Fuyao Group (3606 HK)
A next growth cycle is coming

China | Auto & Parts | Company Initiation

27 March 2015

Accumulate (Initiation)
IPO Price range HKD 14.8 - 16.8
TARGET HKD 19.7

COMPANY DATA
O/S SHARES (MN) : 2403
MARKET CAP (HKD MN) : NA
52 - WK HI/LO (HKD): NA / NA

SHARE HOLDING PATTERN, %
San Yi Development Limited 15.57
Heren Charitable Foundation 11.56

PRICE PERFORMANCE, %

<table>
<thead>
<tr>
<th>1M</th>
<th>3M</th>
<th>1Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuyao</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>HS Index</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

PRICE VS. HSI

Source: Phillip Securities (HK) Research

KEY FINANCIALS

<table>
<thead>
<tr>
<th>CNY mn</th>
<th>FY14</th>
<th>FY15E</th>
<th>FY16E</th>
<th>FY17E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>12928</td>
<td>14587</td>
<td>16739</td>
<td>19474</td>
</tr>
<tr>
<td>Net Profit</td>
<td>2214</td>
<td>2810</td>
<td>3331</td>
<td>3929</td>
</tr>
<tr>
<td>EPS, CNY</td>
<td>1.11</td>
<td>1.17</td>
<td>1.36</td>
<td>1.61</td>
</tr>
<tr>
<td>P/E, x</td>
<td>12.0</td>
<td>11.3</td>
<td>9.7</td>
<td>8.2</td>
</tr>
<tr>
<td>BVPS, CNY</td>
<td>4.39</td>
<td>4.77</td>
<td>5.50</td>
<td>8.19</td>
</tr>
<tr>
<td>P/BV, x</td>
<td>3.0</td>
<td>2.8</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>DPS (CNY)</td>
<td>0.75</td>
<td>0.80</td>
<td>0.90</td>
<td>1.02</td>
</tr>
<tr>
<td>Div. Yield (%)</td>
<td>5.7%</td>
<td>6.1%</td>
<td>6.8%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: Company reports, Phillip Securities Est.

Zhangjing (+ 86 51699400-103) zhangjing@phillip.com.cn

---

China's largest and the world's second largest automotive glass producer
Fuyao Glass with the headquarters located in Fuzhou mainly produces automotive glass and float glass. About 96% of its revenue comes from automotive glass and the float glass is mainly supplied for the company itself. The company is now China's largest and the world's second largest automotive glass manufacturer. According to the sales volume in 2013, it took up 63% shares of China's automotive market, and 72% shares of the glass OEM market for passenger cars in China; it also owned 20% market shares in the global automotive glass market.

Excellent Profitability brought about by efficient operation management
Ever since 2000, the company has been continuously expanding in accordance with the domestic automotive main engine plants, at the same time extending foreign markets; in the recent 14 years, it has reported the rapid and extremely steady growing of sales revenue, which increased from 750 million Yuan to 12, 800 million Yuan, and the annual compound growth rate is 22.5%. The net margin grew from 150 million Yuan to 2.2 billion Yuan and the annual compound growth rate was 21%. For the recent 10 years, the company’s average gross margin is above 35%, which remains around 40% in the past three years; the average net profit rate is close to 16% and average ROE is around 30%.

We believe the reasons why Fuyao Glass has remained such excellent profitability come from the following competitive advantages:
1) Fuyao enjoyed lower logistics and consumption costs than other competitors at home concerning base amount and layout, and build competitive advantages in costs and supplies' promptness, which is also good for establishing stable partnership with clients.
2) The company has established a flexible production mode "varieties of products in small quantities", appealing to the trend of the whole automobile market.
3) Fuyao focuses more on the automobile glass and continuous R&D enabled its products been recognized by the Four major Vehicle Series.
4) The efficient corporate governance system. The solid management will better push forward the formulation of the strategic decisions of the company.

The overseas market will be the next core objective
To obtain more room for growth, the company is planning to expand further in the international market. At present, the company owns a production base of automobile glass in Russia, and is building a production base in America and another one in Russia respectively. The proportions of the overseas revenues to the total business revenues for 2011, 2012, 2013 and 2014 are respectively 31.5%, 32.6%, 32.0%, 32.2% and 33.5%. The net amount of the capital raising of Fuyao Glass is about 6.21 billion to 7.15 billion HK$. The 80% of the money will be used to expand the overseas production lines.

We predict that with the successive operation of the production lines in Russia and America in the following 2 years, the company’s overseas income contribution is expected to increase quickly and become the powerful engine of the company's next growth cycle.
**Investment Thesis**

The dividend payout rate of the company in the recent years keeps high (over 50%), and overseas expansion can enable the company to enjoy the cheaper natural gas and other energy sources more adequately; in addition, the company is expected to develop clients in the field of higher gross margins such as low-emission construction glass, and the new round of performance growth of the company will be opened again under the condition of the stable growth of gross margin.

As analyzed above, we expected EPS expectation of the Company to RMB 1.15/1.36/1.61 for 2015/2016/2017. We covered the company initially with the target price of 19.7, respectively 13.3/11.4/9.6x P/E for 2015/2016/2017, 17.3% upside from the issue price cap, “Accumulate” rating.

**Company Profile: China's largest and the world's second largest automotive glass producer**

Fuyao Glass with the headquarters located in Fuzhou mainly produces automotive glass and float glass. About 96% of its revenue comes from automotive glass and the float glass is mainly supplied for the company itself. The company is now China's largest and the world's second largest automotive glass manufacturer. According to the sales volume in 2013, it took up 63% shares of China's automotive market, and 72% shares of the glass OEM market for passenger cars in China which was close to two times of the total market shares of the manufacturers with the ranking from the second to the sixth; it also owned 20% market shares in the global automotive glass market. The company was listed in A-stock market in 1993, and the current market value is about 30 billion Yuan.

**World top 6 auto glass manufacturers**

![Pie chart showing market shares of top 6 auto glass manufacturers: AGC (22%), NSG (19%), Saint Gobain (16%), Fuyao (20%), Xinyi (5%), Guardian (5%), Others (13%). Source: Company report, Phillip Securities Hong Kong Research.]

The company's main clients include the top twenty automotive manufacturers in the world and the top ten passenger car manufactures in China. The customers, includes joint-venture passenger car manufacturers, like Shanghai General Motors Co., Ltd., FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai, Dongfeng Nissan, and major international auto manufacturers, such as Toyota, Volkswagen, General Motors Corp., Ford, Hyundai, Renault-Nissan, Fiat, Honda, BMW, Mercedes-Benz, Bentley, Rolls-Royces and Porsche.
**Industry overview of automotive glass market**

Automotive glass consists of two market segments: new car supporting market and after-sales fittings market; and the market share ratio of the two is about 8:2 (for global market) and 9:1 (for China). According to the data of Roland Berger, for the new car supporting market, it increased at a compound growth rate of 10.1% from 2009 to 2013, which was higher than 6.6%, the compound growth rate of global automotive market in the same period. Main cause of the growth was the market's increasing demand for large windshield and the growing popularity of auto sunroof. It is expected that sales volume of global new car supporting market and the compound annual growth rate in 2018 will respectively reach 423 million m² and 5%. While the rate of increase of global after-sale fittings market's was slightly smaller; from 2009 to 2013, the annual compound growth rate was 5.0%; up to 2018, it is expected to reach 105 million m² and 4.6% annual compound growth rate. The entire market sales are 4.8 times of Fuyao's current total production capacity.

As far as the Chinese automotive glass market is concerned, the after-sale market's growth rate is higher than that of the new car supporting market, which is mainly determined by the features of the stage that the Chinese automobile market is in. It is expected that up to 2018, the annual compound growth rates of new car sales and after-sale supporting will be respectively 9.0% and 11.7%, and the market sales will be respectively 133.3 and 17.3 million m², which accounts for 1.37 times of the current total production capacity of Fuyao Glass.

**Profitability brought about by efficient operation management**

Ever since 2000, the company has been continuously expanding in accordance with the domestic automotive main engine plants, at the same time extending foreign markets; in the recent 14 years, it has reported the rapid and extremely steady growing of sales revenue, which increased from 750 million Yuan to 12,800 million Yuan, and the annual compound growth rate is 22.5%.

**Fuyao's revenue trend**

![Revenue Trend Chart]

Source: Phillip Securities Hong Kong Research

The net margin grew from 150 million Yuan to 2.2 billion Yuan and the annual compound growth rate was 21%; there were two profit droppings, one of which was caused by the 2008 financial crisis and the other was in 2011, due to the overdrawn consumption of cars brought about by government's subsidy policy, the cardinal number year-on-year basis was relatively high, and there was a loss in subsidiary corporation's architectural-grade float glass on account of adjustment on real estate market. For the recent 10 years, the company's average gross margin is above 35%, which remains around 40% in the past three years; the average net profit rate is close to 16% and average ROE is around 30%.
We believe the reasons why Fuyao Glass has remained such excellent profitability come from the following competitive advantages:

1) The company currently owns 110.3 million m² of capacity of automotive glass and 1058 thousand tons of production capacity of float glass; the production capacity use ratio is maintained at a high level from 85% to 95%. Fuyao Glass possesses 12 production bases in 8 provinces of China and covers all nearby main automotive production bases of China, so as to more effectively make lower logistics and consumption costs than other competitors at home concerning base amount and layout, and build competitive advantages in costs and supplies' promptness, which is also good for establishing stable partnership with clients.
2) After many years of accumulation, the company has already established a flexible production mode incorporating the information control system, materials storage and transport system, and digitally controlled processing equipment, and is able to respond quickly to the customer needs, satisfying the requirement for the production of “varieties of products in small quantities”, effectively reducing the costs, and increasing the diversity of products. The company has adapted itself to the characteristics of the development trend of the global automobile market.

3) The company is one of the few producers of automobile glass whose products have been both recognized by the international clients of matching products and certified by the Four major Vehicle Series. Compared with other competitors, Fuyao focuses more on the automobile glass. The continuous investment in the research and development has enabled the company to possess the advanced capabilities of design and development of high-end products.

4) The efficient cost control system and corporate governance system. More than 80% of the float glass of the company is self-supplied. The vertical product chain system ensures the stable and controllable supply of raw materials. The company is a private enterprise. The founder has been its Chairman for more than 20 years. The solid management will better push forward the formulation of the strategic decisions of the company.

The overseas market will be the next core objective of the company
To obtain more room for growth, the company is planning to expand further in the international market. At present, the company owns a production base of automobile glass in Russia, and is building a production base in America and another one in Russia respectively. The proportions of the overseas revenues to the total business revenues for 2011, 2012, 2013 and 2014 are respectively 31.5%, 32.6%, 32.0%, 32.2% and 33.5%. In 2014, the company has reported an increase of 12.4% in total revenues, with the total revenues amounting to 12.9 billion Yuan. The net profit attributing to shareholders amounted to 2.22 billion Yuan, representing an increase of 15.8% yoy. The earning per share was 1.11 Yuan. The gross margin was 42.3%, increasing by 0.9ppts yoy.

In the view of various regions, the incomes of the domestic market grow by 14% yoy in 2014, and the overseas market is more excellent, with the growth of 17% yoy. The capital expenditure of the company in 2014 increased to 2.8 billion Yuan, with the growth of 48% yoy, and it is predicted to approach 3 billion Yuan in 2015. The net amount of the capital raising of Fuyao Glass is about 6.21 billion to 7.15 billion Hongkong dollars. The 80% of the money will be used to expand the overseas production lines:

About 35% will be used for the glass production facilities automation in Ohio of America and this project is predicted to be completed in December, 2015, and the annual production capacity is designed to be 12.1 million m²;
About 30% will be used for the glass production facilities automation in Russia, and the automotive float glass production line project with the annual capacity of 0.45 million tons is predicted to be completed at the end of 2017;
About 15% will be used to build the automated glass production facilities in Russia, and design the second-phase automotive glass base with the capacity of 8.1 million m², which will be accomplished at the end of 2016;

In addition, about 10% will be used to supplement the circulating funds; about 10% will be used to repay the bank loan.

We predict that with the successive operation of the production lines in Russia and America in the following 2 years, the company’s overseas income contribution is
expected to increase quickly and become the powerful engine of the company’s next growth cycle.

Valuation
The dividend payout rate of the company in the recent years keeps high (over 50%), and overseas expansion can enable the company to enjoy the cheaper natural gas and other energy sources more adequately; in addition, the company is expected to develop clients in the field of higher gross margins such as low-emission construction glass, and the new round of performance growth of the company will be opened again under the condition of the stable growth of gross margin.

As analyzed above, we expected EPS expectation of the Company to RMB 1.15/1.36/1.61 for 2015/2016/2017. We covered the company initially with the target price of 19.7, respectively 13.3/11.4/9.6x P/E for 2015/2016/2017, 17.3% upside from the issue price cap, “Accumulate” rating.

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>Mkt Cap (HKD)</th>
<th>BEst P/B</th>
<th>BEst P/B:2FY</th>
<th>BEst P/E:1FY</th>
<th>BEst P/E:2FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>600660</td>
<td>CH Equity FUYAO GROUP GLASS</td>
<td>36792</td>
<td>2.53</td>
<td>2.21</td>
<td>12.59</td>
<td>10.80</td>
</tr>
<tr>
<td>600819</td>
<td>CH Equity SHANGHAI YADUIJA</td>
<td>9548</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>HKD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>868</td>
<td>HK Equity XINYI GLASS HOLD</td>
<td>17726</td>
<td>1.33</td>
<td>1.18</td>
<td>8.73</td>
<td>7.15</td>
</tr>
<tr>
<td></td>
<td>INGS LT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200012</td>
<td>CH Equity CSG HOLDING CO B</td>
<td>21352</td>
<td>1.18</td>
<td>1.08</td>
<td>9.20</td>
<td>8.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>425</td>
<td>HK Equity MINTH GROUP LTD</td>
<td>16449</td>
<td>1.62</td>
<td>1.45</td>
<td>11.52</td>
<td>9.84</td>
</tr>
<tr>
<td>1108</td>
<td>HK Equity LUOYANG GLASS COM</td>
<td>3969</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>PAN LT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3300</td>
<td>HK Equity CHINA GLASS HOLD</td>
<td>1611</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>INGS L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5201</td>
<td>JP Equity ASAHI GLASS CO</td>
<td>56674</td>
<td>0.78</td>
<td>0.77</td>
<td>23.47</td>
<td>23.00</td>
</tr>
<tr>
<td>JPY</td>
<td>LTD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GLW</td>
<td>US Equity CORNING INC</td>
<td>227443</td>
<td>1.44</td>
<td>1.35</td>
<td>14.63</td>
<td>13.46</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Phillip Securities Hong Kong Research
## Financials

<table>
<thead>
<tr>
<th>FYE DEC</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15F</th>
<th>FY16F</th>
<th>FY17F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE (X), adj.</td>
<td>17.8</td>
<td>13.8</td>
<td>12.0</td>
<td>11.3</td>
<td>9.7</td>
<td>8.2</td>
</tr>
<tr>
<td>PB (X)</td>
<td>3.9</td>
<td>3.4</td>
<td>3.0</td>
<td>2.8</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Dividend Yield (%)</td>
<td>3.7%</td>
<td>3.8%</td>
<td>5.7%</td>
<td>6.1%</td>
<td>6.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>Per share data (RMB)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS, (Basic)</td>
<td>0.76</td>
<td>0.96</td>
<td>1.11</td>
<td>1.17</td>
<td>1.36</td>
<td>1.61</td>
</tr>
<tr>
<td>EPS, (Diluted)</td>
<td>0.76</td>
<td>0.96</td>
<td>1.11</td>
<td>1.15</td>
<td>1.36</td>
<td>1.61</td>
</tr>
<tr>
<td>DPS</td>
<td>0.50</td>
<td>0.50</td>
<td>0.75</td>
<td>0.80</td>
<td>0.90</td>
<td>1.02</td>
</tr>
<tr>
<td>BVPS</td>
<td>3.48</td>
<td>3.92</td>
<td>4.39</td>
<td>4.77</td>
<td>5.50</td>
<td>8.19</td>
</tr>
<tr>
<td><strong>Growth &amp; Margins (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>5.8%</td>
<td>12.2%</td>
<td>12.4%</td>
<td>12.8%</td>
<td>14.8%</td>
<td>16.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.0%</td>
<td>23.6%</td>
<td>11.2%</td>
<td>24.1%</td>
<td>18.5%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Net Income, adj.</td>
<td>0.8%</td>
<td>25.7%</td>
<td>15.6%</td>
<td>26.9%</td>
<td>18.5%</td>
<td>17.9%</td>
</tr>
<tr>
<td><strong>Margins</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>37.4%</td>
<td>40.6%</td>
<td>41.5%</td>
<td>42.6%</td>
<td>43.2%</td>
<td>43.5%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>20.4%</td>
<td>22.4%</td>
<td>22.2%</td>
<td>24.4%</td>
<td>25.2%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>14.9%</td>
<td>16.7%</td>
<td>17.1%</td>
<td>19.3%</td>
<td>19.9%</td>
<td>20.2%</td>
</tr>
<tr>
<td><strong>Key Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>23.1%</td>
<td>25.9%</td>
<td>26.6%</td>
<td>27.5%</td>
<td>26.6%</td>
<td>23.5%</td>
</tr>
</tbody>
</table>

### Income Statement (RMB mn)

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15F</th>
<th>FY16F</th>
<th>FY17F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>10247</td>
<td>11501</td>
<td>12928</td>
<td>14587</td>
<td>16739</td>
<td>19474</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>3828</td>
<td>4671</td>
<td>5363</td>
<td>6214</td>
<td>7231</td>
<td>8471</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2086</td>
<td>2578</td>
<td>2865</td>
<td>3555</td>
<td>4214</td>
<td>4961</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1862</td>
<td>2379</td>
<td>2638</td>
<td>3351</td>
<td>3976</td>
<td>4689</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>338</td>
<td>462</td>
<td>422</td>
<td>536</td>
<td>636</td>
<td>750</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>1524</td>
<td>1917</td>
<td>2217</td>
<td>2815</td>
<td>3340</td>
<td>3939</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total capital share</strong></td>
<td>2003</td>
<td>2003</td>
<td>2003</td>
<td>2403</td>
<td>2443</td>
<td>2443</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>1524</td>
<td>1916</td>
<td>2214</td>
<td>2810</td>
<td>3331</td>
<td>3929</td>
</tr>
</tbody>
</table>

Source: PSR
We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

**GENERAL DISCLAIMER**

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the “Research”) contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient’s own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

**Disclosure of Interest**

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm’s Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

**Availability**

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product’s risks, please visit the Risk Disclosures Statement on [http://www.phillip.com.hk](http://www.phillip.com.hk).

© 2015 Phillip Securities (Hong Kong) Limited
### Contact Information (Regional Member Companies)

**SINGAPORE**  
Phillip Securities Pte Ltd  
250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101  
Tel: (65) 6533 6001 Fax: (65) 6535 3834  

**INDONESIA**  
PT Phillip Securities Indonesia  
ANZ Tower Level 238, Jl Jend Sudirman Kav 33A, Jakarta 10220, Indonesia  
Tel: (62) 21 5790 0800 Fax: (62) 21 5790 0809  
[www.phillip.co.id](http://www.phillip.co.id)

**THAILAND**  
Phillip Securities (Thailand) Public Co. Ltd.  
15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand  
Tel: (66) 2 2268 0999 Fax: (66) 2 2268 0921  
[www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**  
Phillip Futures Inc.  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel: (1) 312 356 9000 Fax: (1) 312 356 9005

**MALAYSIA**  
Phillip Capital Management Sdn Bhd  
B-3-6 Block B Level 3, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur  
Tel: (60) 3 2162 8841 Fax: (60) 3 2166 5099  

**CHINA**  
Phillip Financial Advisory (Shanghai) Co. Ltd.  
No 436 Heng Feng Road, Green Tech Tower Unit 604 Shanghai 200 070  
Tel: (86) 21 5169 9400 Fax: (86) 21 6091 1155  

**FRANCE**  
King & Shaxson Capital Ltd.  
3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France  
Tel: (33) 1 4563 3100 Fax: (33) 1 4563 6017  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**  
PhillipCapital Australia  
Level 12, 15 William Street, Melbourne, Victoria 3000, Australia  
Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277  

**HONG KONG**  
Phillip Securities (HK) Ltd  
11/F United Centre 95 Queensway Hong Kong  
Tel: (852) 2277 6600 Fax: (852) 2868 5307  

**JAPAN**  
Phillip Securities Japan, Ltd  
4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026  
Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141  
[www.phillip.co.jp](http://www.phillip.co.jp)

**INDIA**  
PhillipCapital (India) Private Limited  
No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013  
Tel: (91) 22 2999 Fax: (91) 6667 9955  
[www.phillipcapital.in](http://www.phillipcapital.in)

**UNITED KINGDOM**  
King & Shaxson Ltd.  
6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS  
Tel: (44) 20 7283 6835  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

**SRI LANKA**  
Asha Phillip Securities Limited  
Level 4, Millennium House, 46/58 Navam Mawatha, Colombo 2, Sri Lanka  
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199  
[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)

**PHILLIPCAPITAL HONGKONG RESEARCH**