



August 16, 2013  
 Equity Focus  
 Rating: BUY  
 TP: HK\$ 2.80

Share price (HK\$) 2.21  
 Est. share price return 26.7%  
 Est. dividend yield -  
 Est. total return 26.7%

Previous Rating & TP Unchanged  
 Previous Report Date June 6, 2013

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**Key Data**

52Wk H/L(HK\$)	2.87/1.32
Issued shares (mn)	4,906
Market cap	10,862
3-mth avg daily turnover (HK\$ mn)	22.9
Major shareholder(s) (%): Kwok's Family	62.4

Source(s): Company, Bloomberg, ABCI Securities

**FY12 Revenue breakdown (%)**

Property development	97.0
Property investment	1.4
Property management	1.1
Others	0.4

Source(s): Company, ABCI Securities

**Share performance (%)**

	Absolute	Relative*
1-mth	26.3	19.4
3-mth	(6.4)	(4.1)
6-mth	(9.1)	(5.5)

\*Relative to HSI  
 Source(s): Bloomberg, ABCI Securities

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



Source(s): Bloomberg, ABCI Securities

# Kaisa (1638 HK)

## Core net profit surged 195% YoY; reiterate BUY

- Kaisa 's 1H13 core net profit was up 195% YoY to RMB1.1bn
- Key takeaways from analyst briefing: 1) Intensified sales schedule in 2H13; 2) Margin will continue to expand in the next few years via increased sales in tier 1 cities and participation in urban redevelopment projects
- Profit margins will continue to rise further as price gap between contracted and booked ASPs in 1H13 remains wide
- Maintain BUY with TP HK\$ 2.80 based on 45% discount (historical average during 2009- current) to NAV

**Interim results review.** Kaisa's 1H13 core net profit (excluding investment property revaluation and one-off items) jumped 195% YoY to RMB 1.1bn, as GFA delivered rose to 997k sqm in 1H13 (vs. 283k sqm in 1H12). 1H13 gross margin remained healthy at 36.4% level, lower than its 1H12 figure of 48.2% but better than our full-year estimate of 34.1%. However, 1H13 net gearing increased by 17.0 ppt HoH to 87.0% on more land acquisitions (RMB 8.7bn vs RMB 1.6bn in 1H12).

**Key takeaways from analyst briefing include: 1) A more intensive sales plan in 2H13.** Kaisa will launch new saleable resources amounting to 2.2mn sqm GFA in 2H13, representing a 70% YoY increase from 1H12 (1.3mn sqm). GFA delivered will also rise to 1.5mn sqm in 2H13 from 1.0m sqm in 1H12; **2) Margin will gradually expand in the next few years,** as driven by: a) A refocusing on tier 1 cities. Kaisa has spent 59% of its 1H13 land capex (RMB8.7bn ) to acquire land in Shenzhen, Shanghai & Guangzhou, which usually have higher ASPs; b) Increased participation in redevelopment projects. We expect urban redevelopment (with low land costs and >50% gross margins) to account for 30% of sales in the next few years. Management expects gross margins of these projects to be in the range of 35-40%.

**FY14E outlook is even better- reiterate BUY.** As there is a significant gap between 1H13 contracted ASP (RMB 9.3k/sqm) and booked ASP (RMB 6.9k/sqm), we expect Kaisa's blended ASPs and margins will rise in FY14E and beyond upon delivery of projects with higher ASPs. Hence, we maintain our BUY recommendation with TP at HK\$ 2.80 based on 45% discount to NAV.

**Risk factors:** 1) Timing of redevelopment project approvals are uncertain; 2) No dividend record since listing; 3) Gearing may rise further if land capex speeds up in 2H13

**Results and Valuation**

FY ended Dec 31	2011A	2012A	2013E	2014E	2015E
Revenue (RMB mn)	10,835	11,955	18,979	24,579	26,304
Chg (% YoY)	39.7	10.3	58.8	29.5	7.0
Underlying Net Income (RMB mn) <sup>1</sup>	1,576	1,504	2,203	3,351	4,003
Chg (% YoY)	11.9	(4.6)	46.5	52.1	19.4
Underlying EPS (RMB)	0.28	0.27	0.40	0.61	0.72
Chg (% YoY)	(0.7)	(4.2)	46.5	52.1	19.4
BVPS (RMB)	2.2	2.6	3.0	3.6	4.3
Chg (% YoY)	6.1	20.7	15.4	20.2	20.1
Underlying PE (x)	6.1	6.4	4.4	2.9	2.4
P/B (x)	0.8	0.7	0.6	0.5	0.4
ROE (%)	13.2	10.5	13.3	16.8	16.7
ROA (%)	3.8	2.6	3.4	4.8	5.4
DPS(RMB)	-	-	-	-	-
Yield (%)	-	-	-	-	-
Net gearing (%) <sup>2</sup>	76.7	70.1	39.4	(6.0)	(42.4)

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

<sup>2</sup>Net gearing=Net debt/Shareholders' equity

Source(s): Bloomberg, ABCI estimates



**Exhibit 1: Kaisa's 1H13 results**

P&L	1H13	1H12	YoY Chg	Remarks
	RMBm	RMBm	(%)	
<b>Turnover</b>	<b>7,016</b>	<b>2,300</b>	<b>205.0</b>	-GFA delivered increased from 283k sqm in 1H12 to 997k sqm in 1H13
Cost of Sales & direct operating costs	(4,461)	(1,192)	274.3	
<b>Gross Profit</b>	<b>2,555</b>	<b>1,109</b>	<b>130.5</b>	
<b>Gross Margin (%)</b>	<b>36.4</b>	<b>48.2</b>	<b>(11.8)</b>	-Margin fell as booked ASP declined by 10% to RMB 6.9k/sqm
Selling and distribution costs	(357)	(232)	53.7	
Administrative expense	(406)	(283)	43.7	
<b>EBIT</b>	<b>1,793</b>	<b>594</b>	<b>201.9</b>	
<b>EBIT Margin (%)</b>	<b>25.6</b>	<b>25.8</b>		
Other income, gains and losses	2	17	(88.5)	
Fair value gain of investment properties	364	424	(14.1)	
Other exceptional items	(361)	4	na	-Mainly consist of early redemption loss of debts (RMB 521m). The amount was partially offset by foreign exchange gain ( RMB 167m)
Share of profit from JCE/ Associates	0	(0)	(100.0)	
Finance cost	(33)	(25)	34.6	
<b>Profit before tax</b>	<b>1,764</b>	<b>1,014</b>	<b>74.0</b>	
<b>Tax</b>	<b>(760)</b>	<b>(341)</b>	<b>123.1</b>	
- LAT	(17)	(32)	(47.3)	
- Enterprise tax	(743)	(308)	140.9	
<b>Profit after tax</b>	<b>1,004</b>	<b>674</b>	<b>49.1</b>	
Minority Interest	20	1	1,607.4	
<b>Net profit</b>	<b>1,025</b>	<b>675</b>	<b>51.8</b>	
<b>Underlying net profit</b>	<b>1,093</b>	<b>370</b>	<b>195.1</b>	
<b>Operating statistics</b>				
Contracted GFA (mn sqm)	1.19	1.10	8.3	
Contracted ASP (RMB/sqm)	9,253	5,871	57.6	-Higher contribution from Shenzhen (32% of contracted sales in 1H13)
<b>Contracted Sales (RMBm)</b>	<b>11,022</b>	<b>6,459</b>	<b>70.7</b>	7M13 contracted sales: RMB 12.9bn, 59% of RMB 22bn sales target
GFA Delivered (mn sqm)	1.00	0.28	251.9	
Booked ASP (RMB/sqm)	6,854	7,605	(9.9)	
<b>Property sales booked (RMB/sqm)</b>	<b>6,834</b>	<b>2,155</b>	<b>217.1</b>	
<b>Balance sheet</b>				
	<b>Jun-13</b>	<b>Dec-12</b>	<b>HoH %</b>	<b>Remarks</b>
	<b>RMBm</b>	<b>RMBm</b>		
Gross debt	19,600	15,408	27.2	
Cash	6,175	5,352	15.4	
<b>Net debt</b>	<b>13,425</b>	<b>10,055</b>	<b>33.5</b>	
<b>Net gearing (%)</b>	<b>87.0</b>	<b>70.1</b>	<b>17.0</b>	-Gearing rose on increased land acquisitions ( RMB 8.7bn in 1H13 vs RMB 1.6bn in 1H12)

Source(s): Company, ABCI Securities

**Exhibit 2: Kaisa's 1H13 contracted sales by region**

Region	No. of projects	GFA sold	ASP	Contracted sales amount	
		mn sqm	RMB/sqm	RMB mn	As % of total
PRD (ex Shenzhen)	10	0.246	9,642	2,367	21%
Shenzhen	4	0.166	21,737	3,610	33%
YRD	10	0.102	9,326	948	9%
Western China	6	0.281	6,595	1,855	17%
Central China	3	0.227	5,723	1,299	12%
Pan-Bohai Bay Rim	7	0.169	5,552	941	9%
<b>Total</b>	<b>40</b>	<b>1.191</b>	<b>9,253</b>	<b>11,022</b>	<b>100%</b>

Source(s): Company, ABCI Securities



**Exhibit 3: Kaisa's land acquisition in 1H13**

Date	Location	Stake (%)	No of sites	Attributable GFA ('000 sqm)	Land cost (RMB/sqm)	Consideration RMB mn	Type
Feb-13	Hangzhou	100%	1	73.2	6,367	466	Residential
Feb-13	Qingdao	100%	3	273.4	1,356	371	Residential
Feb-13	Nanchong	100%	1	156.3	1,956	306	Residential
Mar-13	Dongguan	100%	1	84.8	5,309	450	Residential
Apr-13	Chengdu	100%	1	143.5	3,550	510	Residential
Apr-13	Wuhan	100%	1	116.3	3,774	439	Residential
May-13	Guangzhou	100%	1	73.0	25,597	1,868	Residential
May-13	Shenzhen	11.5%	1	16.3	24,837	405	Commercial
May-13	Shanghai	100%	1	49.9	30,163	1,505	Commercial
May-13	Hangzhou	100%	1	142.9	7,068	1,010	Residential
May-13	Guangzhou	100%	1	35.5	22,512	799	Residential
Jun-13	Shanghai	100%	1	82.7	6,355	526	Residential
<b>Total</b>			<b>14</b>	<b>1,247.8</b>	<b>6,935</b>	<b>8,653.3</b>	

Source(s): Company, ABCI Securities

**Exhibit 4: Kaisa's FY13E NAV**

	Attr. GFA (M sqm)	Net assets value (RMB m)	% of total	Valuation Methodology	Implied value per sqm (RMB)
<b>Property development</b>					
Shenzhen	1.1	5,624	19%		4,900
Dongguan	1.0	1,178	4%		1,209
Huizhou	5.2	7,071	24%		1,357
Anshan	2.4	1,912	7%	DCF at WACC of 13.3%	809
Yingkou	2.0	1,585	5%		810
Changsha	1.5	1,517	5%		1,040
Huludao	1.7	1,408	5%		810
Others	7.1	7,264	25%		1,021
<b>Subtotal</b>	<b>22.0</b>	<b>27,560</b>	<b>95%</b>		<b>1,255</b>
Investment Properties		1,554	5%	6.0% cap rate on 2013E net rental income	
<b>Total 2013E GAV</b>		<b>29,114</b>	<b>100%</b>		
2013E Net debt		(6,517)	(22%)		
<b>Total 2013E NAV</b>		<b>22,597</b>	<b>78%</b>		
No. of share outstanding (diluted)		5,526			
<b>NAV per share (RMB)</b>		<b>4.1</b>			
Ex rate		1.26			
<b>NAV per share (HKD)</b>		<b>5.15</b>			
Target discount (%)		45%			
<b>Target Price (HKD)</b>		<b>2.80</b>			
<b>WACC</b>	<b>13.3%</b>				
Cost of debt	11.0%				
Cost of Equity	18.0%				
<b>Debt/ (Debt + Equity)</b>	<b>48.2%</b>				

Source(s): Company, ABCI Securities estimates



**Exhibit 5: Peers comparison**

China Property	Ticker	Rating	Mkt cap	Share Price	Performance			Discount to NAV	Valuation								
					1M	3M	YTD		P/E			Yield (%)			P/B		
			(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2012A	2013E	2014E	2012A	2013E	2014E	2012A	2013E	2014E
<b>Residential :</b>																	
<b>COLI</b>	<b>688 HK</b>	<b>BUY</b>	<b>203</b>	<b>24.85</b>	<b>15</b>	<b>5</b>	<b>8</b>	<b>(5)</b>	<b>12.7</b>	<b>10.5</b>	<b>8.3</b>	<b>1.6</b>	<b>1.9</b>	<b>2.4</b>	<b>2.3</b>	<b>2.0</b>	<b>1.7</b>
CR Land Country Garden	1109 HK	NR	139	23.85	9	2	13	(15)	18.4	14.9	11.9	1.4	1.7	2.1	2.0	1.7	1.5
Longfor	2007 HK	NR	90	4.90	19	6	21	(20)	10.5	8.7	7.3	3.5	4.2	4.9	1.8	1.6	1.4
Shimao	960 HK	NR	73	13.50	17	(3)	(11)	(36)	10.7	9.3	7.9	1.8	2.1	2.5	1.9	1.6	1.4
Evergrande Guangzhou R&F	813 HK	NR	62	17.92	14	4	23	(39)	8.7	7.9	6.6	3.0	3.8	4.4	1.4	1.2	1.1
Agile	3333 HK	NR	55	3.44	10	4	(19)	(60)	4.5	5.1	4.4	-	4.1	5.2	1.1	0.8	0.7
	2777 HK	NR	42	13.00	17	(10)	1	(49)	6.8	5.9	5.3	5.7	6.4	7.1	1.2	1.1	1.0
<b>Greentown</b>	<b>3383 HK</b>	<b>BUY</b>	<b>34</b>	<b>15.98</b>	<b>20</b>	<b>5</b>	<b>13</b>	<b>(50)</b>	<b>6.0</b>	<b>5.1</b>	<b>3.9</b>	<b>3.9</b>	<b>4.3</b>	<b>4.7</b>	<b>1.3</b>	<b>1.0</b>	<b>0.8</b>
Sino Ocean	3900 HK	NR	28	4.79	18	(10)	(17)	(45)	8.0	8.1	6.6	4.9	5.0	5.7	0.6	0.6	0.5
COGO Yuexiu Properties	3377 HK	NR	25	10.84	12	(11)	16	(22)	10.3	8.8	6.8	1.0	1.4	1.6	2.6	2.2	1.7
	81 HK	NR	20	2.19	7	(7)	(11)	(59)	15.5	8.3	6.9	3.0	4.2	5.2	0.7	0.6	0.6
<b>Sunac</b>	<b>1918 HK</b>	<b>BUY</b>	<b>19</b>	<b>5.81</b>	<b>11</b>	<b>(6)</b>	<b>(3)</b>	<b>(63)</b>	<b>5.9</b>	<b>4.1</b>	<b>3.8</b>	<b>1.9</b>	<b>2.4</b>	<b>2.6</b>	<b>1.5</b>	<b>1.1</b>	<b>0.9</b>
KWG	1813 HK	NR	15	5.14	20	(6)	(12)	(60)	6.2	4.9	4.2	3.6	4.8	5.5	0.7	0.7	0.6
Glorious	845 HK	NR	9	1.20	4	(3)	(18)	(66)	10.9	5.5	4.5	-	-	0.4	0.4	0.4	0.3
<b>Kaisa</b>	<b>1638 HK</b>	<b>BUY</b>	<b>11</b>	<b>2.21</b>	<b>26</b>	<b>(6)</b>	<b>(8)</b>	<b>(56)</b>	<b>6.5</b>	<b>4.4</b>	<b>2.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>
CIFI BJ Capital Land	884 HK	NR	9	1.50	12	0	7	(64)	7.5	4.8	3.6	3.3	4.4	5.8	1.0	0.8	0.7
	2868 HK	NR	6	3.05	7	7	(5)	(64)	5.9	3.8	2.8	7.8	8.6	11.4	0.9	0.5	0.4
<b>HK Listed Avg.</b>					<b>13</b>	<b>(2)</b>	<b>(1)</b>	<b>(46)</b>	<b>8.9</b>	<b>6.9</b>	<b>5.7</b>	<b>2.8</b>	<b>3.6</b>	<b>4.3</b>	<b>1.3</b>	<b>1.1</b>	<b>0.9</b>
Vanke	000002 CH	NR	142	10.28	(5)	(15)	4	(32)	8.7	7.0	5.8	1.8	2.0	2.5	1.6	1.4	1.2
Poly-A China Merchants Property	600048 CH	NR	101	10.66	2	(7)	(18)	(43)	9.4	7.4	5.8	2.1	2.6	3.4	1.8	1.5	1.2
Gemdale	000024 CH	NR	58	26.80	2	6	(6)	na	14.6	11.1	8.8	1.1	1.3	1.6	2.0	1.8	1.5
	600383 CH	NR	41	7.20	(2)	(2)	2	(12)	9.4	8.5	7.1	1.1	2.0	2.3	1.3	1.2	1.1
<b>A-share Listed Avg.</b>					<b>(1)</b>	<b>(4)</b>	<b>(5)</b>	<b>(29)</b>	<b>10.5</b>	<b>8.5</b>	<b>6.9</b>	<b>1.5</b>	<b>2.0</b>	<b>2.4</b>	<b>1.7</b>	<b>1.5</b>	<b>1.2</b>

\* Share price as at 15 Aug 2013

Source(s): Bloomberg, ABCI Securities estimates



**Consolidated income statement (2011A-2015E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Revenue</b>	<b>10,835</b>	<b>11,955</b>	<b>18,979</b>	<b>24,579</b>	<b>26,304</b>
Cost of sales	(7,601)	(8,070)	(12,498)	(15,921)	(16,240)
<b>Gross Profit</b>	<b>3,234</b>	<b>3,885</b>	<b>6,481</b>	<b>8,658</b>	<b>10,063</b>
SG&A expenses	(970)	(1,397)	(1,745)	(1,914)	(1,988)
<b>EBIT</b>	<b>2,264</b>	<b>2,489</b>	<b>4,736</b>	<b>6,744</b>	<b>8,076</b>
Finance cost	(69)	(39)	(40)	(33)	(29)
Share of profit of associates	(1)	(0)	0	0	0
Other income/ (expenses)	198	62	71	127	211
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	433	757	0	0	0
<b>Profit before tax</b>	<b>2,825</b>	<b>3,269</b>	<b>4,768</b>	<b>6,839</b>	<b>8,257</b>
Tax	(926)	(1,153)	(2,215)	(3,139)	(3,805)
<b>Profit after tax</b>	<b>1,899</b>	<b>2,116</b>	<b>2,553</b>	<b>3,700</b>	<b>4,453</b>
Minority interest	2	(44)	(350)	(349)	(450)
<b>Reported net profit</b>	<b>1,901</b>	<b>2,072</b>	<b>2,203</b>	<b>3,351</b>	<b>4,003</b>
Less: exceptional items	(325)	(568)	0	0	0
<b>Underlying net profit</b>	<b>1,576</b>	<b>1,504</b>	<b>2,203</b>	<b>3,351</b>	<b>4,003</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.28	0.27	0.40	0.61	0.72
DPS (RMB)	-	-	-	-	-
Payout ratio (%)	0%	0%	0%	0%	0%
BVPS (RMB)	2.15	2.60	3.00	3.60	4.33
<b>Growth %</b>					
Revenue	39.7%	10.3%	58.8%	29.5%	7.0%
Gross Profit	7.4%	20.2%	66.8%	33.6%	16.2%
EBIT	-6.3%	9.9%	90.3%	42.4%	19.7%
Underlying net profit	11.9%	-4.6%	46.5%	52.1%	19.4%
<b>Margin %</b>					
Gross margin	29.8%	32.5%	34.1%	35.2%	38.3%
Gross margin (post-LAT)	28.0%	31.6%	27.5%	27.9%	29.9%
EBIT margin	20.9%	20.8%	25.0%	27.4%	30.7%
Core net margin	14.5%	13.0%	13.5%	15.1%	16.9%
<b>Key assumptions</b>					
Contracted Sales (RMBm)	15,289	17,341	23,812	25,773	26,431
GFA sold (m sqm)	2.18	2.58	3.36	3.49	3.34
ASP (RMB/sqm)	7,022	6,730	7,078	7,376	7,906
Booked Sales (RMB)	10,576	11,598	18,635	24,204	25,905
GFA delivered (m sqm)	1.18	1.65	2.73	3.39	3.46
Booked ASP (RMB/sqm)	8,977	7,037	6,816	7,139	7,478
Land bank GFA (m sqm)	23.7	23.9	21.9	18.5	15.1

Source(s): Company, ABCI Securities estimates



**Consolidated balance sheet (2011A-2015E)**

<b>As of Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Current assets</b>	<b>34,756</b>	<b>49,836</b>	<b>55,693</b>	<b>59,992</b>	<b>64,261</b>
Cash	3,945	4,683	8,221	15,930	24,879
Restricted cash	541	670	670	670	670
Trade & other receivables	3,697	5,843	5,843	5,843	5,843
Property under development	23,502	34,840	37,159	33,749	29,069
Other current assets	3,070	3,801	3,801	3,801	3,801
<b>Non-current assets</b>	<b>6,949</b>	<b>8,117</b>	<b>8,645</b>	<b>9,173</b>	<b>9,701</b>
Property, plant & equipment	149	308	336	364	392
Investment properties	6,375	7,540	8,040	8,540	9,040
Investment in Associate and JCE	299	0	0	0	0
Other non-current assets	126	269	269	269	269
<b>Total Assets</b>	<b>41,705</b>	<b>57,953</b>	<b>64,338</b>	<b>69,165</b>	<b>73,962</b>
<b>Current Liabilities</b>	<b>17,099</b>	<b>29,439</b>	<b>33,322</b>	<b>34,498</b>	<b>34,893</b>
Short term borrowings	2,067	3,150	3,150	3,150	3,150
Trade & other payables	6,797	7,112	7,112	7,112	7,112
Pre-sales deposits	7,242	17,244	21,127	22,304	22,698
Other current assets	993	1,933	1,933	1,933	1,933
<b>Non-current liabilities</b>	<b>12,657</b>	<b>13,460</b>	<b>13,460</b>	<b>13,460</b>	<b>13,460</b>
Long term borrowings	11,577	12,257	12,257	12,257	12,257
Other payables	0	0	0	0	0
Other non-current assets	1,079	1,202	1,202	1,202	1,202
<b>Total Liabilities</b>	<b>29,755</b>	<b>42,898</b>	<b>46,781</b>	<b>47,958</b>	<b>48,353</b>
<b>Net Assets</b>	<b>11,949</b>	<b>15,054</b>	<b>17,557</b>	<b>21,207</b>	<b>25,610</b>
<b>Shareholders Equity</b>	<b>11,942</b>	<b>14,350</b>	<b>16,553</b>	<b>19,904</b>	<b>23,907</b>
Minority Interest	8	704	1,004	1,303	1,703
<b>Total Equity</b>	<b>11,949</b>	<b>15,054</b>	<b>17,557</b>	<b>21,207</b>	<b>25,610</b>
<b>Key ratio</b>					
Gross debt (RMBm)	13,644	15,408	15,408	15,408	15,408
Net debt (RMBm)	9,699	10,725	7,187	(522)	(9,471)
Net gearing (%)	77%	70%	39%	-6%	-42%
Contracted sales/ Total assets (x)	0.37	0.30	0.37	0.37	0.36

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2011A-2015E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
EBITDA	2,294	2,531	4,778	6,786	8,118
Change in Working Capital	(4,505)	(882)	3,219	5,941	6,278
Tax payment	(743)	(906)	(2,215)	(3,139)	(3,805)
<b>Operating Cashflow</b>	<b>(2,954)</b>	<b>743</b>	<b>5,782</b>	<b>9,588</b>	<b>10,591</b>
Purchase of PP&E	(70)	(73)	(70)	(70)	(70)
Addition of Investment Properties	(473)	(531)	(500)	(500)	(500)
Others	(1,464)	(553)	71	127	211
<b>Investing Cashflow</b>	<b>(2,007)</b>	<b>(1,157)</b>	<b>(499)</b>	<b>(443)</b>	<b>(359)</b>
Debt raised	9,345	5,216	5,000	5,000	5,000
Debt repaid	(3,634)	(3,533)	(5,000)	(5,000)	(5,000)
Interest expenses	(1,096)	(1,468)	(1,695)	(1,387)	(1,233)
Equity raised	(2,007)	(1,157)	(499)	(443)	(359)
Dividend to shareholders	-	-	-	-	-
Others	1,959	2,094	449	393	309
<b>Financing Cashflow</b>	<b>4,567</b>	<b>1,151</b>	<b>(1,745)</b>	<b>(1,437)</b>	<b>(1,283)</b>
<b>Net cash inflow/ (outflow)</b>	<b>(394)</b>	<b>737</b>	<b>3,538</b>	<b>7,709</b>	<b>8,949</b>
Cash- beginning	4,340	3,945	4,683	8,221	15,930
<b>Cash- year-end</b>	<b>3,945</b>	<b>4,682</b>	<b>8,221</b>	<b>15,930</b>	<b>24,879</b>

Source(s): Company, ABCI Securities estimates



## Disclosures

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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return – 6% $\leq$ Stock return < Market return rate
Sell	Stock return < Market return – 6%

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

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

### Definition of share price risk

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

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

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

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