

CG Services (6098 HK)

Megan Jin

+852 2135 0209

dallas.cai@oriental-patron.com.hk

Company Update

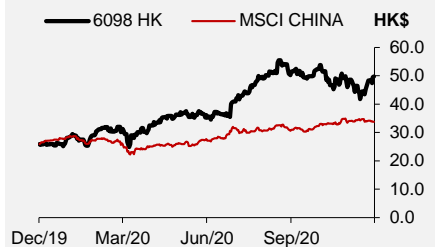
BUY
UNCHANGED
Close price: HK\$47.20
Target Price: HK\$67.40 (+43%)
Prior TP: HK\$60.00

Key Data

HKEx code	6098
12 Months High (HK\$)	56.50
12 Month Low (HK\$)	23.95
3M Avg Dail Vol. (mn)	7.05
Issue Share (mn)	2,759.37
Market Cap (HK\$m)	130,242.43
Fiscal Year	12/2019
Major shareholder (s)	Chairlady Yang Huiyan (49.49%)

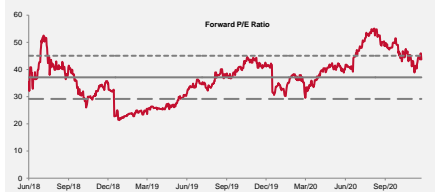
Source: Company data, Bloomberg, OP Research
 Closing price are as of 11/12/2020

Price Chart



	1mth	3mth	6mth
Absolute %	2.7	-8.4	32.8
Rel. MSCI CHINA %	1.6	-17.5	8.4

PE Chart



Company Profile

Country Garden Services Holdings Company Limited provides real estate development services. The Company develops residential apartments, multi-functional complex buildings, government and public facilities, industrial parks, highway service stations, and schools. Country Garden Services Holdings serves clients in China.

Placement for strategic deployment

- **CG Services issued 173 mn new shares (6.27% of issued shares) for ~1 bn USD at HK\$45.00, at 9.46% discount to last trading day stock price. The proceeds are for strategic deployment in co-investment in community group buying, city services IT infrastructure and acquisition for commercial/office property management companies.**
- **Reiterate BUY with TP lifted to HK\$67.40 on 43x FY21E PE (17.3% higher adj. eps), as we like the leader's full deployment in burgeoning new industry opportunities with vast TAM.**

Placement of ~1 bn USD for strategic deployment. CG Services issued 173 mn new shares at HK\$45.00 (9.46% discount to last trading day price), that will enlarge share capital by 6.27%. Following are con-call highlights: **1) upsized from original plan due to strong demand:** strategic investors (incl. a leading internet company), long term investors, and hedge funds take up ~28%/46%/26% respectively; **2) the USD1 bn proceeds will be for: A) community group buying co-investment with strategic partners** (CG Services responsible for offline logistics e.g. store-front warehouse, group buying leaders; strategic partners responsible for forming user behavior online and supply chains); **B) city services IT infrastructure** for higher bargain power and more orders with the governments, **and C) acquisition of commercial/office property management companies next year; 3) no need for further financing for at least a year** if CB conversion (exercise price HK\$39.68) takes place next year (exclude repaying pressure), totaling about HK\$11 bn that include est. HK\$4 bn from incentive shares. The share placement aimed at coping with rising competition esp. after the recent wave of peer IPOs that strengthened their financial strength for expansion. In long run the share placement may raise pay-out ratio.

Bullish 3-year outlook for new businesses. For community group buying, the Company estimates TAM of RMB 200 bn GMV from property owners, and is confident to achieve a quarter of it in 3 years, that will translate into at least RMB 5 bn commissioned income. For city services, it estimates revenue of RMB 4 bn/RMB 10 bn+ for FY21E/FY22E from ~RMB300 mn by 1H20. For commercial and office property management, it targets RMB 4-5 bn revenue contribution by FY23E. While expectations for city services remained unchanged since 1H20, we spotted more affirmed commitment to community commerce.

Reiterate BUY as we see the leader is now fully deployed for burgeoning new industry opportunities with vast TAM. We are more positive than the market for participation in community group buying: 1) high likelihood to succeed given large portion of low tier property-owners who are more likely the price sensitive targeted customers, 2) synergies to its own community commerce such as higher traffic, stickier consumer habits, deeper bindings with property-owners, and trained e-commerce talents, which will strengthen its own ecosystem for self-run retail business in future. **We lift TP to HK\$67.40 from HK\$60.00** based 43x FY21E (17.3% higher adj. eps) PE.

Risks: (1) China real estate slow down; (2) faster than expected increase in labor costs, (3) worse than expected margin in city services (4) slow down community group buying

Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY18	FY19	FY20E	FY21E	FY22E
Revenue	4,675.3	9,644.9	14,457.5	23,610.3	30,407.1
Growth (%)	49.8	106.3	49.9	63.3	28.8
Net Profit	877.7	1,622.0	2,526.7	4,080.6	5,572.9
Growth (%)	119.2	84.8	55.8	61.5	36.6
Diluted EPS (HK\$)	0.397	0.674	1.026	1.568	2.142
EPS growth (%)	106.4	69.9	52.3	52.8	36.6
Change to previous EPS (%)			5.0	17.3	24.9
Consensus EPS (HK\$)			1.031	1.463	2.029
ROE (%)	50.1	43.8	24.5	24.1	26.6
P/E (x)	119.0	70.0	46.0	30.1	22.0
P/B (x)	46.2	21.1	7.6	6.6	5.3
Yield (%)	0.3	0.4	0.5	0.8	1.1
DPS (HK\$)	0.138	0.171	0.257	0.392	0.535

Source: Bloomberg, OP Research

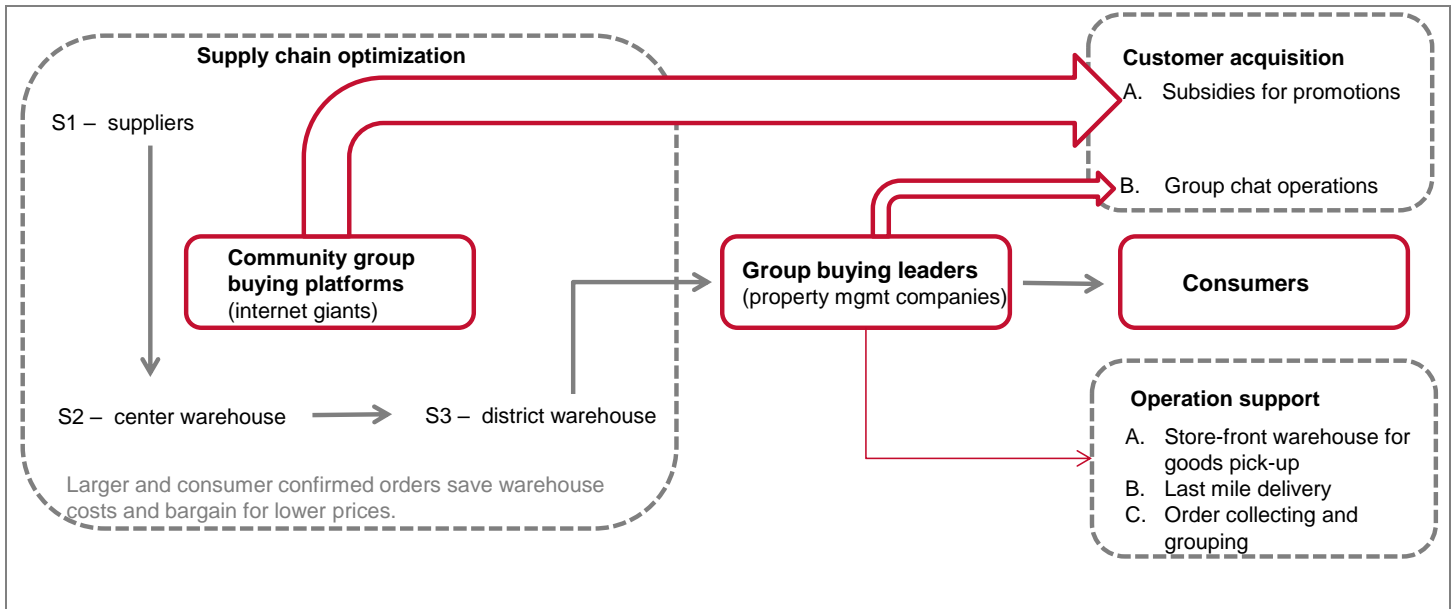
*store-front warehouse: a retail store that is at the same time also a warehouse for merchants (normally big e-commerce players) and responsible for last-mile delivery/pick-up.

Exhibit 2: Earnings Revision

(RMB mn)	FY20E			FY21E			OP Comments
	New	Old	% Chg	New	Old	% Chg	
Revenue	14,458	14,431	0.2	23,610	20,394	15.8	We factored in acquisition of Manguo Kangjie and Fujian Dongfei, and we lifted expectations for community VAS
Gross profit	4,875	4,747	2.7	7,554	6,333	19.3	
Gross margin	33.7%	32.9%	0.8	32.0%	31.1%	0.9	Due to change in revenue mix forecasts: we lowered our previous forecast in “three supplies and property management” with low margins and lifted community VAS
Opex	(1,678)	(1,678)	0.1	(2,201)	(2,105)	4.6	
EBIT	3,214	3,086	4.1	5,369	4,245	26.5	
Adj. Net Profit	2,527	2,351	7.5	4,081	3,218	26.8	
Diluted EPS (HK\$)	1.026	0.977	5.0	1.568	1.337	17.3	We factored in the dilution effect from placement

Source: OP Research

Exhibit 3: Property management companies mainly take “group buying leader” role in community group buying



Source: OP Research

Financial Summary

Year to Dec	FY18	FY19	FY20E	FY21E	FY22E	Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
Income Stat. (RMB mn)						Ratios					
Property mgmt services	3,445	5,817	8,983	12,057	15,502	Gross margin (%)	37.7	31.6	33.7	32.0	32.8
VAS to community	417	865	1,437	2,173	3,430	Operating margin (%)	21.9	20.8	22.2	22.7	24.2
VAS to non-property owners	791	1,422	1,770	2,237	2,684	Net margin (%)	19.7	17.3	17.5	17.3	18.3
Other services	21	25	152	244	317	Selling & dist'n exp/Sales (%)	0.6	0.7	0.7	0.7	0.7
City Services	0	0	0	4,213	5,056	Admin exp/Sales (%)	16.3	12.5	10.9	8.6	8.0
Three supplies and prop. mgmt	0	1,515	2,116	2,687	3,418	Payout ratio (%)	34.9	25.4	25.0	25.0	25.0
Turnover	4,675	9,645	14,458	23,610	30,407	Effective tax (%)	12.7	17.3	25.0	25.0	25.0
YoY%	50	106	50	63	29	Total debt/equity (%)	0.0	0.2	22.3	18.2	14.6
COGS	(2,914)	(6,593)	(9,582)	(16,056)	(20,434)	Net debt/equity (%)	Net cash Net cash Net cash Net cash Net cash				
Gross profit	1,762	3,052	4,875	7,554	9,973	Current ratio (x)	1.5	1.6	1.7	1.7	1.7
Gross margin	37.7%	31.6%	33.7%	32.0%	32.8%	Quick ratio (x)	1.5	1.6	1.7	1.6	1.7
Other income	50	229	17	17	17	Inventory T/O (days)	1	1	1	1	1
Selling & distribution	(27)	(67)	(100)	(163)	(211)	AR T/O (days)	62	76	76	76	76
Admin	(760)	(1,208)	(1,578)	(2,038)	(2,426)	AP T/O (days)	258	260	260	260	260
R&D	0	0	0	0	0	Cash conversion cycle (days)	(195)	(183)	(183)	(183)	(183)
Other opex	0	0	0	0	0	Asset turnover (x)	1.0	1.1	0.7	0.7	0.7
Total opex	(786)	(1,274)	(1,678)	(2,201)	(2,637)	Financial leverage (x)	2.4	2.3	2.0	2.0	2.1
Operating profit (EBIT)	1,026	2,007	3,214	5,369	7,353	EBIT margin (%)	21.9	20.8	22.2	22.7	24.2
Operating margin	21.9%	20.8%	22.2%	22.7%	24.2%	Interest burden (x)	1.0	1.0	1.1	1.1	1.1
Provisions	(13)	(31)	0	0	0	Tax burden (x)	0.9	0.8	0.7	0.7	0.7
Interest Income	54	94	193	345	469	Return on equity (%)	50.1	43.8	24.5	24.1	26.6
Finance costs	0	(2)	60	119	119						
Profit after financing costs	1,066	2,068	3,466	5,833	7,940						
Associated companies & JVs	3	8	5	5	5	Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
Pre-tax profit	1,069	2,076	3,471	5,838	7,945	Balance Sheet (RMB mn)					
Tax	(135)	(358)	(867)	(1,458)	(1,985)	Fixed assets	119	341	428	576	760
Minority interests	(11)	(48)	(78)	(299)	(387)	Intangible assets & goodwill	686	1,604	1,614	1,623	1,632
Net profit	923	1,671	2,527	4,081	5,573	Associated companies & JVs	27	80	84	89	94
Adj. Net Profit	878	1,622	2,527	4,081	5,573	Long-term investments	19	21	4,064	4,064	4,064
YoY%	119	85	56	62	37	Other non-current assets	0	0	0	0	0
Net margin	18.8%	16.8%	17.5%	17.3%	18.3%	Non-current assets	851	2,045	6,189	6,352	6,549
EBITDA	1,051	2,115	3,238	5,409	7,415	Inventories	8	14	20	34	43
EBITDA margin	22.5%	21.9%	22.4%	22.9%	24.4%	AR	788	2,004	3,004	4,905	6,317
EPS (RMB)	0.351	0.597	0.908	1.388	1.895	Prepayments & deposits	0	0	0	0	0
YoY%	106	70	52	53	37	Other current assets	5	1,293	1,293	1,293	1,293
DPS (HK\$)	0.138	0.171	0.257	0.392	0.535	Cash	3,869	6,914	18,779	27,184	35,290
Year to Dec	FY18	FY19	FY20E	FY21E	FY22E	Current assets	4,671	10,224	23,095	33,415	42,943
Cash Flow (RMB mn)						AP	2,060	4,690	6,817	11,422	14,537
EBITDA	1,051	2,115	3,238	5,409	7,415	Tax	67	108	867	1,458	1,985
Chg in working cap	617	1,528	1,928	4,226	2,833	Accruals & other payables	1,000	1,618	2,425	3,961	5,101
Others	(6)	(91)	0	0	0	Bank loans & leases	0	11	11	11	11
Operating cash	1,662	3,553	5,166	9,635	10,248	CB & othe debts	0	0	3,391	3,391	3,391
Interest received	0	0	60	119	119	Other current liabilities	0	0	0	0	0
Tax	(113)	(295)	(108)	(867)	(1,458)	Current liabilities	3,127	6,427	13,511	20,243	25,025
Net cash from operations	1,549	3,257	5,117	8,887	8,909	Bank loans & leases	0	0	0	0	0
Capex	(62)	(81)	(121)	(198)	(254)	CB & othe debts	0	0	0	0	0
Investments	(426)	(494)	(4,043)	0	0	Deferred tax & others	65	162	162	162	162
Dividends received	0	3	0	0	0	MI	69	306	384	684	1,071
Sales of assets	338	3	0	0	0	Non-current liabilities	134	469	547	846	1,234
Interests paid	54	94	193	345	469	Total net assets	2,261	5,373	15,227	18,678	23,233
Others	(18)	(1,154)	0	0	0	Shareholder's equity	2,261	5,373	15,227	18,678	23,233
Investing cash	(114)	(1,628)	(3,971)	148	215	Share capital	2	1,757	9,502	9,502	9,502
FCF	1,435	1,630	1,146	9,035	9,123	Reserves	2,259	3,616	5,725	9,176	13,731
Issue of shares	2	1,715	7,745	0	0	BVPS (HK\$)	1.02	2.24	6.20	7.20	8.95
Buy-back	0	0	0	0	0	Total debts	0	11	3,402	3,402	3,402
Minority interests	(106)	(68)	0	0	0	Net cash/(debts)	3,874	6,915	15,389	23,794	31,900
Dividends paid	(96)	(237)	(418)	(630)	(1,017)						
Net change in bank loans	0	0	3,391	0	0						
Others	0	(11)	0	0	0						
Financing cash	(200)	1,399	10,718	(630)	(1,017)						
Net change in cash	1,235	3,028	11,865	8,405	8,106						
Exchange rate or other Adj	0	17	0	0	0						
Opening cash	2,634	3,869	6,914	18,779	27,184						
Closing cash	3,869	6,914	18,779	27,184	35,290						
CFPS (HK\$)	0.700	1.354	2.079	3.416	3.424						

Source: Company, OP Research

Exhibit 7: Peer Group Comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER			EPS			Div yld PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	EV/ Hist	EV/ Cur Yr	Net gearing Hist (%)	Gross margin Hist (%)	Net margin Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
					Hist (x)	PER FY1 (x)	PER FY2 (x)	EPS YoY%	EPS YoY%	EPS Cagr (%)														
Country Garden S	6098 HK	47.20	16,802	43.1	70.0	48.3	35.3	45.0	36.9	36.5	1.32	0.4	0.5	21.07	15.50	57.2	37.4	Net cash	31.6	17.3	43.8	37.1	2.7	(8.4)
HSI		26,505.87			15.1	14.3	12.0	5.4	18.9	12.8	1.12	2.5	2.6	1.15	1.20						7.6	8.4	1.1	8.2
HSCEI		10,452.50			10.4	10.5	9.3	(0.8)	13.3	8.3	1.27	3.0	3.1	1.15	1.16						11.1	11.1	(0.8)	7.2
CSI300		4,889.63			18.6	16.7	14.2	11.4	17.6	14.3	1.2	1.8	1.9	2.1	2.0						11.5	12.2	(0.3)	5.7
China Property Mgmt Peers																								
Adjusted sector avg*					34.7	21.8	17.8	34.7	33.1	28.9	0.84	1.3	1.8	4.29	4.66	16.9	14.7	0.0	26.0	9.7	22.4	24.1	(9.6)	(14.5)
Greentown Serv	2869 HK	9.12	3,786	9.5	45.3	35.0	27.0	29.4	29.5	28.7	1.2	0.8	1.1	3.7	4.2	23.9	21.4	0.0	18.0	5.6	13.7	15.7	8.8	0.3
China Overseas P	2669 HK	4.38	1,857	8.0	26.8	21.6	16.6	24.1	30.0	27.5	0.8	1.1	1.4	8.6	7.2	15.7	13.1	0.0	20.0	9.8	38.3	36.9	(16.1)	(34.2)
Colour Life Serv	1778 HK	3.50	657	0.4	8.1	7.7	7.1	5.5	8.3	8.0	1.0	2.8	3.5	1.1	1.0	5.0	5.0	15.8	35.3	13.0	14.5	13.4	(9.6)	(6.4)
A-Living Smart C	3319 HK	30.85	5,307	19.3	28.3	20.0	15.2	41.4	32.0	33.0	0.6	1.6	2.0	5.5	4.6	19.1	12.3	0.0	36.7	24.0	24.4	25.1	(8.0)	(14.2)
S-Enjoy Service	1755 HK	16.84	1,782	3.2	41.8	26.6	17.7	57.1	50.6	51.0	0.5	1.2	1.9	12.6	9.1	26.7	17.6	0.0	29.6	13.9	31.7	37.5	(12.3)	(24.3)
Kaisa Prosperity	2168 HK	18.48	367	1.3	13.3	10.3	7.4	29.9	37.8	35.3	0.3	2.8	3.7	1.9	2.0	5.7	3.8	0.0	30.0	13.0	22.5	26.5	(12.4)	(28.9)
Ever Sunshine Li	1995 HK	15.44	3,327	14.2	89.4	54.5	35.3	63.9	54.4	56.2	1.0	0.3	0.7	8.1	9.0	53.3	33.1	0.0	29.6	11.9	16.5	20.6	21.6	(1.7)
Shenzhen World-A	002285 CH	4.83	1,501	44.1	120.8	33.5	89.4	260.0	(62.5)	24.9	1.3	0.1	0.1	1.9	1.8	25.0	39.6	0.0	12.7	1.2	(1.0)	1.4	(19.2)	(8.2)
Nacity Propert-A	603506 CH	20.65	423	4.0	24.3	19.3	15.8	25.9	22.0	23.0	0.8	1.2	N/A	3.5	2.9	14.5	11.0	0.0	22.4	9.2	17.8	17.1	(8.0)	(13.0)
Commercial Property Mgmt Peers																								
Adjusted sector avg*					22.1	26.7	22.5	(2.5)	21.0	(38.4)	15.62	0.3	5.3	5.17	4.94	(17.4)	17.1	78.6	29.9	0.3	13.9	18.2	9.2	31.3
Jones Lang Lasal	JLL US	152.67	7,832	67.6	13.9	18.8	14.8	(26.2)	27.5	4.4	4.3	0.3	0.2	1.5	1.4	8.8	12.6	44.8	N/A	3.0	8.5	7.5	18.0	51.5
Cbre Group Inc-A	CBRE US	66.33	22,251	90.4	17.4	23.5	20.2	(26.0)	16.2	0.6	41.6	N/A	0.0	3.4	3.2	13.4	15.2	47.8	21.8	5.4	17.8	14.4	17.8	41.4
Firstservice-Wi	FSV CN	166.20	5,845	29.6	N/A	40.4	36.5	N/A	10.8	(184.1)	N/A	0.5	21.1	8.9	8.5	(105.6)	24.0	131.1	32.1	(10.5)	16.2	N/A	(8.7)	(2.1)
Colliers Interna	CIGI CN	116.01	3,639	9.5	35.0	24.1	18.6	44.8	29.6	25.6	0.9	0.1	0.1	6.9	6.6	13.7	16.5	90.8	35.7	3.4	12.9	32.9	9.6	34.4

* Outliners and "N/A" entries are in red and excl. from the calculation of averages

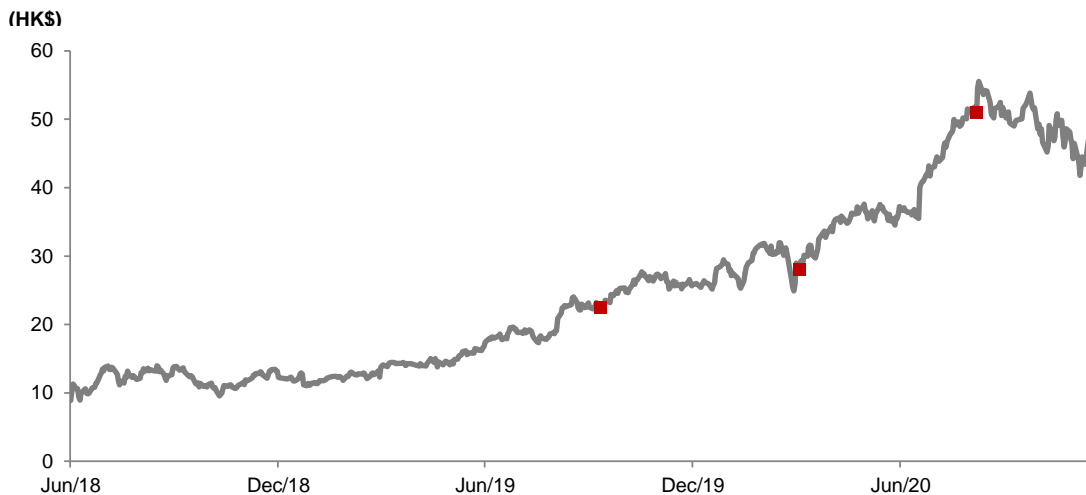
Source: Bloomberg, OP Research

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
09/12/2020	Edvantage Group	382	Expansion begins	BUY	Megan Jin
08/12/2020	HKTV	1137	Satisfactory November GMV	BUY	Kevin Tam/Megan Jin
26/11/2020	China Edu Group	839	Robust growth outlook on surging new students	BUY	John Siah
20/11/2020	China Edu Group	839	A fast rising education giant grabbing ample opportunities in China education market	BUY	John Siah
19/11/2020	Ausnutria Dairy	1717	More to expect from FY21E	BUY	Megan Jin
11/11/2020	Edvantage Group	382	Robust organic growth with more boosters ahead	BUY	Megan Jin
10/11/2020	HKTV	1137	All fronts speeding up	BUY	Kevin Tam/Megan Jin
05/11/2020	TCL Electronics	1070	Falcom Network as a cream on top	BUY	Kevin Tam
02/11/2020	Razer	1337	Winner from "stay-at-home" life	NR	John Siah
27/10/2020	Greentown Mgmt	9979	New treasures in the property market	BUY	John Siah
21/10/2020	Li-Ning	2331	Resumed store openings bodes full recovery	BUY	Megan Jin
19/10/2020	Xtep Intl	1368	Recovery speeded up	BUY	Megan Jin
16/10/2020	Anta Sports	2020	More visible outlook of full revival	HOLD	Megan Jin
16/10/2020	Kerry Logistics	636	Grabbing opportunities in spite of COVID headwind	NR	Kevin Tam
15/10/2020	Edvantage Group	382	Room of more earnings surprise	BUY	Megan Jin
08/10/2020	Innovent	1801	PD-1 front runner setting off	BUY	Kevin Tam
01/09/2020	Yeahka	9923	1H20 soft patch, but still encouraging growth in technology services	HOLD	Kevin Tam
31/08/2020	Xtep Intl	1368	More confident on new brands and 2H20E recovery	BUY	Megan Jin
28/08/2020	HKTV	1137	Management vision beyond domestic e commerce	BUY	Kevin Tam/Megan Jin
27/08/2020	CG Services	6098	Leader aims higher	BUY	Megan Jin
26/08/2020	Anta Sports	2020	Less foreseeable catalysts	HOLD	Megan Jin
24/08/2020	GT Services	2869	1H20 steady on track	HOLD	Megan Jin
21/08/2020	A-Living	3319	Undervalued acquisition synergies	BUY	Megan Jin
20/08/2020	Sunny Optical	2382	Less convincing earnings outlook	HOLD	Kevin Tam
17/08/2020	Ausnutria Dairy	1717	2Q20 fluctuations to be under control by 4Q20	BUY	Megan Jin
17/08/2020	Li-Ning	2331	Well positioned to capture consumption recovery	BUY	Megan Jin
12/08/2020	China Youzan	8083	Robust momentum kept up	BUY	Megan Jin

Historical recommendations and target price: CG Services (6098 HK)

(as of 11/12/2020)



	DATE	RATING	TP	CLOSE
1	02 Oct 2019	BUY	HKD25.90	22.60
2	23 Mar 2020	BUY	HKD37.20	29.10
3	27 Aug 2020	BUY	HKD60.00	51.00

TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

By accepting this report, you represent and warrant that you are entitled to receive such report in accordance with the restrictions set forth below and agree to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law or termination of such services provided to you.

Disclaimer

Research distributed in Hong Kong is intended only for institutional investors whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an institutional investor must not rely on this communication.

The information and material presented herein are not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Oriental Patron Securities Limited ("OPSL") and/or its associated companies and/or its affiliates (collectively "Oriental Patron") to any registration or licensing requirement within such jurisdiction.

The information and material presented herein are provided for information purposes only and are not to be used or considered as an offer or a solicitation to sell or an offer or solicitation to buy or subscribe for securities, investment products or other financial instruments, nor to constitute any advice or recommendation with respect to such securities, investment products or other financial instruments.

This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not to be relied upon in substitution for the exercise of independent judgment. Oriental Patron may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. You should independently evaluate particular investments and you should consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities mentioned in this report.

Information and opinions presented in this report have been obtained or derived from sources believed by Oriental Patron to be reliable, but Oriental Patron makes no representation as to their accuracy or completeness and Oriental Patron accepts no liability for loss arising from the use of the material presented in this report where permitted by law and/or regulation. Further, opinions expressed in this report are subject to change without notice. Oriental Patron does not accept any liability whatsoever whether direct or indirect that may arise from the use of information contained in this report.

The research analyst(s) primarily responsible for the preparation of this report confirm(s) that (a) all of the views expressed in this report accurately reflects his or their personal views about any and all of the subject securities or issuers; and (b) that no part of his or their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views he or they expressed in this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.

Oriental Patron, its directors, officers and employees may have investments in securities or derivatives of any companies mentioned in this report, and may make investment decisions that are inconsistent with the views expressed in this report.

General Disclosure

Oriental Patron, its directors, officers and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. Oriental Patron may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of Oriental Patron may be a director of the issuers of the securities mentioned in this report. Oriental Patron may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment or investment banking service to the issuers of the securities mentioned in this report.

Regulatory Disclosures as required by the Hong Kong Securities and Futures Commission

Oriental Patron (inclusive of OPSL) which are carrying on a business in Hong Kong in investment banking, proprietary trading or market making or agency broking are not a market maker in the securities of the subject companies mentioned in this report. Unless otherwise specified, Oriental Patron does not have any investment banking relationship with the companies mentioned in this report within the last 12 months. As at the date of this report, Oriental Patron do not have any interests in the subject company(ies) aggregating to an amount equal to or more than 1% of the subject company(ies) market capitalization.

Analyst Certification:

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Rating and Related Definitions

Buy (B)	We expect this stock outperform the relevant benchmark greater than 15% over the next 12 months.
Hold (H)	We expect this stock to perform in line with the relevant benchmark over the next 12 months.
Sell (S)	We expect this stock to underperform the relevant benchmark greater than 15% over the next 12 month.
Relevant Benchmark	Represents the stock closing price as at the date quoted in this report.

Copyright © 2017 Oriental Patron Financial Group. All Rights Reserved

This report is being supplied to you strictly on the basis that it will remain confidential. Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Oriental Patron. Oriental Patron accepts no liability whatsoever for the actions of third parties in this respect.

CONTACT

27/F, Two Exchange Square,

8 Connaught Place, Central, Hong Kong

www.oriental-patron.com.hk

megan.jin@oriental-patron.com.hk

Tel: (852) 2135 0209

Fax: (852) 2135 0295