

Technovator (1206 HK)

Yuji Fung

Analyst

+852 2135 0236

Yuji.fung@oriental-patron.com.hk

Company Update

BUY

UNCHANGED

Close price: HK\$2.67

Target Price: HK\$4.40 (+65%)

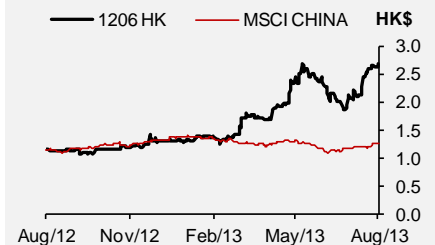
Prior TP: HK\$3.40

Key Data

HKEx code	1206
12 Months High (HK\$)	2.94
12 Month Low (HK\$)	0.99
3M Avg Dail Vol. (mn)	2.15
Issue Share (mn)	521.52
Market Cap (HK\$m)	1,095.19
Fiscal Year	12/2012
Major shareholder (s)	Tsinghua Tongfang (600100 CH) (33.0%)

Source: Company data, Bloomberg, OP Research
 Closing price are as of 19/8/2013

Price Chart



	1mth	3mth	6mth
Absolute %	29.0	11.3	94.9
Rel. MSCI CHINA %	21.5	15.1	101.9

Company Profile

Technovator International is a market leader in building energy saving solution in China, its energy saving solution includes (1) integrated building automation systems (iBAS) and (2) energy management systems (EMS) which these two segments accounted for 85% of company sales. TNI ranked No.1 among other domestic EMS players in China with approximately 5.0% market share in 2012.

Solid set of 1H13 results

- **Technovator International (TNI) released a solid set of 1H13 results with sales was up 21% yoy to US\$60mn and net profit was up 34% yoy to US\$6mn, in-line with our expectation.**
- **Revised up our target PE from 10x to 13x or 25% discount to its peers to reflect better industry outlook and reduced execution risk.**
- **Reiterate BUY with TP raised from HK\$3.40 to HK\$4.40 based on 13x FY14E PE.**

Solid set of 1H13 results. Technovator (TNI) released its 1H13 results with sales was up 21% yoy to US\$60mn, mainly driven by 24.2% yoy growth of sales in China and 17.9% yoy growth in Overseas sales. GPM was slightly up 0.4ppt yoy to 40.5%. Net profit increased by 34% yoy to US\$6.2mn, thanks to strong operating leverage. In terms of business segment, iBAS sales was up 18.8% yoy to US\$43.7mn or 73% of 1H13 sales and EMS surged by 42.5% yoy to US\$11.5mn, accounted for 19% of sales. The company does not propose any interim dividend.

Revised up target PE from 10x to 13x to reflect better industry outlook. On 11th Aug 2013, State Council published a guideline that aims to form a RMB4.5tn market or 15%+ CAGR for environmental protection and energy conservation industries by 2015. The guideline outlined to form 20 to 50 certified ESCOs and Environmental protection companies with sales scale above RMB1.0bn and an annual sales growth not less than 30% during the period. We believe TNI is likely directly benefited from this policy as a leading ESCO in China. Notably, TNI has successfully implemented a milestone EMC project in Taiyuan, through which it helped the property owner to save over RMB8.0mn in the first heat supplying season. Accordingly, we believe TNI would likely gradually ramp up its EMC projects from 2H13 onwards. Hence we revised up our target PE from 10x to 13x or 25% discount to peers to reflect better industry outlook and reduced execution risk on the company's EMC projects.

Reiterate BUY with new TP. We reiterate our BUY rating on TNI with TP raised to HK\$4.40 from HK\$3.40 based on 13x FY14E PE or 25% discount to its peers (1) given solid 28.7% earnings CAGR in 2012-2015, (2) potential asset injection from parent group and (3) HK\$0.53 net cash per share.

Exhibit 1: Forecast and Valuation

Year to Dec (US\$ mn)	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue	97.5	124.2	156.4	194.2	243.0
Growth (%)	31.6	27.4	25.9	24.2	25.1
Net Profit	10.5	13.4	17.3	22.4	29.8
Growth (%)	48.1	28.2	29.1	29.2	33.0
Diluted EPS (HK\$)	0.205	0.209	0.259	0.335	0.445
EPS growth (%)	39.9	1.8	24.1	29.2	33.0
Change to previous EPS (%)			0.0	0.0	0.0
Consensus EPS (HK\$)			0.257	0.335	0.445
ROE (%)	19.2	18.8	20.0	21.0	22.5
P/E (x)	13.0	12.8	10.3	8.0	6.0
P/B (x)	2.0	2.2	1.9	1.5	1.2
Yield (%)	0.0	0.0	0.0	0.0	0.0
DPS (HK\$)	0.000	0.000	0.000	0.000	0.000

Source: Bloomberg, OP Research

Exhibit 2: Results Summary

(US\$ mn)	1H11	2H11	1H12	2H12	1H13	2H13E	OP Comment	FY11	FY12	FY13E	FY14E	FY15E
Revenue	40	57	49	75	60	97	Thanks to 42% yoy growth in China EMS projects and robust sales in Europe iBAS	98	124	156	194	243
COGS	(24)	(37)	(30)	(50)	(36)	(65)		(61)	(80)	(101)	(125)	(156)
Gross profit	16	20	20	25	24	32		36	45	56	69	87
Other income & gains	0	1	0	1	0	1		1	1	1	1	1
Selling exp	(4)	(4)	(5)	(5)	(5)	(7)	Stringent cost control	(9)	(9)	(12)	(15)	(18)
Admin exp	(5)	(6)	(6)	(7)	(7)	(10)	Strong operating leverage	(11)	(13)	(17)	(20)	(23)
R&D	(1)	(2)	(1)	(2)	(2)	(2)		(3)	(3)	(4)	(5)	(6)
Other opex	0	0	0	0	0	0		0	0	0	0	0
Finance costs	(0)	(0)	(0)	(0)	(0)	(0)		(1)	(1)	(1)	(1)	(1)
Profit after financing costs	5	10	7	12	9	14		15	19	23	30	40
Associate	0	0	0	0	0	0		0	0	0	0	0
Extraordinary items	0	0	0	0	0	0		0	0	0	1	2
Pre-tax profit	5	10	7	12	9	14		15	19	23	31	42
Tax	(1)	(2)	(2)	(2)	(2)	(3)		(3)	(4)	(5)	(6)	(8)
Minority interests	(0)	(1)	(1)	(1)	(1)	(0)		(1)	(2)	(1)	(1)	(2)
Net profit	4	7	5	9	6	11	In-line 1H13 results	10	13	17	23	32
Key ratios												
GPM	40.1%	35.4%	40.1%	33.0%	40.5%	32.8%		37.3%	35.8%	35.7%	35.7%	35.6%
S&G / sales	11.0%	7.2%	9.6%	6.2%	9.0%	7.3%		8.7%	7.6%	7.9%	7.6%	7.3%
Admin / sales	12.4%	10.5%	12.6%	9.6%	11.5%	10.3%		11.3%	10.8%	10.8%	10.4%	9.7%
EIT	20.5%	18.3%	22.2%	19.9%	23.5%	18.8%		19.0%	20.7%	20.8%	20.1%	19.8%
Net margin	9.1%	11.9%	9.4%	11.7%	10.4%	11.4%	Thanks to operating leverage	10.7%	10.8%	11.0%	12.0%	13.0%
% HoH												
Revenue		43%	-14%	52%	-20%	62%						
Gross profit		26%	-3%	25%	-2%	31%						
Net profit		88%	-32%	89%	-29%	77%						
% YoY												
Revenue			23%	30%	21%	29%			27%	26%	24%	25%
Gross profit			23%	22%	23%	28%			22%	26%	24%	25%
Net profit			28%	29%	34%	26%			28%	29%	35%	36%

Source: Company, OP Research

Exhibit 3: Revenue by business

(US\$ mn)	1H11	2H11	1H12	2H12	1H13
iBAS - Total	33.8	51.3	40.5	60.0	47.4
iBAS - China	15.0	29.9	17.6	36.3	20.2
iBAS - America	10.6	11.3	14.2	13.9	14.9
iBAS - Europe	6.9	5.7	5.7	5.8	8.1
iBAS - Other	1.3	4.5	3.1	3.9	4.3
EMS - China	4.9	2.7	8.1	4.9	11.5
% YoY					
iBAS - Total			20%	17%	17%
iBAS - China			17%	21%	15%
iBAS - America			34%	23%	5%
iBAS - Europe			-18%	3%	43%
iBAS - Other			139%	-13%	39%
EMS - China			64%	82%	42%

Source: OP Research

Financial Summary

Year to Dec	FY11A	FY12A	FY13E	FY14E	FY15E
Income Statement (US\$ mn)					
Integrated building automation systems	78	94	113	130	149
Energy management systems	8	13	22	38	60
Control security systems	12	17	21	26	33
Firm alarm systems	0	0	0	1	1
Turnover	98	124	156	194	243
YoY%	32	27	26	24	25
COGS	(61)	(80)	(101)	(125)	(156)
Gross profit	36	45	56	69	87
Gross margin	37.3%	35.8%	35.7%	35.7%	35.6%
Other income	1	1	1	1	1
Selling & distribution	(9)	(9)	(12)	(15)	(18)
Admin	(11)	(13)	(17)	(20)	(23)
R&D	(3)	(3)	(4)	(5)	(6)
Other opex	0	0	0	0	0
Total opex	(22)	(26)	(33)	(40)	(47)
Operating profit (EBIT)	15	20	24	31	41
Operating margin	15.5%	15.9%	15.3%	15.8%	16.7%
Provisions	0	0	0	0	0
Finance costs	(1)	(1)	(1)	(1)	(1)
Profit after financing costs	15	19	23	30	40
Associated companies & JVs	0	0	0	0	0
Pre-tax profit	15	19	23	30	40
Tax	(3)	(4)	(5)	(6)	(8)
Minority interests	(1)	(2)	(1)	(1)	(2)
Net profit	10	13	17	22	30
YoY%	48	28	29	29	33
Net margin	10.7%	10.8%	11.0%	11.5%	12.2%
EBITDA	19	24	29	36	46
EBITDA margin	19.2%	19.1%	18.5%	18.7%	19.0%
EPS (US\$)	0.026	0.027	0.033	0.043	0.057
YoY%	40	2	24	29	33
DPS (US\$)	0.000	0.000	0.000	0.000	0.000
Cash Flow (US\$ mn)					
EBITDA	19	24	29	36	46
Chg in working cap	(6)	(3)	(8)	(6)	(7)
Others	0	1	0	0	0
Operating cash	13	22	21	31	39
Interests paid	0	0	(1)	(1)	(1)
Tax	(2)	(4)	(2)	(5)	(6)
Net cash from operations	11	18	19	25	32
Capex	(1)	(5)	(6)	(7)	(9)
Investments	(4)	(6)	0	0	0
Dividends received	0	0	0	0	0
Sales of assets	0	0	0	0	0
Interests received	0	0	0	0	0
Others	0	0	0	0	0
Investing cash	(5)	(10)	(6)	(7)	(9)
FCF	6	8	13	18	23
Issue of shares	10	3	0	0	0
Buy-back	0	0	0	0	0
Minority interests	0	(6)	0	0	0
Dividends paid	0	0	0	0	0
Net change in bank loans	(3)	8	0	0	0
Others	(1)	(0)	0	0	0
Financing cash	6	5	0	0	0
Net change in cash	12	12	13	18	23
Exchange rate or other Adj	1	0	0	0	0
Opening cash	15	28	41	53	71
Closing cash	28	41	53	71	94
CFPS (US\$)	0.207	0.278	0.278	0.373	0.474

Source: Company, OP Research

Year to Dec	FY11A	FY12A	FY13E	FY14E	FY15E
Ratios					
Gross margin (%)	37.3	35.8	35.7	35.7	35.6
Operating margin (%)	15.5	15.9	15.3	15.8	16.7
Net margin (%)	10.7	10.8	11.1	11.5	12.3
Selling & dist'n exp/Sales (%)	8.7	7.6	7.9	7.6	7.3
Admin exp/Sales (%)	11.3	10.8	10.8	10.4	9.7
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Effective tax (%)	19.0	20.7	20.7	20.7	20.7
Total debt/equity (%)	10.9	19.5	15.9	12.9	10.3
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	2.4	1.9	2.0	2.1	2.1
Quick ratio (x)	1.9	1.7	1.7	1.8	1.9
Inventory T/O (days)	88	56	56	56	56
AR T/O (days)	117	141	150	150	150
AP T/O (days)	159	202	202	202	202
Cash conversion cycle (days)	46	(5)	4	4	4
Asset turnover (x)	1.0	1.0	1.0	1.0	1.0
Financial leverage (x)	1.8	1.8	1.9	1.9	1.8
EBIT margin (%)	15.5	15.9	15.3	15.8	16.7
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
Tax burden (x)	0.7	0.7	0.7	0.7	0.7
Return on equity (%)	19.2	18.8	20.0	21.0	22.5
ROIC (%)	26.4	28.7	30.7	36.0	42.9
Balance Sheet (US\$ mn)					
Fixed assets	3	7	12	17	23
Intangible assets & goodwill	30	33	30	26	23
Associated companies & JVs	0	0	0	0	0
Long-term investments	0	5	5	5	5
Other non-current assets	0	0	0	0	0
Non-current assets	34	46	47	49	52
Inventories	15	12	15	19	24
AR	31	48	64	80	100
Prepayments & deposits	0	0	0	0	0
Other current assets	1	1	1	1	1
Cash	28	41	53	71	94
Current assets	74	101	134	171	219
AP	27	44	56	69	86
Tax	1	2	5	6	8
Accruals & other payables	0	0	0	0	0
Bank loans & leases	4	8	8	8	8
CB & othe debts	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Current liabilities	32	54	68	83	103
Bank loans & leases	3	7	7	7	7
CB & othe debts	0	0	0	0	0
Deferred tax & others	2	2	2	2	2
MI	6	7	8	9	11
Non-current liabilities	12	16	17	18	20
Total net assets	65	78	95	118	147
Shareholder's equity	65	78	95	118	147
Share capital	34	38	38	38	38
Reserves	31	40	57	80	109
BVPS (US\$)	1.32	1.21	1.42	1.76	2.20
Total debts	7	15	15	15	15
Net cash/(debts)	21	25	38	56	79

Exhibit 4: Peer Group Comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth		PER FY2	EPS FY1	EPS FY2	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	EV/ Hist	EV/ Cur Yr	Gross		Net		ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
				avg t/o (US\$m)	PER Hist (x)												Net margin Hist (%)	margin Hist (%)						
Technovator Int	1206 HK	2.67	180	0.6	12.8	10.3	8.0	24.1	29.2	28.7	0.36	0.0	0.0	2.20	1.87	55.5	46.7	Net cash	35.8	10.8	20.0	21.0	29.0	9.9
HSI		22,463.70			10.5	10.7	9.9	(2.5)	8.3	4.9	2.18	3.4	3.6	1.43	1.34						13.7	12.5	5.2	(2.7)
HSCEI		10,199.08			8.3	7.6	7.0	8.5	9.6	9.4	0.81	4.0	4.1	1.23	1.13						14.8	14.7	7.9	(7.4)
CSI300		2,331.43			11.5	10.1	8.6	13.1	17.4	15.9	0.64	2.5	2.6	1.60	1.47						14.0	14.5	6.4	(10.1)
Adjusted sector avg*					40.6	24.2	18.0	45.0	28.4	29.2	0.71	1.0	1.4	2.67	2.78	30.4	14.0	8.7	27.1	7.2	8.7	12.4	6.5	(2.1)
Shenzhen Das-A	002421 CH	19.03	649	14.0	50.7	33.2	24.1	52.9	37.6	42.0	0.79	0.3	0.4	5.56	5.07	28.9	N/A	0.0	28.7	9.7	12.9	14.9	14.6	(3.8)
Shanghai Yanhu-A	002178 CH	12.12	266	6.5	93.2	41.1	26.9	126.9	52.5	56.7	0.72	0.4	0.8	5.16	2.31	43.9	N/A	5.6	17.1	3.0	6.2	5.9	6.8	(4.0)
Honeywell Intl	HON US	81.46	63,933	231.8	21.8	16.5	14.7	32.3	12.1	17.5	0.94	2.0	2.0	4.64	4.26	13.1	9.6	16.9	24.9	7.8	24.7	27.4	(2.5)	0.9
Johnson Controls	JCI US	40.16	27,476	148.9	22.3	15.1	12.4	47.3	22.0	27.8	0.54	1.9	1.9	2.27	2.09	12.9	9.7	48.5	14.8	2.9	9.0	14.8	(1.9)	7.0
Siemens Ag-Reg	SIE GY	82.81	97,308	162.8	16.3	15.4	11.7	5.6	31.5	15.0	1.02	3.6	3.7	2.65	2.33	8.9	10.2	34.3	28.4	5.7	15.2	14.3	(0.8)	5.7
Schneider Electr	SU FP	60.49	45,209	65.1	17.8	14.7	13.1	21.5	11.7	14.2	1.03	3.1	3.2	2.07	1.88	10.3	9.8	26.1	37.8	7.7	11.0	13.0	4.8	0.7
Henzhen Invt-A	002334 CH	9.53	545	7.7	18.7	30.4	24.4	(38.6)	24.6	(3.0)	N/A	0.7	1.0	2.77	2.61	59.7	40.2	0.0	41.2	12.4	8.8	8.9	26.6	(2.1)
Beijing Dynami-A	600405 CH	8.95	377	10.3	122.6	52.6	16.0	132.9	229.4	114.5	0.46	N/A	N/A	4.68	N/A	59.4	N/A	65.1	28.9	2.5	11.6	N/A	(8.7)	(2.2)
Fujian Longking	600388 CH	27.60	1,928	102.9	20.3	31.5	27.9	(35.6)	13.0	(10.8)	N/A	0.7	0.6	2.26	4.15	30.0	22.3	0.9	21.8	6.9	11.8	12.9	14.1	6.9
Jiangxi Lianch-A	600363 CH	7.87	570	9.8	29.1	21.9	17.5	33.3	25.0	N/A	N/A	0.2	N/A	2.24	N/A	46.1	N/A	0.0	17.1	8.1	8.2	N/A	4.4	(4.5)
Nanjing Keyuan-A	002380 CH	29.22	325	2.7	66.4	N/A	N/A	N/A	N/A	N/A	N/A	0.5	N/A	2.22	N/A	62.2	N/A	0.0	39.2	13.1	3.3	N/A	26.5	23.8
Cnlight Co Ltd-A	002076 CH	7.01	211	3.3	85.2	N/A	N/A	N/A	N/A	N/A	N/A	2.1	N/A	3.04	N/A	42.4	N/A	6.1	29.3	3.6	4.1	N/A	9.4	(14.1)
Dongguan Kings-A	002638 CH	12.21	747	26.6	43.6	21.3	16.6	104.6	28.1	40.1	0.53	N/A	1.1	2.15	2.01	24.4	18.1	0.0	31.2	12.9	5.1	8.5	(11.9)	(18.5)
Jiangsu Transp-A	300284 CH	12.27	481	4.6	20.8	16.1	12.7	29.6	26.2	27.1	0.59	1.6	1.1	2.10	1.91	14.2	11.2	0.0	34.5	12.4	10.4	11.8	17.4	(10.2)
Unilumin Group-A	300232 CH	13.95	230	8.1	63.4	21.8	15.3	190.9	42.7	67.8	0.32	N/A	1.1	2.50	N/A	36.7	N/A	0.0	25.5	3.7	4.1	N/A	17.6	(4.7)
Xuzhou Combust-A	300152 CH	11.41	448	16.5	39.3	28.5	24.8	37.9	15.0	N/A	N/A	0.4	N/A	1.97	N/A	39.1	N/A	0.0	32.3	17.3	5.1	N/A	19.4	(7.2)
Shanghai Zhixi-A	600517 CH	14.15	1,598	16.5	56.6	24.4	18.0	131.6	35.4	55.3	0.44	1.1	1.8	5.25	6.90	N/A	16.9	N/A	23.6	9.9	12.4	23.3	(1.2)	(5.4)
Zhejiang Haili-A	002203 CH	7.56	956	5.9	25.1	22.9	17.2	9.4	33.3	27.8	0.82	1.3	N/A	2.13	1.98	20.2	N/A	69.3	5.4	2.3	9.0	11.6	4.0	(3.0)
Shenzhen Zowee-A	002369 CH	16.24	637	14.0	40.6	31.7	22.2	28.0	43.2	31.3	1.01	0.9	N/A	2.98	2.82	26.6	18.2	0.0	12.2	5.8	9.2	9.2	6.8	3.8

* 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
16/08/2013	Sunny Optical	2382	1H13 results miss on GPM	HOLD	Yuji Fung
16/08/2013	TCL Multimedia	1070	Downgrade on 1H13 results miss	HOLD	Yuji Fung
16/08/2013	TCL COMM	2618	In-line 1H13	BUY	Yuji Fung
15/08/2013	China Modern Dairy	1117	Key takeaways from conference call	BUY	Tracy Sun
15/08/2013	Brilliance China	1114	Profit lifted by less expense	BUY	Vivien Chan
13/08/2013	UKF	8168	Transforming	BUY	-
13/08/2013	Antonoil	3337	A slight bump in 1H13 result	BUY	Min Li
12/08/2013	Uni-President China	220	Horse stumbles	HOLD	Tracy Sun
12/08/2013	Chinasoft Int'l	354	Downgrade to HOLD as fairly valued	HOLD	Yuji Fung
12/08/2013	Youyuan	2268	Carry on solid growth	BUY	Vivien Chan
07/08/2013	Yashili international	1230	Solid growth will continue	BUY	Tracy Sun
01/08/2013	Sinomedia	623	Upgrade on 1H13 positive profit alert	BUY	Yuji Fung
26/07/2013	Technovator	1206	Make building "green"	BUY	Yuji Fung
24/07/2013	Xinyi Glass	868	On an upswing	BUY	Vivien Chan
12/07/2013	Great Wall Motor	2333	1H13E results preview	HOLD	Vivien Chan
11/07/2013	Ju Teng Intl	3336	Buy on the dip	BUY	Yuji Fung
10/07/2013	TCL Multimedia	1070	Downgrade on 3Q13 demand weakness	HOLD	Yuji Fung
10/07/2013	TCL COMM	2618	Upgrade on turnaround in overseas smartphone business	BUY	Yuji Fung
10/07/2013	Biostime	1112	Valuation is attractive	BUY	Tracy Sun
28/06/2013	Luk Fook	590	Result in line. All about gold price expectation	HOLD	Terence Lok
28/06/2013	China Modern Dairy	1117	The fundamental is still solid	BUY	Tracy Sun
26/06/2013	Stelux Holdings	84	Good entry point to invest	BUY	Terence Lok
25/06/2013	Trinity	891	Better wait and see	HOLD	Terence Lok
24/06/2013	Oriental Watch	398	Re-base in progress	HOLD	Terence Lok
19/06/2013	Chow Tai Fook	1929	Result in-line, Margin concern	HOLD	Terence Lok
19/06/2013	Mengniu Dairy	2319	A strategic fit acquisition	BUY	Tracy Sun
17/06/2013	Yashili international	1230	Possess Growing Formula	BUY	Tracy Sun

Historical recommendations and target price: Technovator (1206 HK)

(as of 19/8/2013)



1 26 Jul 2013 BUY, Target price HK\$3.40

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 © 2013 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.hkYuji.fung@oriental-patron.com.hk

Tel: (852) 2135 0236

Fax: (852) 2135 0295