PanAsia Aluminum (China) Co. Ltd received ISO 9001:2000 and ISO 9001:2008 certifications for its quality management system standard applicable to manufacture of aluminum alloy extrusions from Hong Kong Quality Assurance Agency ("HKQAA").
2000	The Group acquired PanAsia Trading Ltd and incorporated PanAsia Aluminium (HK) Ltd to further expand sales in Hong Kong. The Group began to supply heat sink products to the Foxconn Technology group.
2003	PanAsia Aluminium Ltd acquired all the equity interest (49%) in PanAsia Aluminum (China) Co. Ltd from Guangdong Province Zengcheng Aluminum Alloys Materials Factory, and PanAsia Aluminum (China) Co. Ltd was converted into a wholly foreign owned enterprise. The Group was awarded with the "Certificate of Product Quality" by China Certification Committee for Quality Marks.
2004	The Group acquired land of 80,158 m^2 adjacent to their existing aluminum products manufacturing plant to expand production capacity. The Group were included on the approved list of aluminum extrusion products manufacturers of Det Norske Veritas, one of the world's leading classification societies.
2005	The Group set up OPAL (Macao Commercial Offshore) Ltd to engage in offshore trading of aluminum products. PanAsia Aluminum (China) received ISO 9001:2000 and ISO 9001:2008 certifications for its quality management system for the manufacture of aluminum alloy extrusions from The International Certification Network ("IQNet"), the largest provider of management system certifications in the world, and HKQAA.
2008	The Group began to manufacture mid- to high-end integrated aluminum door and window systems under the "OPLV " brand, and since then, have developed a broad distribution network for the product. PanAsia Aluminum (China) Co. Ltd received ISO 9001:2008 certification for its quality management system standard applicable to manufacture of aluminum alloy extrusions from HKQAA.
2009	The Group began to supply aluminum plates to the Foxconn Technology group for their assembly of consumer electronic products for Apple, including its multimedia tablets and laptop computers, which are housed in distinctive aluminum unibody chassis. PanAsia Aluminum (China) Co. Ltd was certified as an approved manufacturer of wrought aluminum alloys by Det Norske Veritas.
2011	The Group commenced operations of CNC processing plant and made their first shipment of the unibody chassis to the Foxconn Technology group in Nov 2011

Source: The Company

Appendix

Definition of major customers

Definition of the Foxconn Technology group: An independent third parties and affiliates and associates to Taiwan-listed Hon Hai Precision Industry Co., Ltd (鴻海精密有限公司) with which the Group had a trade relationship during the business track record from FY10 to FY12; or, as the context may require, the Group of companies under such listed company, which does business as the Foxconn Technology Group, and its affiliates and associates (including Taiwan-listed Foxconn Technology Co. Ltd. (鴻準精密工業股份有限公司) and its subsidiaries).

For the avoidance of confusion, as of the date of this report, Hon Hai Precision Industry Co., Ltd owns a majority interest in Foxconn International Holdings, a company listed on the Main Board of HK Exchange (Stock Code: 2038), and the Group have not had a trade relationship with Foxconn International Holdings and its subsidiaries.

Definition of the P & O Companies: P & O Group and its subsidiaries and affiliates from time to time, including PanAsia Aluminium (Rolled Products) Pty. Ltd., PanAsia Aluminium (Brisbane) Pty. Ltd., PanAsia Aluminium (Melbourne) Pty. Ltd., PanAsia Aluminium (Perth) Pty. Ltd., PanAsia Aluminium (Sydney) Pty. Ltd., PanAsia Aluminium (Townsville) Pty. Ltd. (later renamed P & O Aluminium (Rolled Products) Pty. Ltd., P & O Aluminium (Brisbane) Pty. Ltd., P & O Aluminium (Melbourne) Pty. Ltd., P & O Aluminium (Perth) Pty. Ltd., P & O Aluminium (Sydney) Pty. Ltd., P & O Aluminium (Townsville) Pty Ltd., respectively) and Oceanic; or, as the context may require, each or some of them.

Definition of Oceanic: Oceanic Aluminium Pty. Ltd. (formerly known as Capalum Pty.Ltd.), a private company limited by shares incorporated in Australia on August 21, 2006, and owned as to 75% by Super Result Limited, 15% by Flying Century Limited and 10% by Win Win Way Limited, which are Independent Third Parties.

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**
Tel : (852) 2868 2183