



November 6, 2014
Company Report
Rating: BUY
TP: HK\$ 4.80

Share price (HK\$)	3.52
Est. share price return	36.4%
Est. dividend yield	5.4%
Est. total return	41.8%

Previous Rating & TP	BUY; HK\$ 4.70
Previous Report Date	September 17, 2014

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

Key Data

52Wk H/L(HK\$)	4.99/1.7
Issued shares (mn)	7,759
Market cap (HK\$ mn)	28,104
3-mth avg daily turnover (HK\$ mn)	90.44
Major shareholder(s) (%):	
Cheng Chung Hing	32.15
Tencent	11.94

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development	95.1
Property investment	2.3
Property management	0.5
E-commerce	1.4
Others	0.7

Source(s): Company, ABCI Securities

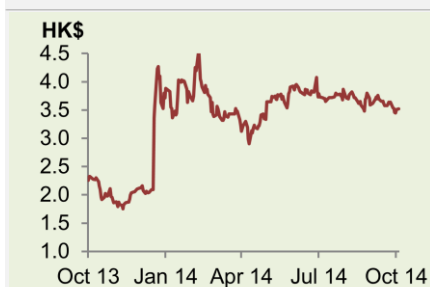
Share performance (%)

	Absolute	Relative*
1-mth	(3.0)	(6.7)
3-mth	(5.2)	(2.7)
6-mth	6.4	(2.4)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

China South City (1668 HK)

A rising star in the B2B arena

- In 3Q14, CSC was ranked No.10 by revenue among B2B players in China with a 1.1% of market share
- Being one of Tencent's strategic investments, we believe CSC's sector-specific penetration would replicate the success of JD.com, an online company 10 times larger than CSC.
- Logistics property sector will enjoy strong growth in the long term based on: 1) Healthy demand-and-supply dynamics; 2) Increased M&A activities; 3) Fast-growing B2B market; 4) Policy support
- Maintain BUY with TP revised up to HK\$4.80 based on a 50% discount to FY15 NAV

Segment-specific approach to gain share in B2B market. Since Tencent became its strategic investor in Jan 2014, CSC rose to be the No.10 B2B player in less than a year's time, with a 1.1% market share in 3Q14. To enhance its B2B operation, CSC will launch an online furniture sales platform on its own website, CSC86.com, in Nov 2014. We believe CSC's strategy to penetrate into specific product segments would help increase its online market share. Meanwhile, popularity of one-stop-shop platform such as Alibaba may reduce in the future on customers' rising preference for specialization.

Replicating success of JD.com. Tencent's 15%-owned JD.com has been successful in penetrating into the 3Cs (Computer/Communication/ Consumer) segment with a B2C market share of 37.9% in 2Q14, higher than the 29.9% of Alibaba's Tmall. Despite the RMB 2.5bn loss in 2013, JD.com's market cap reached US\$ 33.9bn, 10 times larger than that of CSC. Following the specialization strategy similar to JD.com's, CSC's online platform should warren a premium valuation as its market share rises.

Logistics property sector is a long-term growth story. Four major drivers for the sector include: **1) Healthy demand and supply dynamics-** rising warehouse demand from online retailers while warehouse space per capita is still 10 times lower than that in the U.S.; **2) Increasing M&A activities from property funds and online players;** **3) fast-growing B2B market** expanding at 16-20% YoY by transaction volume in 2011-13; **4) Policy support-** in Oct 2014, the PRC government announced the "Long-term plan of China logistics industry (2014-2020)", that aims to reduce logistics cost by improving infrastructures, standardization of logistics facilities, and increased outsourcing, etc.

Maintain BUY with revised TP of HK\$ 4.80. We lifted our presales assumption for CSC on strong 2QFY15 figures (+17% YoY to HK\$ 4,183mn) and raise our Mar-end FY15E NAV forecast to HK\$ 9.59 (from HK\$ 9.35). We raise TP to HK\$4.80 (from HK\$ 4.70) based on an unchanged discount to NAV at 50%. CSC, a B2B story with an attractive valuation at 7.3x FY15 PE, is our top pick for the sector.

Risk factors: 1) Oversupply in 2nd-tier cities; 2) High level of unsold inventories may impede cash flow.

Results and Valuation

FY ended Mar 31	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue (HK\$ mn)	7,488	13,468	18,460	25,890	28,322
Chg (% YoY)	104.0	79.9	37.1	40.3	9.4
Core net profit (HK\$ mn)	1,776	2,678	3,839	5,948	6,672
Chg (% YoY)	92.5	50.7	43.4	54.9	12.2
Underlying EPS (HK\$)	0.29	0.39	0.48	0.74	0.83
Chg (% YoY)	91.6	33.2	22.2	54.9	12.2
BVPS (HK\$)	2.63	2.89	2.87	3.27	3.80
Chg (% YoY)	21.7	9.9	(0.8)	14.0	16.3
Underlying PE (x)	11.9	9.0	7.3	4.7	4.2
P/B (x)	1.34	1.22	1.23	1.08	0.93
ROE (%)	11.2	13.4	17.3	22.7	21.9
ROA (%)	4.2	4.5	5.6	8.0	8.3
DPS (HK\$)	0.10	0.14	0.19	0.24	0.29
Dividend yield (%)	2.8	4.0	5.4	6.8	8.2
Net gearing (%)	31.6	23.5	15.1	(10.5)	(35.3)

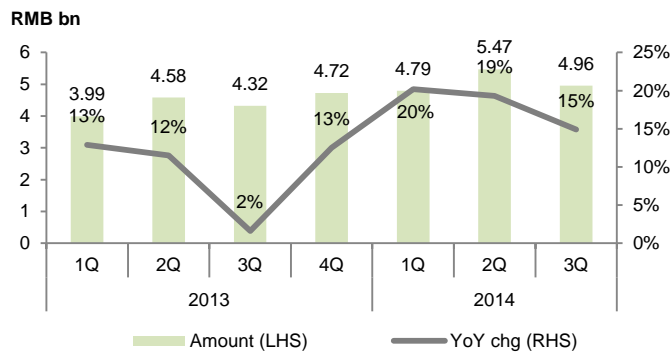
*Net gearing=Net debt/Total Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates

A market share gainer

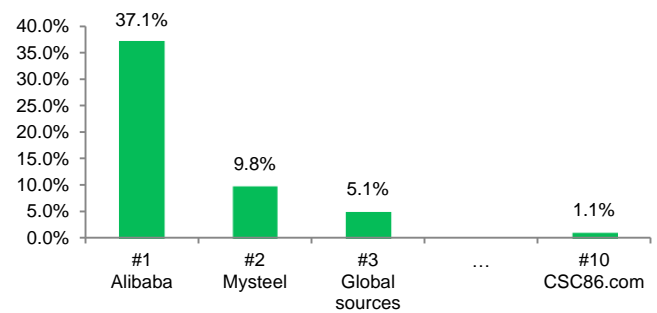
In 3Q14, B2B market in China continues to grow fast, with revenue reaching RMB 4.96 bn, up 15% YoY. CSC, in less than a year's time since Tencent became its strategic investor, rose to become the 10th largest B2B player with a 1.1% market share in 3Q14.

Exhibit 1: B2B revenue in China



Source(s): iresearch.com.cn

Exhibit 2: B2B market share (3Q14)



Source(s): CSC86.com

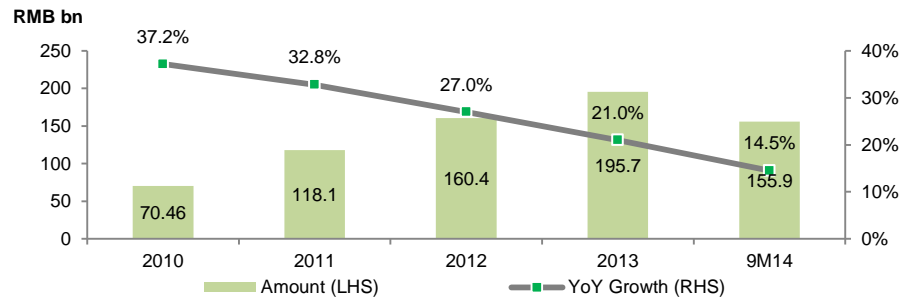
Segment-specific penetration strategy

To strengthen its B2B operation, CSC will launch a new furniture online platform on its website, CSC86.com, in Nov 2014. We believe, CSC's strategy to penetrate into specific product segments will help increase its B2B market share. In fact, the trend of specialization has been emerging among the B2B players. In 3Q14, the 2nd largest B2B player was Mysteel.com, an online platform specialized in steel trading with a 9.8% market share of overall market. In contrast, Alibaba, a mostly one-stop-shop style ecommerce platform, is likely to lose edges on customer's rising preference for specialized trading platforms.

We believe CSC is well-positioned to capture opportunities in the online furniture industry because of the following reasons:

- 1) Physical trade centres to facilitate sales.** As opposed to electronic products and apparel, furniture buyers prefer to inspect the products physically before purchases. CSC's trade centres will provide a venue to showcase its SME's furniture products offline while most marketing is done online;
- 2) Acquisition of HOBA furniture in 2013.** CSC acquired HOBA, a regionally reputed furniture brand in Shenzhen. We believe HOBA's brand value would enhance CSC's strength in the furniture market and the Group would further promote the brand by setting up HOBA stores inside its trade centres;
- 3) Reliable delivery with its own logistics team.** CSC's has formed its own logistic team to ensure timely delivery of bulky furniture goods.

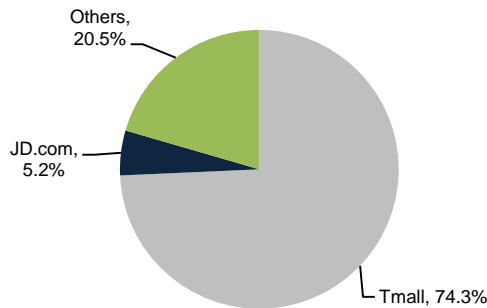
Apart from furniture, CSC is also developing other major segment-specific platforms covering electronics, leather, metals and LED and other products.

Exhibit 3: Furniture retail sales in China


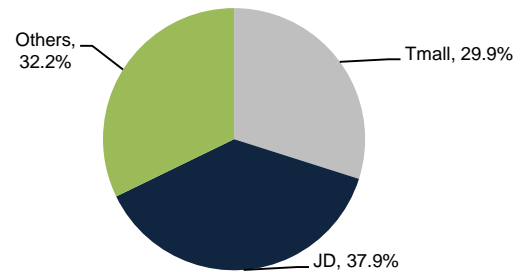
Source(s): NBS

CSC's online platform could be the next JD.com

Since Alibaba overtook Tencent to become China's largest online player, Tencent has strived to increase its penetration in Alibaba's core businesses (i.e. B2C and B2B markets) via JD.com and CSC. Tencent's 15%-owned JD.com has been successful in penetrating into the 3Cs (Computer/Communication/ Consumer) segment, attaining a B2C market share of 37.9% in 2Q14, higher than Alibaba's Tmall at 29.9%. Despite a RMB2.5 bn loss in 2013, JD.com's market cap reached US\$ 33.9bn, 10 times bigger than CSC's. However, JD.com's strength was uneven in other product segments. E.g., the platform only gained 5.2% share in B2C apparel market in 2Q14, much lower than Tmall's 74.5%.

Exhibit 4: B2C Market share in apparel (2Q14)


Source(s): enfodesk.com

Exhibit 5: B2C Market share in 3Cs (2Q14)


Source(s): enfodesk.com

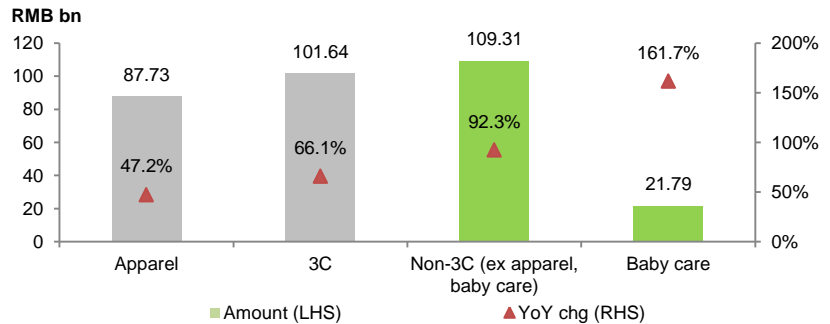
Exhibit 6: JD.com vs Alibaba

	Alibaba	JD.com
Stock code	BABA	JD
Year 2013		
Gross merchandise value (RMB bn)	1,542	126
Total revenue (RMB bn)	52.5	69.3
Net profit (RMB bn)	23.1	(2.5)
Market cap (US\$ bn)*	268.2	33.9

* As at 5 Nov 2014

Source(s): Alibaba, JD.com, Bloomberg

Currently, CSC's segment-specific penetration mainly focuses on the B2B market (with typical product like Metals, textile, furniture etc.). The Group, however, could also expand into B2C market via its Aolaigo.com, an online outlet sales platform. As online sales for the 2 key products (apparel and 3Cs) slow down, other products could be the next major battlefields for online retailers. CSC's Aolaigo.com, with products including footwear, cosmetics, baby care, etc. is well-positioned to gain market share in fast-growing, undominated segments (products other than 3C/apparel ones) where market leaders are yet to emerge.

Exhibit 7: Online retail growth by product segment (3Q14)


Source(s): enfodesk.com

Something that Alibaba may have missed– the self-operated logistic operation

CSC continues to invest in warehouse space and transportation to provide services within its logistics parks. As of Mar 14, CSC has only 83k sqm of warehouse in operation. Typically, CSC sets aside 15% of GFA for warehouse and logistics purposes. Upon completion of its existing and under-constructing projects, CSC's warehouse will reach 3.4mn sqm. With reference to Global Logistics Properties (GLP), the largest warehouse operator in China which charges RMB1.1/sqm/day and has a 90% occupancy rate on average, we estimate CSC's warehouse could generate RMB1.3bn in rental revenue upon completion of its planned projects.

Meanwhile, Alibaba has teamed up with different parties (including retailer Yintai and logistics players such as Shunfeng, Yunda, and YTO etc.) to invest in a new logistics network entity called Cainiao. Competition between Cainiao and shareholders' logistics businesses, however, may impede development of the new entity in our view.

Exhibit 8: CSC's warehouses (by Mar 14)

Location	In operation	Under Construction	Under planning
	000 sqm	000 sqm	000 sqm
Shenzhen	53	270	-
Nanning	26	5	341
Nanchang	3	24	615
Zhengzhou		215	418
Xi'an		56	321
Harbin		73	298
Hefei		137	454
Chongqing			112
Total	83	779	2,558

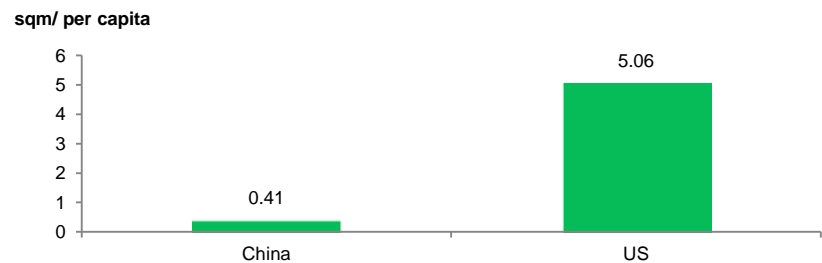
Source(s): CSC

Logistics property sector– a long-term growth story

Driver #1: No oversupply issue in logistics property sector

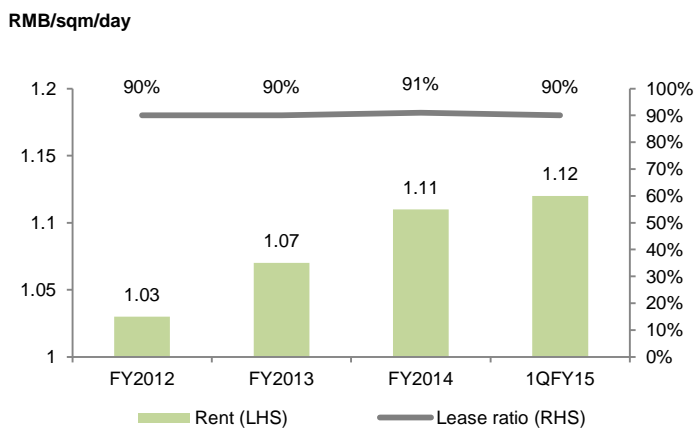
Warehouse supply in China remains tight compared to major developed countries. E.g. warehouse area per capita is 0.41 sqm in China, much lower than 5.06 sqm in the U.S. Shortage issue arises as demand from online players in China soars. According to GLP, online retailer JD.com's rented area rose to 1.6% of GLP's total leased space in June 2014 from 1.2% in Dec 2013. Alibaba also became one of GLP's top 10 customers in June 14, accounting for 1.4% of total leased space. GLP's rent rate increased steadily by 3-4% per year during FY12-14, reflecting a high demand for warehouse and logistics facilities.

Exhibit 9: Warehouse area per capita (2013)



Source(s): Global Logistics Properties

Exhibit 10: Rent and lease ratio of GLP's China portfolio



Source(s): Global Logistics Properties

Exhibit 11: Top 10 customers of Global Logistics Properties (GLP) by leased area in China

Top 10 customers	Type	% of leased area		
		Jun-14	Dec-13	Change
Deppon	3PL	4.1%	4.4%	-0.3%
Amazon	Retailer	4.0%	5.1%	-1.1%
Vipshops	Retailer	2.8%	2.0%	0.8%
Best Logistics	3PL	2.8%	NA	
Nice Talent	3PL	2.7%	2.1%	0.6%
JD.com	Retailer	1.6%	1.2%	0.4%
Schenker	3PL	1.5%	1.6%	-0.1%
DHL	3PL	1.5%	1.7%	-0.2%
Alibaba	Retailer	1.4%	NA	
Toll Warehouse	3PL	1.4%	1.7%	-0.3%
VANCL		NA	1.4%	
Sankyu Logistics		NA	1.3%	
Top 10 total		23.8%	22.5%	1.3%

Source(s): Global Logistics Properties

Driver #2: Increasing M&A activities from property funds and online players

Due to the land shortage for warehouse logistics, property funds and online players have been competing for land resources by investing in logistics park operators. In Jan 2014, Tencent acquired a 10% stake in CSC at HK\$ 1.5bn (or HK\$ 2.20 per share). In Sep 2014, Ping An Real Estate and PAG (private equity fund) also invested in CSC's competitor Wuzhou International (1369 HK). More recently, Tencent exercised its share options to acquire another 3% stake in CSC at HK\$ 3.36.

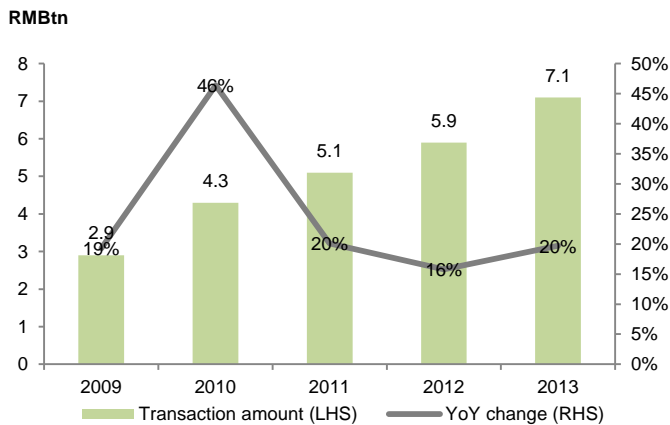
Exhibit 12: Major events of e-commerce logistics sector

Date	Company	Consideration	Details
		HK\$ mn	
Jan-14	CSC	1,500	Tencent acquired 9.9% new share plus 3% share option
Jun-14	Wuzhou	NA	Entered framework agreement with GLP to jointly develop logistics park
Sep-14	Wuzhou	780	Ping An and PAG purchased US\$ 100mn of Wuzhou's CB
Sep-14	CSC	176	CSC acquired 19.05% stake of online procurement search engine Makepolo

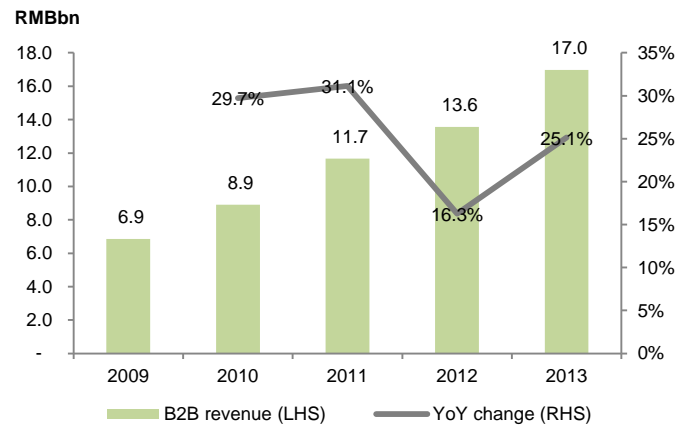
Source(s): CSC, Wuzhou

Driver #3: Fast-growing B2B market

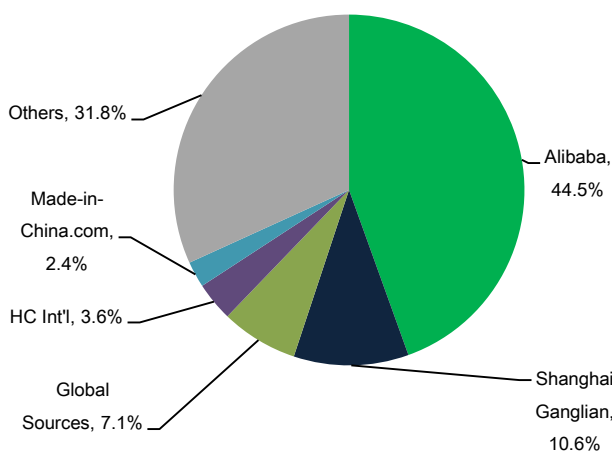
With the rise of B2B market in China, we are highly positive on the prospects of logistics park development. Although online giant Alibaba has increased its focus on the B2C market, its B2B market has been expanding quickly at 16-20% a year in 2011-13, measured by total B2B transaction in China. In fact, smaller B2B players are increasingly influential, as evidenced by Alibaba's shrinking market share from 44.5% in 2013 to 40.5% in 1H14. We believe more small online players will eventually reach a critical size and start investing in the offline operation (i.e. the logistics facilities).

Exhibit 13: B2B transactions in China (2009-13)


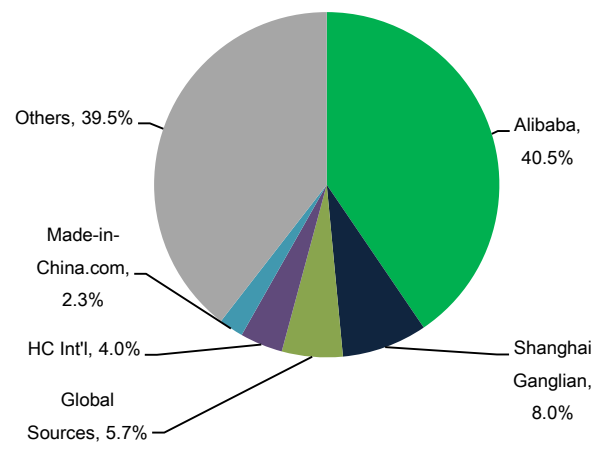
Source(s): Enfodesk

Exhibit 14: B2B revenue in China (2009-13)


Source(s): Enfodesk

Exhibit 15: B2B market share in China by revenue (2013)


Source(s): www.100ec.cn

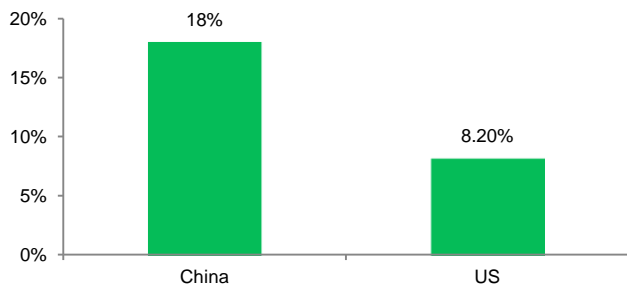
Exhibit 16: B2B market share in China by revenue (1H14)


Source(s): www.100ec.cn

Driver #4: Policy support

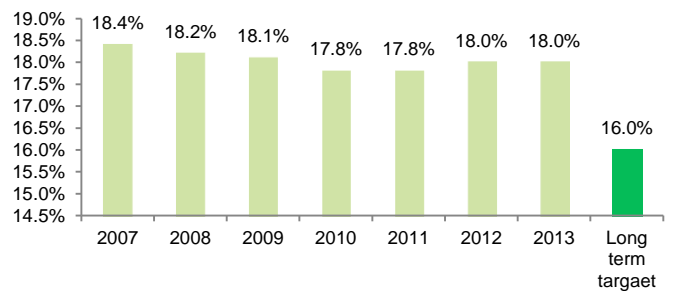
In Oct 2014, the PRC government announced the “Long-term plan of China logistics industry (2014-2020)” that aims to reduce logistics cost by improving infrastructures, standardization of logistics facilities and increased outsourcing, etc. In 2013, logistics costs represents 18% of total GDP, much higher than 8.2% in the U.S., showing that efficiency of China’s logistics network is still low. The government aims to lower the proportion of logistics cost from 18% of GDP, as it has been for the past few years, to 16% over the long term. In particular, the policy highlights logistics park development as one of the 12 main focuses. Development of logistics parks in key cities will be accelerated, to be accompanied by improved ancillary transportation such as roadway and railway.

Exhibit 17: Logistics costs as a percentage of GDP (2013)



Source(s): CFLP; Logisticsmanagement.com; ABCI Securities

Exhibit 18: Logistics costs as a percentage of GDP in China



Source(s): CFLP; Fung Group; ABCI Securities



Maintain BUY with revised TP HK\$4.80.

We raise our presales estimate for CSC based on its strong 2QFY15 figures (+17% YoY to HK\$ 4,183mn). Hence, our Mar-end FY15E NAV forecasts rise to HK\$ 9.59 (from HK\$ 9.35). We raise our TP to HK\$ 4.80 (from HK\$ 4.70) reflecting a 50% discount to NAV. CSC, a B2B story with an attractive valuation at 7.3x FY15 PE (vs. sector average of 9.6x for commercial developers, 30.1x for internet companies and 24.7x for logistics operators), is our top pick for the sector.

Risk factors: 1) Oversupply in 2nd-tier cities; 2) High level of unsold inventories may impede cash flow.

Exhibit 19: CSC's FY15E NAV forecast

	Attr. GFA (M sqm)	Net assets value (HKD m)	% of total	Valuation Methodology	Implied value per sqm (HKD)
Property development					
Shenzhen	2.2	10,444	13%		4,849
Nanning	2.7	9,696	12%		3,619
Nanchang	3.7	14,965	19%	DCF at WACC of 7.4%	4,095
Xi'an	1.7	4,702	6%		2,833
Harbin	2.2	4,057	5%		1,818
Others	9.5	17,379	22%		1,832
Subtotal	21.9	61,242	79%		
Investment Properties & retail outlets		7,294	9%	5% cap rate on FY15E net rental income	
Online Platform (E-commerce and logistics)		9,240	12%	30x 2015E PE on online platform operation	
Total FY15E GAV		77,776	100%		
FY15E Net debt		(3,373)	-4%		
Total FY15E NAV		74,403	96%		
No. of share outstanding		7,759			
NAV per share (HKD)		9.59			
Target discount (%)		50%			
Target Price (HKD)		4.80			
WACC					
Cost of debt		6.5%			
Cost of Equity		10.0%			
Debt/ (Debt + Equity)		51%			

Source(s): Company, ABCI Securities estimates

Exhibit 20: Sector valuation– Property sector

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV (%)	Valuation									
						3M	YTD	2013		P/E			Yield (%)			P/B			
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
Residential:																			
1	COLI	688 HK	HOLD	23.70	181	22.20	(3)	4	(4)	(15.58)	9.6	7.8	6.8	2.1	2.6	2.9	1.6	1.4	1.2
2	Vanke-H	2202 HK	NR		134	14.88	NA	NA	NA	(23.77)	11.2	7.3	6.3	3.5	4.2	4.8	1.7	1.4	1.2
3	CR Land	1109 HK	NR		107	18.32	7	(2)	(8)	(34.69)	11.5	9.2	7.9	2.4	2.8	3.2	1.2	1.1	1.0
4	Country Garden	2007 HK	NR		63	3.08	(17)	(29)	20	(54.57)	5.8	4.6	4.2	6.8	7.7	8.5	0.9	0.9	0.8
5	Shimao	813 HK	NR		59	16.92	1	2	26	(48.52)	6.3	5.2	4.6	4.7	5.8	6.6	1.1	1.0	0.8
6	Longfor	960 HK	NR		51	9.36	(14)	(11)	(27)	(51.33)	6.5	5.7	5.1	3.1	3.4	3.9	1.0	0.9	0.8
7	Evergrande	3333 HK	BUY	3.80	44	2.99	(9)	18	(27)	(68.92)	3.7	4.4	3.0	18.2	7.9	11.8	0.5	0.4	0.3
8	Guangzhou R&F	2777 HK	NR		28	8.64	(21)	(19)	(7)	(72.09)	3.8	4.2	3.6	9.1	7.6	8.7	0.7	0.5	0.5
9	Sino Ocean	3377 HK	NR		34	4.60	6	(4)	(8)	(48.98)	8.0	7.5	6.6	5.1	5.3	5.8	0.6	0.6	0.6
10	Agile	3383 HK	NR		17	4.32	(32)	(44)	(20)	(75.43)	2.9	2.8	2.8	11.1	8.9	9.1	0.4	0.3	0.3
11	Greentown	3900 HK	HOLD	8.50	18	8.56	(0)	(22)	(12)	(49.73)	3.8	4.1	4.2	6.4	5.9	5.9	0.6	0.6	0.5
12	Sunac	1918 HK	BUY	9.80	23	6.71	13	54	(21)	(72.55)	5.0	3.7	3.6	3.6	4.8	5.0	1.3	1.0	0.8
13	Yuexiu Properties	123 HK	NR		18	1.47	(10)	(14)	(18)	(66.97)	11.5	7.0	6.3	5.4	5.4	5.9	0.4	0.4	0.4
14	COGO	81 HK	NR		10	4.18	(22)	(42)	(20)	(67.77)	3.4	3.7	3.2	2.6	2.5	2.8	0.8	0.7	0.6
15	KWG	1813 HK	NR		17	5.73	3	44	(23)	(62.74)	5.7	4.6	3.9	6.4	6.6	7.7	0.7	0.7	0.6
16	Kaisa	1638 HK	BUY	5.00	15	2.93	3	24	4	(70.78)	5.1	4.1	3.6	5.1	5.5	7.4	0.7	0.6	0.6
17	CIFI	884 HK	BUY	2.30	9	1.48	(2)	(6)	14	(73.60)	4.6	3.7	3.1	4.7	5.9	7.0	0.8	0.7	0.6
18	BJ Capital Land	2868 HK	NR		6	2.80	0	17	(12)	(49.09)	3.9	3.0	2.3	10.0	10.0	10.4	0.5	na	na
19	China Aoyuan	3883 HK	BUY	2.50	3	1.22	(12)	(19)	35	(77.91)	3.8	3.1	2.0	8.3	8.0	12.6	0.3	0.3	0.3
HK Listed Avg						(6)	(3)	(6)	(57.11)	6.1	5.0	4.4	6.2	5.8	6.8	0.8	0.8	0.7	0.7
- Large cap (>HKD30b) avg						(4)	(3)	(4)	(43.30)	7.8	6.5	5.6	5.7	4.9	5.9	1.1	1.0	0.8	0.8
- Small-mid cap (<HKD30b) avg						(7)	(1)	(12)	(66.08)	5.0	4.1	3.7	6.4	6.3	7.0	0.7	0.6	0.5	0.5
1	Vanke-A	000002 CH	NR		134	9.29	(3)	22	(15)	(39.68)	8.7	5.7	4.8	4.5	4.6	5.3	1.3	1.1	1.0
2	Poly-A	600048 CH	NR		78	5.77	(2)	9	(38)	(66.84)	7.1	4.6	3.9	3.5	4.2	5.1	1.1	1.0	0.8
3	China Merchants Property	000024 CH	NR		41	12.99	5	(4)	(30)	(61.49)	9.5	6.3	5.2	2.5	2.6	3.2	1.2	1.1	0.9
4	Gemdale	600383 CH	NR		45	7.93	(16)	21	(4)	(36.96)	9.6	9.0	7.4	1.0	2.0	2.1	1.2	1.1	1.0
A-share Listed Avg						(4)	12	(22)	(51.24)	8.7	6.4	5.3	2.9	3.4	3.9	1.2	1.1	0.9	0.9
Commercial:																			
1	SOHO China	410 HK	NR		30	5.85	(11)	(8)	13	(26.88)	5.4	11.1	19.6	5.4	5.4	5.2	0.6	0.6	0.6
2	HLP	101 HK	NR		105	23.45	0	(1)	(18)	(32.46)	20.8	17.1	16.5	3.2	3.2	3.3	0.8	0.8	0.8
3	China South City	1668 HK	BUY	4.80	28	3.52	(8)	66	97	(62.32)	9.0	7.3	4.7	4.0	5.4	6.8	1.2	1.3	1.1
4	Hui Xian REIT	87001 HK	NR		22	3.31	(4)	(8)	(1)	(24.34)	23.7	15.9	15.2	7.6	7.5	7.8	0.6	0.6	0.6
5	Franshion	817 HK	HOLD	2.00	17	1.89	(13)	(27)	(1)	(61.01)	6.3	5.8	5.0	5.0	6.3	8.5	0.6	0.6	0.5
6	Shui On Land	272 HK	NR		15	1.85	(11)	(20)	(30)	(48.25)	9.9	13.5	13.0	3.4	3.0	2.3	0.3	0.3	0.3
8	Yuexiu REIT	405 HK	NR		11	3.82	0	9	9	na	44.1	27.4	22.7	7.2	7.6	8.1	0.7	0.7	0.7
9	Zall	2098 HK	NR		10	2.74	0	0	(10)	na	27.3	na	na	0.0	na	na	1.1	na	na
10	Wuzhou	1369 HK	NR		9	1.85	18	47	52	na	19.3	9.9	6.7	1.9	2.5	4.1	2.8	na	na
Commercial Avg						(3)	5	12	(46.63)	16.9	12.3	11.7	4.8	6.1	7.0	1.0	0.7	0.7	0.7
- Developers						(11)	3	20	(49.62)	12.7	9.6	9.7	4.2	5.7	6.7	1.1	0.8	0.7	0.7
- Landlords/REIT						(4)	(10)	(1)	(47.75)	33.9	21.7	18.9	7.4	7.6	7.9	0.6	0.6	0.6	0.7

* Data as at 5 Nov 2014

Source(s): Company, ABCI Securities estimates, Bloomberg

Exhibit 21: Sector valuation– Logistics and Internet sectors

Ticker	Mkt cap	Share Price	Performance			Valuation										
			1M	3M	2013	P/E			Yield (%)			P/B				
		(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
Internet:																
1	Tencent	700 HK	1,161	124.00	1	4	99	59.1	37.4	28.2	0.2	0.3	0.4	13.1	11.5	8.5
2	Alibaba	BABA US	2,077	108.67	2	23	na	71.0	50.2	37.4	0.0	0	0	13.3	12.5	9.5
3	HT International	2280 HK	6	8.80	(2)	(38)	231	30.0	18.4	11.9	0.0	na	na	4.6	3.9	2.9
4	Boyaa	434 HK	5	7.20	(2)	(9)	na	19.7	14.3	10.6	1.6	na	na	3.5	2.9	2.3
Internet average				(0)	(5)	165	44.9	30.1	22.0	0.4	0.2	0.2	8.6	7.7	5.8	
Logistics:																
1	Kerry Logistics	636 HK	21	12.44	(1)	4	na	23.7	20.0	18.4	0.9	0.9	1.0	1.3	1.4	1.3
2	Global Logistics Properties	GLP SP	78	2.69	0	1	5	40.2	39.2	32.5	1.7	1.7	1.8	1.1	1.1	1.1
3	Mapletree Industrial Trust	MINT SP	15	1.48	0	4	5	15.2	14.9	14.6	6.7	6.8	6.9	1.2	1.2	1.2
Logistic average				(0)	3	5	26.4	24.7	21.8	3.1	3.1	3.2	1.2	1.2	1.2	

* Data as at 5 Nov 2014

Source(s): Company, ABCI Securities estimates, Bloomberg



Consolidated income statement (FY13A-FY17E)

FY Ended Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	7,488	13,468	18,460	25,890	28,322
Cost of sales	(3,311)	(6,921)	(8,853)	(11,002)	(11,847)
Gross Profit	4,177	6,547	9,606	14,888	16,476
SG&A expenses	(826)	(1,444)	(2,062)	(3,056)	(3,300)
EBIT	3,351	5,103	7,544	11,832	13,176
Finance cost	(133)	(153)	(271)	(271)	(271)
Share of profit of associates	1	(1)	-	-	-
Other income/ (expenses)	52	188	80	111	146
Fair value gain of investment properties	1,251	1,266	-	-	-
Disposal/one-off items	(49)	(235)	-	-	-
Profit before tax	4,473	6,169	7,353	11,672	13,051
Tax	(1,606)	(2,472)	(3,514)	(5,724)	(6,380)
Profit after tax	2,867	3,696	3,839	5,948	6,672
Minority interest	(117)	(202)	-	-	-
Reported net profit	2,750	3,494	3,839	5,948	6,672
Less: exceptional items	(973)	(817)	(0)	0	0
Underlying net profit	1,776	2,678	3,839	5,948	6,672
Per share					
Underlying EPS (HK\$)	0.29	0.39	0.48	0.74	0.83
DPS (HK\$)	0.10	0.14	0.19	0.24	0.29
Payout ratio (%)	34%	36%	40%	32%	35%
BVPS (HK\$)	2.63	2.89	2.87	3.27	3.80
Growth %					
Revenue	104.0%	79.9%	37.1%	40.3%	9.4%
Gross Profit	86.8%	56.8%	46.7%	55.0%	10.7%
EBIT	97.4%	52.3%	47.8%	56.8%	11.4%
Underlying net profit	92.5%	50.7%	43.4%	54.9%	12.2%
Margin %					
Gross margin	55.8%	48.6%	52.0%	57.5%	58.2%
Gross margin (post-LAT)	48.2%	39.2%	39.6%	42.9%	43.2%
EBIT margin	44.8%	37.9%	40.9%	45.7%	46.5%
Core net margin	26.2%	21.7%	20.8%	23.0%	23.6%
Key assumptions					
Contracted Sales (HK\$m)	8,205	14,106	18,733	28,191	28,151
GFA sold (m sqm)	0.71	1.75	1.84	2.42	2.39
ASP (HK\$/sqm)	11,573	8,083	10,155	11,646	11,799
Booked Sales (HK\$)	6,899	12,813	17,433	24,521	26,505
GFA delivered (m sqm)	0.66	1.62	1.86	2.26	2.37
Booked ASP (HK\$/sqm)	10,409	7,910	9,389	10,845	11,171

Source: Company, ABCI Securities estimates



Consolidated balance sheet (FY13A-FY17E)

As of Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
Current assets	18,428	30,042	36,411	42,545	50,533
Bank balances and cash	6,778	12,777	19,146	25,280	33,268
Trade receivables	937	2,806	2,806	2,806	2,806
Properties held for sale	9,953	13,701	13,701	13,701	13,701
Other current assets	760	759	759	759	759
Non-current assets	23,917	29,919	31,620	32,104	29,982
Properties under development	2,382	2,933	4,550	5,133	3,123
Property, plant and equipment	601	659	569	469	358
Investment properties	19,426	24,034	24,034	24,034	24,034
Investment in Associate and JCE	6	13	188	188	188
Other non-current assets	1,502	2,279	2,279	2,279	2,279
Total Assets	42,345	59,961	68,031	74,648	80,515
Current Liabilities	15,374	24,243	30,081	32,805	34,455
Short term borrowings	4,418	5,842	10,842	10,842	10,842
Trade and other payables	4,373	8,871	8,871	8,871	8,871
Pre-sale deposits	3,793	5,120	5,958	8,681	10,332
Other current liabilities	2,790	4,411	4,411	4,411	4,411
Non-current liabilities	10,928	15,573	15,573	15,573	15,573
Long term borrowings	7,435	11,677	11,677	11,677	11,677
Other payables	-	-	-	-	-
Other non-current liabilities	3,493	3,896	3,896	3,896	3,896
Total Liabilities	26,302	39,817	45,654	48,378	50,029
Net Assets	16,043	20,144	22,377	26,270	30,487
Shareholders Equity	15,853	19,970	22,252	26,196	30,462
Minority Interest	190	175	125	75	25
Total Equity	16,043	20,144	22,377	26,270	30,487
Key ratio:					
Gross debt (HK\$ mn)	11,853	17,519	22,519	22,519	22,519
Net debt (HK\$ mn)	5,076	4,742	3,373	(2,761)	(10,749)
Net gearing (%)	32%	24%	15%	-11%	-35%
Contracted sales/ Total assets (x)	0.19	0.24	0.28	0.38	0.35

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (FY12A-FY17E)

FY ended Mar 31 (HK\$ mn)	FY13A	FY14A	FY15E	FY16E	FY17E
EBITDA	3,378	5,173	7,644	11,942	13,297
Change in Working Capital	(554)	2,245	757	3,676	5,197
Tax payment	(200)	(2,472)	(3,514)	(5,724)	(6,380)
Operating Cashflow	2,624	4,945	4,887	9,894	12,114
Purchase of PP&E	(10)	(10)	(10)	(10)	(10)
Addition of Investment Properties	0	0	0	0	0
Investment in Associate/ JCE	0	0	0	0	0
Proceeds from Disposals	0	0	0	0	0
Others	0	188	(95)	111	146
Investing Cashflow	(10)	178	(105)	101	136
Debt raised	2,000	10,000	10,000	10,000	10,000
Debt repaid	(500)	(9,815)	(5,000)	(10,000)	(10,000)
Interest expenses	(719)	(1,208)	(1,807)	(1,807)	(1,807)
Equity raised	0	3,328	0	0	0
Convertible securities raised	0	0	0	0	0
Dividend to shareholders	(449)	(1,049)	(1,556)	(2,005)	(2,405)
Others	0	(380)	(50)	(50)	(50)
Financing Cashflow	332	877	1,587	(3,861)	(4,262)
Net cash inflow/ (outflow)	2,946	5,999	6,369	6,133	7,988
Cash- beginning	3,832	6,778	12,777	19,146	25,280
Cash- year-end	6,778	12,777	19,146	25,280	33,268

Source(s): Company, ABCI Securities estimates

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

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

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

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

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

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

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183