



## Aoyuan (3883 HK)

### A quality Guangdong play

- One of the key beneficiaries under the Big Bay Area (BBA) plan due to high landbank and presales exposures in Guangdong province
- Aoyuan's overseas projects generate steady presales and higher net margins than projects in China
- 4M17 presales surged 56% YoY to RMB 8.57bn, representing 26% of full-year sales target of RMB 33.3bn
- Maintain **BUY** with revised TP of HK\$ 3.40 based on an unchanged NAV discount at 60%

## Company Report

May 17, 2017

Rating: **BUY**

TP: HK\$ 3.40

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**High exposure in the Guangdong-HK-Macau Bay area.** In Mar 2017, Premier Mr. Li proposed the development of Guangdong-Hong Kong-Macau Big Bay Area (BBA), the 4<sup>th</sup> largest coastal economic zone following the New York Bay Area, Los Angeles Bay Area and Tokyo Bay Area. Aoyuan has projects located in 7 of the 11 key cities in BBA, including Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Huizhou and Jiangmen. About 45% of the Group's landbank and 48% of its presales in 2016 were from Guangdong. These projects would benefit from the government's initiatives to boost economic growth in the BBA.

**Solid overseas expansion.** Aoyuan's overseas projects have been generating satisfactory presales since its entrance to Sydney in 2015. The One30 Hyde Park (OHP) project acquired in 2015 generated presales of RMB 1,022mn in 2015 and RMB 639mn in 2016. The Maison 188 (M188) project debuted in 2016 achieved RMB 217mn in presales. As of Dec 2016, 90% and 80% of OHP and M188 were presold. The overseas projects have a high ASP of RMB 60-120k/sqm. Their gross profit margins (GPM) at 26-29% are similar to projects in China. However, with the absence of LAT, net margins of these overseas projects are likely to be higher at ~13%, compared to 8-10% for the domestic projects. At present, Aoyuan's overseas projects focus mainly on local buyers that account for 75% of presales. With HPR in place in major tier-1/2 cities in China and a depreciating RMB, Chinese appetite for overseas property investment is set to increase. In Mar 2017, Aoyuan expanded its footprint to Vancouver's CBD by acquiring a 90% stake in a residential project (GFA: 5,600sqm) at CAD 30.6mn (RMB 161mn).

**Impressive 4M17 sales; maintain BUY with revised TP of HK\$3.40.** Aoyuan's 4M17 presales surged 56%YoY to RMB 8,570mn. GFA sold increased 12% YoY to 0.77mn sqm while presales ASP jumped 39%YoY to RMB 11,140/sqm. As of Apr 2017, 26% of its 2017 sales target (RMB 33.3bn) was completed. Factoring in the latest land acquisition and better-than-expected presale in 4M17, we raise our NAV estimate to HK\$ 8.44/ share (from HK\$ 4.41/share) and TP to HK\$ 3.40 (from HK\$ 1.80) based on a 60% discount to NAV (unchanged). Maintain **BUY**.

**Risk factors:** 1) Rising land cost in tier-1 cities; 2) FX risk in overseas projects; 3) Rising SG&A cost for establishment of overseas operation.

### Results and Valuation

FY ended Dec 31	2015A	2016A	2017E	2018E	2019E
Revenue (RMB mn)	9,572	11,827	16,017	17,928	21,397
Chg (% YoY)	37.2	23.6	35.4	11.9	19.3
Core net profit (RMB mn)	778	1,003	1,177	1,487	1,824
Chg (% YoY)	5.7	28.9	17.4	26.3	22.7
Core EPS (RMB)	0.28	0.36	0.42	0.53	0.66
Chg (% YoY)	5.7	28.9	17.4	26.3	22.7
BVPS (RMB)	3.0	3.2	3.5	3.9	4.3
Chg (% YoY)	6.8	8.2	9.2	10.7	11.8
Core PE (x)	7.3	5.6	4.8	3.8	3.1
P/B (x)	0.7	0.6	0.6	0.5	0.5
ROE (%)	9.4	11.2	12.1	13.8	15.1
ROA (%)	1.6	1.5	1.4	1.4	1.6
DPS(RMB)	0.11	0.15	0.13	0.16	0.20
Yield (%)	5.2	7.4	6.3	7.9	9.7
Net gearing (%)	62.7	58.9	19.3	Net cash	Net cash

Source(s): Bloomberg, ABCI Securities estimates

Share price (HK\$)	2.28
Est. share price return	49.1%
Est. dividend yield	6.3%
Est. total return	55.4%
Previous Rating & TP	BUY, HK\$1.80
Previous Report Date	Mar 15, 2015

Source(s): Bloomberg, ABCI Securities

### Key Data

52Wk H/L(HK\$)	2.47/1.49
Issued shares (mn)	2,672
Market cap (HK\$ mn)	6,091
3-mth avg daily turnover(HK\$ mn)	11.25
Major shareholder(s) (%)	
Mr. Guo Zi Wen	54.11%

Source(s): Bloomberg, ABCI Securities

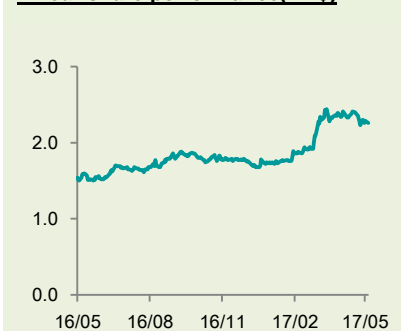
### Share Performance (%)

	Absolute	Relative*
1-mth	(5.4)	(9.4)
3-mth	21.3	14.9
6-mth	26.7	11.7

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

### 1-Year share performance(HK\$)

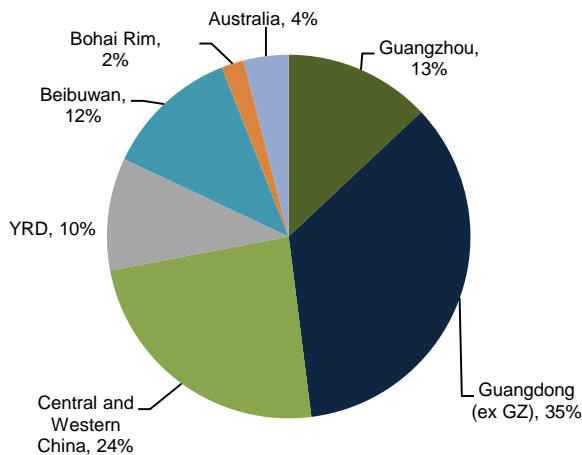


Source(s): Bloomberg, ABCI Securities

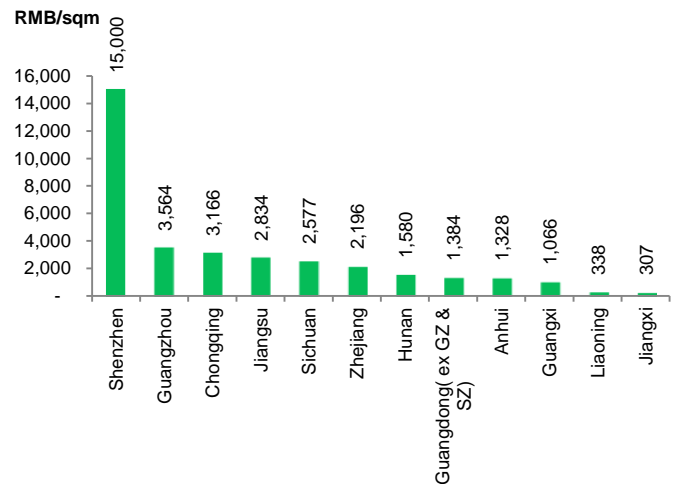
## High exposure in the Guangdong-HK-Macau Bay area

Guangdong province has always been Aoyuan's key focus, accounting for 45% of landbank and 48% of presales in 2016. The Group's top 2 projects by presale in 2016, Foshan Aoyuan Prime Palace (RMB1.9bn, 7.4% of total presales) and Zhuhai Aoyuan Plaza (RMB1.78bn, 7.0% of total presales), are also located in the province. Aoyuan's 2017 presales target of RMB 33.3bn implies a 33%YoY growth based on RMB 54bn of saleable resources and a 62% sell-through rate. In 4M17, presales surged 56% YoY to RMB 8.57bn as GFA and ASP jumped 12%/39%, completing 26% of its sales target. Stripping out the effect of changes in geographic mix, we estimate overall ASP to rise moderately by 3-5%YoY amid policy tightening.

Headquartered in Guangzhou, Aoyuan is in a better position to acquire quality sites through M&A or urban renewal sites in the region than the national players. In particular, 11 out of the 17 new projects of Aoyuan were acquired through M&A in 2016. With details of BBA development are likely to be released later in 2017, Aoyuan will benefit from the growing housing demand in Guangdong province on favorable policy.

**Exhibit 1: Aoyuan's presales breakdown (2016)**


Source(s): Company, ABCI Securities

**Exhibit 2: Aoyuan's land cost by region (Dec 2016)**


Source(s): Company, ABCI Securities

**Exhibit 3: Landbank by city (Dec 2016)**

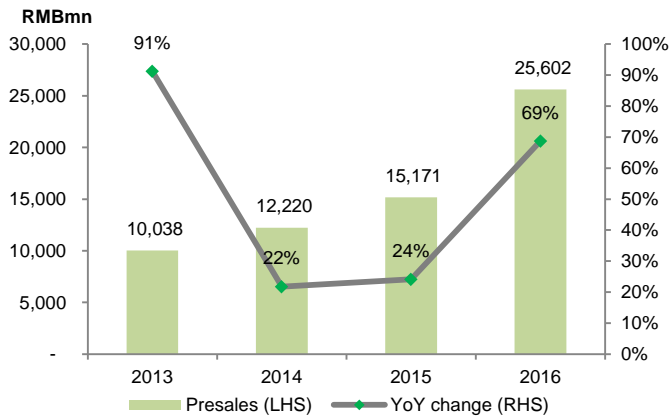
Region	City	'000sqm	%	Region	City	'000sqm	%
Tier 1 cities	Guangzhou	1.82	26.6%	Central and Western China	Chongqing	1.01	14.8%
	Shenzhen	0.22	3.2%		Chengdu	0.58	8.5%
Guangdong	Zhuhai	0.27	4.0%		Changsha	0.15	2.2%
	Foshan	0.64	9.4%		Zhuzhou	0.70	10.2%
	Zhongshan	0.18	2.7%		Gangzhou	0.34	5.0%
	Huizhou	0.34	5.0%	YRD Region	Kunshan	0.0773	1.1%
	Jiangmen	0.12	1.8%		Yangzhou	0.04	0.5%
	Yangjiang	0.31	4.6%		Jiaxing	0.20	3.0%
	Meizhou	0.74	10.9%	Ningbo	0.24	3.5%	
Qingyuan	0.49	7.1%	Bengbu	0.67	9.8%		
Yingde	0.76	11.1%	Beibuwan	Nanning	0.77	11.3%	
Yunfu	0.26	3.7%		Yulin	1.45	21.3%	
Shaoguan	0.68	10.0%	Bohai Rim	Shenyang	1.57	23.1%	
			Australia	Sydney	0.04	0.6%	
			<b>Total</b>		<b>6.81</b>		

Source(s): Company, ABCI Securities



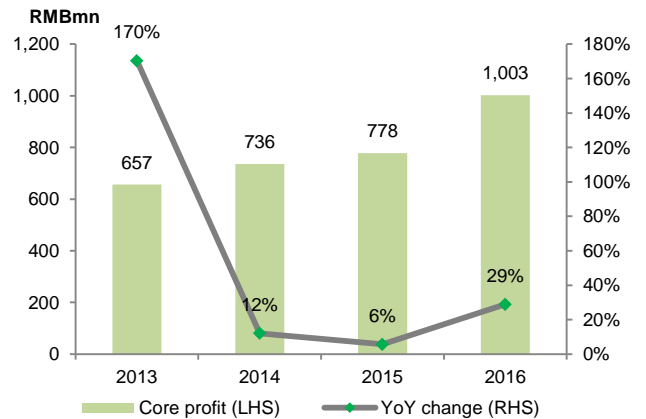
In the past 3 years, Aoyuan has placed more emphasis on tier-1/2 cities. The Group acquired a Shenzhen site in 2016 at RMB 2,287mn (GFA: 218ksqm; land cost: RMB 15k/sqm) and a Beijing site in 2017 at RMB 658mn (GFA: 16ksqm; land cost: RMB 41k/sqm) via M&A. This strategy enabled rapid growth in presales and core profit, which surged 37% and 15% CAGRs in 2013-16.

Exhibit 4: Aoyuan's presales



Source(s): Company, ABCI Securities

Exhibit 5: Aoyuan's core profit



Source(s): Company, ABCI Securities

## Solid overseas execution

Aoyuan's overseas business started with its acquisition of One30 Hyde Park (OHP) project in Sydney through a JV with a local developer, Ecove, in 2015 (in which Aoyuan holds a 70% stake). With the local experience from Ecove and distribution network in China from Aoyuan, the OHP project generated RMB 1,022mn in presales in 2015 and RMB 639mn in 2016. The Maison 188 (M188) project debuted in 2016 achieved RMB 217mn in presales. As of Dec 2016, 90% and 80% of OHP and M188 were presold. The overseas projects have a high ASP of RMB 60-120k/sqm while their GPM at 26-29% are similar to the domestic ones. With the absence of LAT, however, overseas net margin is likely to be higher at ~13%, compared to 8-10% in China.

However, cash cycle of overseas projects is different from that of China. In the former, land premium can be funded by bank borrowing. Aoyuan obtained loans from Commonwealth Bank of Australia (CBA) amounting to 50% of land cost for OHP a month after its acquisition. Regarding to presales, 10% of the presales will be received as deposit upon contract signing, with the remaining to be received upon completion in 2018. In Mar 2017, Aoyuan expanded its footprint to Vancouver's CBD by acquiring a 90% stake in a residential project (GFA: 5,600sqm) at CAD 30.6mn (RMB 161mn). The development cycle in Canada is very similar to that of Sydney. For now, Aoyuan's overseas products mainly focus on local buyers, which account for 75% of presales at present. Nonetheless, with HPR in place in major tier-1/2 cities in China and a depreciating RMB, Chinese appetite for overseas property is set to increase.

Exhibit 6: Aoyuan's overseas projects

Project	City	Land premium	GFA	Land cost	Stake
		RMBmn	000sqm	RMB/sqm	%
One30 Hyde Park	Sydney	593	37.0	16,024	70%
188 Maroubra	Sydney	86	5.8	14,897	100%
Altessa 999 Gordon	Sydney	212	12.8	16,570	100%
Turrumurra	Sydney	92	6.7	13,769	100%
Granville Street	Vancouver	161	5.6	28,750	90%
<b>Total</b>		<b>1,145</b>	<b>68</b>	<b>16,858</b>	

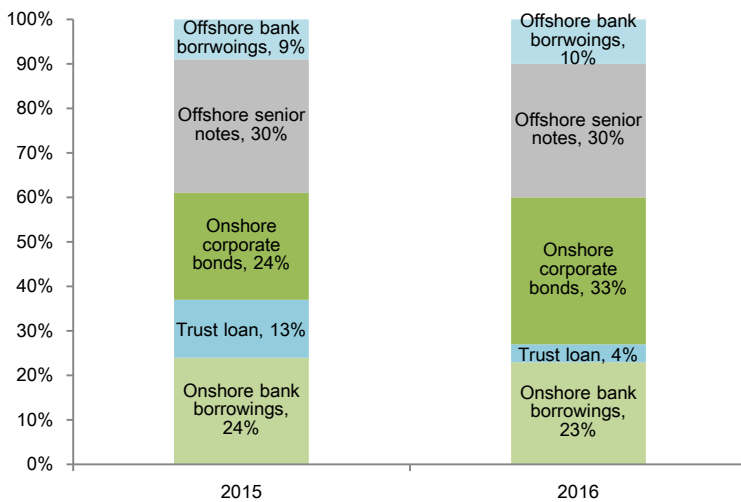
Source(s): Company, ABCI Securities

## Improving credit profile

Despite its rapid expansion pace, Aoyuan remains disciplined in borrowing and maintains a healthy cash flow. In 2016, Aoyuan's net gearing declined 3.9ppt to 58.9% while cash collection rose 8ppt to 90%. In Dec 2016, Fitch Ratings upgraded Aoyuan's bonds from B+ to BB-. Average borrowing cost also trended down by 1.4ppt YoY to 8.1% in 2016.

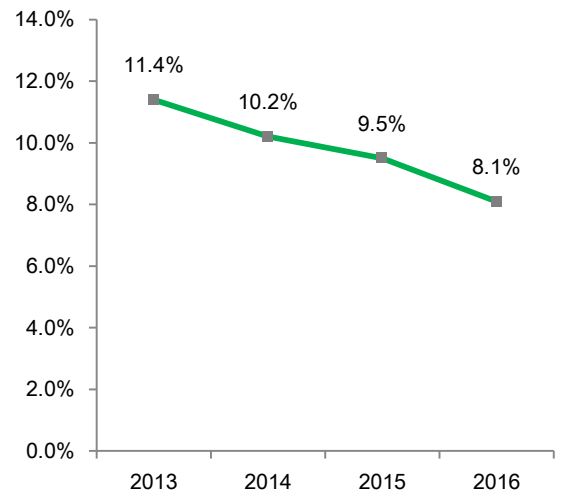
Aoyuan has been able to conduct low-cost funding. Its USD 250mn senior notes due 2019 issued in Apr 2016 had a coupon rate of 6.525% and was oversubscribed by 8.8 times; another USD 250mn due 2020 was issued in Jan 2017 had a coupon rate of 6.35% and was oversubscribed by 8 times. In July 2016, Aoyuan secured a \$200mn syndicated loan at a borrowing cost below 5% per annum for OHP. Going forward, with the redemption of the US\$ 300mn senior notes (11.25% coupon) in Feb 2017, average borrowing cost will decline further. In 2016, about 50% of offshore debts are hedged by capped forward arrangement (with no upfront cost).

**Exhibit 7: Aoyuan's debt breakdown**



Source(s): Company, ABCI Securities

**Exhibit 8: Aoyuan's average borrowing cost**



Source(s): Company, ABCI Securities



## 2016 results recap:

- Strong earnings growth. Core profit rose 29% YoY to RMB 1,003mn, driven by the 24% YoY increase in revenue while GPM was stable at 27.7%. Aoyuan's core profit growth outperformed the sector average of 14%YoY.
- GPM is likely to improve in 2017. Despite a 23% YoY decline in booked ASP to RMB 6,994/sqm, GPM remained stable. GPM in 2017 will improve due to the booking of projects with higher presale ASP in 2016(2016 presales ASP: + 6.9% YoY ).
- Average finance cost to drop. Due to impressive presale in 2016, Aoyuan's net gearing decreased 3.9ppt YoY to 58.9%. Average finance cost also fell 1.4ppt YoY to 8.1% in 2016 as the Group redeemed the high-cost USD senior notes due in Nov 2017, Mar 2018, and Jan 2019.

### Exhibit 9: Aoyuan's FY16 results

P&L	FY16	FY15	YoY
	RMB mn	RMB mn	(%)
<b>Turnover</b>	11,827	9,572	23.6
Cost of Sales	(8,550)	(6,926)	23.4
<b>Gross Profit</b>	3,277	2,646	23.8
<b>GPM (%)</b>	27.7	27.6	+0.1ppt
Selling and distribution costs	(592)	(489)	21.2
Administrative expense	(489)	(402)	21.8
<b>EBIT</b>	2,195	1,756	25.0
<b>EBIT Margin (%)</b>	18.6	18.3	+0.2ppt
Other income	242	147	64.8
Fair Value gains on IP and others	(163)	45	(458.2)
Share of profit from JCE/ Assoc.	(32)	28	NA
Finance cost	(157)	(91)	72.1
<b>Profit before tax</b>	2,085	1,884	10.6
<b>Tax</b>	(1,078)	(977)	10.4
- LAT	(794)	(372)	113.4
- Enterprise tax	(285)	(605)	(52.9)
<b>Profit after tax</b>	1,006	907	10.9
Minority Interest	(126)	(95)	NA
<b>Net profit</b>	881	812	8.4
<b>Core net profit</b>	1,003	778	28.9
<b>Core net margin</b>	8.5%	8.1%	+0.4ppt

Operating statistics	FY16	FY15	YoY
			%
GFA Delivered (mn sqm)	1.61	1.02	57.9
Booked ASP (RMB/sqm)	6,994	9,130	(23.4)
<b>Booked sales (RMB mn)</b>	11,240	9,295	20.9
Contracted GFA (mn sqm)	2.98	1.89	57.9
Contracted ASP (RMB/sqm)	8,589	8,035	6.9
<b>Contracted Sales (RMB mn)</b>	25,602	15,171	68.8
<b>Balance sheet</b>	<b>Dec-16</b>	<b>Dec-15</b>	<b>YoY</b>
	<b>RMB mn</b>	<b>RMB mn</b>	
Gross debt	19,568	16,298	20.1
Cash	10,956	9,036	21.3
<b>Net debt</b>	8,611	7,262	18.6
<b>Net gearing (%)</b>	58.9	62.7	-3.9ppt

Source(s): Company, ABCI Securities



## Impressive 4M17 sales performance; maintain BUY

Aoyuan's 4M17 presales surged 56%YoY to RMB 8,570mn, driven by the 12% YoY increase in GFA sold to 0.77mn sqm and presales ASP that jumped 39%YoY to RMB 11,140/sqm. As of Apr 2017, Aoyuan completed 26% of its 2017 sales target (RMB 33.3bn). Factoring in the latest land acquisition and better-than-expected presales, we raise our NAV estimate to HK\$ 8.44/share (from HK\$ 4.41/share) and TP to HK\$ 3.40 (from HK\$ 1.80) based on an unchanged NAV discount of 60%. Maintain **BUY**.

### Exhibit 10: Aoyuan's 2017E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
<b>Property development</b>					
Guangzhou	1.8	3,484	14%	DCF with WACC of 13.0%	1,969
Shenzhen	0.2	1,869	8%		12,260
Zhuhai	0.3	600	2%		2,381
Foshan	0.6	886	4%		1,386
Zhongshan	0.7	973	4%		1,381
Qingyuan	1.4	951	4%		659
Chongqing	1.8	2,806	12%		1,600
Others	8.2	12,340	51%		1,499
<b>Subtotal</b>	<b>11.0</b>	<b>23,909</b>	<b>99%</b>		<b>2,165</b>
Investment Properties		361	1%	6.0% cap rate on 2017E net rental	
<b>Total 2017E GAV</b>		<b>24,270</b>	<b>100%</b>		
2017E Net cash/ (debt)		(3,300)	-14%		
<b>Total 2017E NAV</b>		<b>20,970</b>	<b>86%</b>		
No. of share outstanding (diluted)		2,784			
<b>NAV per share (RMB)</b>		<b>7.53</b>			
Ex rate		1.12			
<b>NAV per share (HKD)</b>		<b>8.44</b>			
Target discount (%)		60%			
<b>Target Price (HKD)</b>		<b>3.40</b>			
<b>WACC</b>					
Cost of debt		10.0%			
Cost of equity		20.0%			
<b>Debt/ (Debt + Equity)</b>		<b>56%</b>			

Source(s): Company, ABCI Securities estimates

**Consolidated income statement (2014A-2019E)**

FY Ended Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
<b>Revenue</b>	6,976	9,572	11,827	16,017	17,928	21,397
Cost of sales	(4,909)	(6,926)	(8,550)	(11,365)	(12,711)	(15,668)
<b>Gross Profit</b>	2,067	2,646	3,277	4,652	5,217	5,729
SG&A expenses	(770)	(890)	(1,082)	(1,359)	(1,479)	(1,435)
<b>EBIT</b>	1,297	1,756	2,195	3,293	3,738	4,294
Finance cost	(65)	(91)	(157)	(361)	(379)	(397)
Share of profit of associates	9	28	(32)	-	-	-
Other income/ (expenses)	110	147	242	92	130	181
Fair value gain of investment properties	98	-	-	-	-	-
Disposal/one-off items	-	45	(162)	-	-	-
<b>Profit before tax</b>	1,449	1,884	2,085	3,024	3,488	4,078
Tax	(666)	(977)	(1,078)	(1,462)	(1,676)	(1,797)
<b>Profit after tax</b>	783	907	1,007	1,562	1,812	2,281
Minority interest	26	(95)	(126)	(385)	(326)	(457)
<b>Reported net profit</b>	809	812	881	1,177	1,487	1,824
Less: exceptional items	(73)	(34)	122	(0)	0	0
<b>Underlying net profit</b>	736	778	1,003	1,177	1,487	1,824
<b>Per share</b>						
Underlying EPS (RMB)	0.26	0.28	0.36	0.42	0.53	0.66
DPS (RMB)	0.09	0.11	0.15	0.13	0.16	0.20
Payout ratio (%)	33%	38%	42%	30%	30%	30%
BVPS (RMB)	2.77	2.96	3.20	3.50	3.87	4.33
<b>Growth %</b>						
Revenue	21.8%	37.2%	23.6%	35.4%	11.9%	19.3%
Gross Profit	17.6%	28.0%	23.8%	42.0%	12.1%	9.8%
EBIT	19.2%	35.3%	25.0%	50.0%	13.5%	14.9%
Underlying net profit	12.1%	5.7%	28.9%	17.4%	26.3%	22.7%
<b>Margin %</b>						
Gross profit margin	29.6%	27.6%	27.7%	29.0%	29.1%	26.8%
GPM (post-LAT)	24.7%	24.5%	21.5%	24.1%	24.0%	22.7%
EBIT margin	18.6%	18.3%	18.6%	20.6%	20.8%	20.1%
Core net margin	10.0%	8.8%	9.8%	9.8%	10.1%	10.7%
<b>Key assumptions</b>						
Contracted Sales (RMB mn)	12,220	15,171	25,602	34,329	34,633	26,857
GFA sold (mn sqm)	1.33	1.89	2.98	3.90	3.85	2.78
ASP (RMB/sqm)	9,162	8,035	8,589	8,811	8,998	9,652
Booked Sales (RMB mn)	6,803	9,295	11,240	15,382	17,239	20,652
GFA delivered (mn sqm)	0.91	1.02	1.61	1.71	1.90	2.16
Booked ASP (RMB/sqm)	7,441	9,130	6,994	8,979	9,076	9,581

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2014A-2019E)

As of Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
<b>Current assets</b>	33,150	43,198	59,830	75,238	97,810	107,757
Cash	4,852	7,769	10,471	17,031	35,700	51,320
Restricted cash	1,065	1,267	486	486	486	486
Trade & other receivables	1,849	1,753	3,604	3,604	3,604	3,604
Property under development	24,947	31,792	43,487	52,335	56,237	50,565
Other current assets	437	617	1,782	1,782	1,782	1,782
<b>Non-current assets</b>	3,636	5,629	6,589	7,109	7,619	8,117
Property, plant & equipment	501	494	506	526	536	534
Investment properties	2,728	4,505	5,425	5,925	6,425	6,925
Investment in Associate and JCE	63	217	164	164	164	164
Other non-current assets	344	413	494	494	494	494
<b>Total Assets</b>	36,786	48,827	66,418	82,098	105,180	115,624
<b>Current Liabilities</b>	20,378	22,770	36,143	50,912	72,677	81,438
Short term borrowings	4,464	2,570	4,506	5,506	6,506	7,506
Trade & other payables	3,501	5,348	6,795	6,795	6,795	6,795
Pre-sales deposits	8,772	9,823	20,524	34,293	55,059	62,819
Other current assets	3,641	5,028	4,318	4,318	4,318	4,318
<b>Non-current liabilities</b>	7,374	14,481	15,645	15,645	15,645	15,645
Long term borrowings	7,033	13,727	15,062	15,062	15,062	15,062
Other payables	0	0	0	0	0	0
Other non-current assets	341	754	583	583	583	583
<b>Total Liabilities</b>	27,752	37,251	51,787	66,556	88,322	97,082
<b>Net Assets</b>	9,034	11,576	14,631	15,790	17,107	18,791
<b>Shareholders' Equity</b>	7,719	8,243	8,918	9,742	10,782	12,059
Minority Interest	1,315	3,333	5,713	6,048	6,324	6,731
<b>Total Equity</b>	9,034	11,576	14,631	15,790	17,106	18,790
<b>Key ratio</b>						
Gross debt (RMB mn)	11,497	16,298	19,568	20,568	21,568	22,568
Net debt (RMB mn)	5,580	7,262	8,611	3,300	(14,369)	(28,988)
Net gearing (%)	62%	63%	59%	21%	-84%	-154%
Contracted sales/ Total assets (x)	0.33	0.31	0.39	0.42	0.33	0.23

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2014A-2019E)**

FY ended Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
EBITDA	1,323	1,790	2,237	3,343	3,798	4,366
Change in Working Capital	244	(1,544)	(709)	6,366	18,380	15,022
Tax payment	(666)	(977)	(1,167)	(1,462)	(1,676)	(1,797)
<b>Operating cash flow</b>	901	(731)	361	8,246	20,502	17,591
Purchase of PP&E	(70)	(70)	(70)	(70)	(70)	(70)
Addition of Investment Properties	(500)	(500)	(500)	(500)	(500)	(500)
Others	110	(53)	242	92	130	181
<b>Investing cash flow</b>	(460)	(623)	(328)	(478)	(440)	(389)
Debt raised	4,979	6,781	8,959	5,000	5,000	5,000
Debt repaid	(2,812)	(1,000)	(4,000)	(4,000)	(4,000)	(4,000)
Interest expenses	(1,276)	(1,393)	(1,771)	(1,806)	(1,896)	(1,986)
Equity raised	0	0	0	0	0	0
Dividend to shareholders	(242)	(295)	(418)	(353)	(446)	(547)
Others	950	128	(50)	(50)	(50)	(50)
<b>Financing cash flow</b>	1,600	4,221	2,720	(1,209)	(1,392)	(1,583)
<b>Net cash inflow/ (outflow)</b>	2,040	2,867	2,752	6,559	18,669	15,619
Cash- beginning	2,812	4,852	7,719	10,471	16,782	35,452
<b>Cash- year-end</b>	4,852	7,719	10,471	16,782	35,452	51,070

Source(s): Company, ABCI Securities estimates



## Disclosures

### Analyst Certification

I, Kenneth Tung, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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### Definition of equity rating

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

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

Market return: 5-year average market return rate

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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