

Newborn Town (9911 HK)

Fine-tuning content ecology to further monetize new social networking products

- Newborn Town's focuses to release the profitability of social networking products may limit revenue growth in the near term.
- The monetization of new products will be the main growth driver.
- Maintain BUY with new TP of HK\$2.60, which represents 11.6x PER in FY23E.

The focus on monetizing the social networking products may come with a slowdown in the growth of social networking business in the short-term. Newborn Town has adjusted its content ecology to increase profit margins of its main social business markets and further unleash its profitability. This has led to a slight decline in revenue for its social networking business in 2023Q1. Among which, the average MAU increased 0.2% qoq to 22.33mn while the expected quarterly revenue declined 5.2%-8.4% yoy to RMB580mn-RMB600mn.

Innovative business: Revenue rebounded in 2023Q1. During the quarter, the expected quarterly revenue increased by 11.1% to 56.6% yoy, to RMB50mn- RMB70mn. The rapid growth of innovative business was mainly driven by the smooth progress of its game and other businesses. The official launch of Mergeland Alice's Adventure on the iOS platform in Feb 2023 is expected to significantly boost the monthly revenue of the game. The game is expected to start reporting monthly profits in 2023H2.

Blued may soon be consolidated into Newborn Town. The company announced on 23 Mar 2023 that it agreed to acquire the entire general partner interest of a fund that holds 78.86% interest in BlueCity (which operates an online LGBTQ community named Blued) from Spriver, one of its substantial shareholders, at a consideration of US\$1. The company will consolidate Blued after the completion of the acquisition. The company has greatly improved Blued's operating performance with its localized management team. For FY22, Blued's net loss narrowed 83% yoy to RMB53.2mn. It also reported profits in recent months.

We project a significant growth in net profit for FY23E, yet it may not be as strong as we expected beforehand. Without considering Blued that may soon be consolidated into the company, we expect its adjusted profit to shareholders to reach RMB238mn in FY23E, up 55.7% yoy. This is mainly driven by (1) the monetization of social networking products such as YoHo and TopTop, and (2) the stable profit contribution from MICO, its flagship social platform. Overall, we think the relatively flat revenue growth of its social networking business may limit its growth potential. We cut our EPS forecast (in HK\$) for Newborn Town in FY23E/24E by 17.0%/25.0%, to HK\$0.224/HK\$0.315.

Share purchase show management's confidence. Newborn Town recently announced it would purchase not more than HK\$30mn for the RSU Award Scheme. From 28 Apr 2023 to 19 May 2023, the company cumulatively purchased 8.8mn shares at the total cost of HK\$15.1mn.

Maintain BUY with a new target price of HK\$2.60. We reach our TP based on the SOTP analysis. Of which, we assign HK\$1.84 for the social networking business. The TP represents 11.6x/8.2x PER in FY23E/24E.

Risks: (1)Slower-than-expected progress to monetize new social apps and niche games, (2) deterioration of profitability due to the higher cost to live-streamers.

Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	1,182	2,360	2,800	3,200	3,580
Growth (%)	+203.2	+99.7	+18.6	+14.3	+11.9
Adjusted profit attributable to shareholders ¹	110	150	153	238	336
Growth (%)	+60.5	+36.6	+2.1	+55.7	+41.0
Diluted adjusted EPS (HK\$)	0.135	0.165	0.146	0.224	0.315
EPS growth (%)	+64.7	+22.2	-11.5	+53.0	+41.0
Change to previous EPS (%)				-17.0	-25.0
Consensus EPS (HK\$)				0.223	0.348
ROE (%)	5.6	-35.2	12.5	13.6	15.9
P/E (x)	11.4	9.3	10.5	6.9	4.9
P/B (x)	2.3	2.9	2.2	1.9	1.4
Yield (%)	0.0	0.0	0.0	0.0	0.0
DPS (HK\$)	0.0	0.0	0.0	0.0	0.0

Sources: Bloomberg, OP Research

¹ Adjusted profit attributable to shareholders and diluted adjusted EPS in FY20-22 are estimated figures.

John Siah

+852 2135 0248

john.siah@oriental-patron.com.hk

Company Update

BUY

Maintain

Close price: HK\$1.54

Target Price: HK\$2.60 (+68.8%)

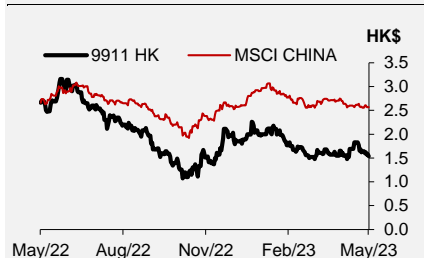
Previous TP HK\$3.33

Key Data

HKEx code	9911 HK
12 Months High (HK\$)	3.19
12 Month Low (HK\$)	1.05
3M Avg Dail Vol. (mn)	2.15
Issue Share (mn)	1,191.22
Market Cap (HK\$mn)	1,834.47
Fiscal Year	12/2022
Major shareholder (s)	Mr. Liu Chunhe(30.71%)

Sources: Company data, Bloomberg, OP Research
Closing price are as of 05/19/2023

Price Chart



	1mth	3mth	6mth
Absolute %	-1.9	-13.0	+2.0
Rel. MSCI CHINA %	+2.8	-5.7	-5.8




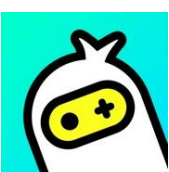
PE



Company Profile

Newborn Town is principally engaged in providing social networking businesses with app-based social platforms like MICO, YoHo, Yummy and TopTop. Also, it operates innovative businesses such as mobile games.

Exhibit 2: Basic info for Newborn Town's social network matrix

	MICO	YoHo	Yumy	TopTop
				
Features	Livestreaming	Audio Chatrooms	Video-based Matching	Voice chat app with some social games
Business highlights in FY22	Maintained market competitive advantage and commercialization efficiency.	Paying users increased by 40% yoy in FY22	Increase in gross profit margin in FY22	TopTop is a user-generated content (UGC) and multiplayer game-oriented social platform. Ranked as Top 3 best-seller social networking app in six Gulf countries, with average daily time spent by active users reaching 60 mins. In 2022Q4, revenue rose 30% qoq.

Sources: The company, OP research

Exhibit 3: Country ranking for Newborn Town's social networking matrix from Sensor Tower

Tier(Social, Revenue) At 21 May 2023	MICO		YoHo		Yumy ¹	TopTop		Blued	
	iPhone	Android	iPhone	Android	Android	iPhone	Android	iPhone	Android
Country rating #1	0	0	0	0	0	0	0	0	0
Country rating #2-5	3	0	1	2	0	1	2	1	1
Country rating #6-10	6	4	4	7	0	1	5	4	3
Country rating #11-100	48	71	24	45	65	7	13	22	33

Source: Sensor Tower

Exhibit 4: Newborn Town quarterly operating data

Period	MAU – Social networking business	Expected revenue - Social networking business	Expected revenue - Innovative business
2022 First quarter	22.27mn(Q1)	RMB625-650mn(+65% yoy)	RMB40-50mn(-70% yoy)
2022 Half year	23.09mn(Q2)	RMB1,250-1,285mn(+50% yoy)	RMB100-115mn(-50% yoy)
2022 First three quarter	23.5mn(Q3)	RMB1,910-1,940mn(+36% yoy)	RMB150-170mn(-36% yoy)
2022 Full year	22.91mn(FY22)	RMB2,540-2,570mn(+20% yoy)	RMB230-260mn
2023 First quarter	22.33mn(Q1)	RMB580-600mn(-5.2% to -8.4% yoy)	RMB50-70mn(+11.1% to +56.6% yoy)

Source: The Company

¹ Newborn Town does not release Yumy in App Store.

Exhibit 5: Earnings Revision

(RMB mn)	FY23E			FY24E			Reason for changes
	New	Old	% Chg	New	Old	% Chg	
Revenue	3,200	3,390	-5.6%	3,580	3,990	-10.3%	We now assume a lower revenue growth for social networking businesses due to the relatively flattish trend in recent quarters.
Gross margin	41.9%	41.9%	+0.0p.p.	43.0%	43.0%	+0.0p.p.	
Adjusted Profit to shareholders	238	288	-17.4%	336	445	-24.5%	Mainly to reflect the slower-than-expect growth of social businesses
Adjusted EPS (HK\$)(Diluted)	0.224	0.270	-17.0%	0.315	0.420	-25.0%	

Source: OP Research

Exhibit 6: SOTP Valuation(Without factoring Blued)

Methodology		Multiple	Value (HK\$)	Per share (HK\$)
Social networking businesses	80% discount to average forward EV/sales of comparable peers (Match Group, Bumble)	0.69	2.22bn	1.84
Innovative businesses	40% discount to the average forward EV/sales of HK listed small-to-mid cap peers	0.54	241mn	0.20
Add: Net cash	The Company has net cash of RMB597mn as at 31 Dec 2022	-	675mn	0.56
			Equity Value:	HK\$2.60

Source: Bloomberg, OP Research

Exhibit 7: Peers comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	EPS Cagr (%)	EV/ Sales Hist (x)	EV/ Sales FY1 (x)	EV/ Sales FY2 (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
Newborn Town	9911 HK	1.54	235	0.5	10.5	6.9	4.9	46.9	0.6	0.4	0.3	0.0	0.00	2.2	1.9	12.5	13.6	-1.9	-13.0
HSI		19,450.57			10.7	9.5	8.7	11.7	2.1	2.0	-	0.0	3.85	1.2	1.0	10.8	11.0	-4.5	-6.1
HSCEI		6,593.92			9.1	8.7	7.7	10.4	2.0	1.9	-	0.0	3.60	1.1	1.0	11.8	11.3	-4.3	-5.7
CSI300		3,944.54			14.3	12.2	10.6	15.2	2.2	2.0	-	0.0	2.6	1.7	1.6	11.8	12.7	-4.4	-2.2
Peers																			
Social platform					18.7	18.0	13.8	19.0	2.4	2.3	5.5	5.5	2.0	3.8	2.4	10.4	7.9	+1.1	-14.3
Tencent	700 HK	333.20	408,985	976.6	15.2	20.0	16.9	1.0	5.3	4.7	4.2	0.7	0.6	3.1	3.2	24.5	17.2	-6.7	-10.9
Kuaishou	1024 HK	50.05	27,778	144.5	N/A	124.3	20.8	N/A	1.9	1.6	1.4	N/A	-	4.9	4.3	-32.2	-10.3	-3.2	-16.5
Hello -Spn Adr	MOMO US	8.52	1,609	12.0	7.9	6.2	5.7	12.4	0.3	0.3	0.3	8.5	6.4	1.0	1.1	14.0	13.0	+6.0	-1.7
Joyy Inc-Adr	YY US	28.22	2,001	17.4	17.0	15.8	12.1	19.4	-0.3	-0.3	-0.3	7.2	7.2	7.5	0.4	2.2	2.2	-4.2	-15.1
Match Group Inc	MTCH US	32.02	8,916	165.2	25.0	14.7	12.1	33.1	3.8	3.6	3.3	N/A	-	N/A	N/A	N/A	-77.8	-8.8	-26.6
Bumble Inc-A	BMBL US	16.75	3,288	54.5	N/A	49.3	29.3	N/A	3.9	3.3	2.79	N/A	-	1.3	1.2	-5.9	1.9	-4.8	-26.3
Spark Net-Adr	LOV US	0.92	24	0.1	N/A	1.2	N/A	N/A	0.6	0.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	+15.7	-3.1
Meta Platforms-A	META US	246.85	632,610	5,365.7	28.6	18.6	15.2	28.9	5.3	4.9	4.4	N/A	-	5.1	4.2	17.3	23.5	+14.4	+42.8
Mobile game					N/A	12.5	8.2	N/A	1.9	0.9	0.7	3.8	1.0	1.5	1.3	-11.0	7.6	-16.5	+6.4
Cmg Technology	302 HK	2.16	761	3.5	N/A	9.2	7.5	N/A	2.1	1.1	0.9	N/A	1.3	0.9	0.8	-3.6	9.9	-17.2	+2.9
Qingci Games Inc	6633 HK	5.80	513	0.1	74.5	N/A	N/A	N/A	3.4	1.0	0.9	2.6	N/A	2.0	N/A	2.9	22.0	-15.9	+1.4
Igg Inc	799 HK	4.25	652	6.2	N/A	N/A	6.5	N/A	0.8	0.6	0.5	N/A	-	1.9	2.2	-16.7	-6.9	-29.5	+48.1
Archosaur Game	9990 HK	4.10	420	9.1	N/A	15.8	10.7	N/A	2.4	0.8	0.7	N/A	1.6	1.1	1.0	-26.7	5.3	-22.6	-19.8
Zengame Technolo	2660 HK	3.06	403	1.2	4.0	N/A	N/A	N/A	0.9	N/A	N/A	4.9	N/A	1.6	N/A	45.5	N/A	+2.7	-0.6

Sources: Bloomberg, OP research

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

Financial Summary

Year to Dec	FY20	FY21	FY22	FY23E	FY24E
Income Statement (RMB mn)					
Social networking	658	2,062	2,557	2,800	3,080
Innovative business	524	297	242	400	500
Turnover	1,182	2,360	2,800	3,200	3,580
YoY%	+203.2	+99.7	+18.6	+14.3	+11.9
COGS	-429	-1,356	-1,742	-1,858	-2,040
Gross profit	752	1,003	1,058	1,342	1,540
Gross margin	63.7%	42.5%	37.8%	41.9%	43.0%
Other income	-23	-28	19	0	0
Selling & distribution	-484	-505	-484	-592	-644
Admin	-55	-730	-112	-128	-136
R&D	-59	-131	-212	-224	-243
Other opex	0	0	0	0	0
Total opex	-597	-1,366	-808	-944	-1,024
Operating profit (EBIT)	132	-390	269	398	516
Operating margin	11.2%	-16.5%	9.6%	12.4%	14.4%
Provisions	0	0	0	0	0
Interest Income	2	2	1	1	1
Finance costs	-4	-6	-2	-2	-2
Profit after financing costs	130	-394	269	397	515
Associated companies & JVs	-0	-0	19	19	19
Pre-tax profit	130	-394	287	416	534
Tax	-16	7	0	-62	-80
Minority interests	-75	101	-157	-165	-173
Net profit	40	-286	130	189	280
YoY%	-42.0	N/A	N/A	+44.9	+48.7
Adjusted profit² to shareholders	110	150	153	238	336
YoY%	+60.5	+36.6	+2.1	+55.7	+41.0
Adjusted net margin	9.3%	6.4%	5.5%	7.5%	9.4%
EBITDA	158	-339	314	435	547
EBITDA margin	13.3%	-14.4%	11.2%	13.6%	15.3%
Adjusted EPS(HK\$)	0.135	0.165	0.146	0.224	0.315
YoY%	+64.7	+22.2	-11.5	+53.0	+41.0
DPS(HK\$)	0.00	0.00	0.00	0.00	0.00

Year to Dec	FY20	FY21	FY22	FY23E	FY24E
Cash Flow (RMB mn)					
EBITDA	158	-339	314	435	547
Chg in working cap	69	4	-447	17	11
Others	73	727	445	0	0
Operating cash	299	392	312	452	559
Tax	2	2	1	1	1
Interest received	-5	-0	-0	0	-62
Net cash from operations	296	394	313	453	497
Capex and acquisition	-61	-9	-11	-5	-5
Investments	0	0	0	0	0
Dividends received	0	0	0	0	0
Interest received	0	0	0	0	0
Others	-36	-46	-346	0	0
Investing cash	-97	-55	-357	-5	-5
Issue of shares	79	0	282	0	0
Buy-back	-2	0	-13	0	0
Interests paid	0	0	0	0	0
Dividends paid	0	0	0	0	0
Net change in bank loans	0	0	0	0	0
Others	-4	-30	-409	-17	-2
Financing cash	73	-30	-140	-17	-2
Net change in cash	271	309	-184	432	491
Exchange rate or other Adj	-23	-15	56	0	0
Opening cash	183	431	725	597	1,028
Closing cash	431	725	597	1,028	1,519
CFPS (HK\$)	0.334	0.340	-0.122	0.405	0.461

Sources: Company, OP Research

Year to Dec	FY20	FY21	FY22	FY23E	FY24E
Ratios					
Gross margin (%)	63.7	42.5	37.8	41.9	43.0
Operating margin (%)	11.2	-16.5	9.6	12.4	14.4
Net margin (%)	3.4	-12.1	4.7	5.9	7.8
Selling & dist'n exp/Sales (%)	40.9	21.4	17.3	18.5	18.0
Admin exp/Sales (%)	4.7	30.9	4.0	4.0	3.8
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Effective tax (%)	-12.2	-1.7	0.0	-15.0	-15.0
Total debt/equity (%)	1.9	1.8	1.5	1.2	0.9
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.9	1.5	2.8	3.9	5.2
Quick ratio (x)	1.9	1.5	2.8	3.9	5.2
Inventory T/O (days)	0.0	0.0	0.0	0.0	0.0
AR T/O (days)	45	23	21	19	18
AP T/O (days)	133	61	40	38	35
Cash conversion cycle (days)	-88	-38	-18	-19	-17
Asset turnover (x)	1.2	1.6	1.7	1.7	1.6
Financial leverage (x)	1.4	1.8	1.6	1.4	1.3
EBIT margin (%)	11.2	-16.5	9.6	12.4	14.4
Interest burden (x)	1.0	1.0	1.1	1.0	1.0
Tax burden (x)	0.3	0.7	0.5	0.5	0.5
Return on equity (%)	5.6	-35.2	12.5	13.6	15.9

Year to Dec	FY20	FY21	FY22	FY23E	FY24E
Balance Sheet (RMB mn)					
Fixed assets	7	16	122	18	19
Intangible assets	267	226	186	152	125
Goodwill	197	197	197	197	197
Financial assets	9	30	214	214	214
Other non-current assets	25	27	24	23	23
Non-current assets	505	496	744	605	578
Inventories	0	0	0	0	0
AR	144	147	165	167	177
Contracted assets	0	0	0	0	0
Prepayments & deposits	6	82	57	65	73
Other current assets	181	173	158	158	158
Cash	431	725	597	1,028	1,519
Current assets	763	1,126	977	1,418	1,927
AP	156	226	190	193	196
Tax	1	0	5	5	5
Accruals & other payables	235	479	110	117	129
Bank loans	0	0	0	0	0
Leases & other debts	18	22	44	44	44
Other current liabilities	0	0	0	0	0
Current liabilities	409	727	349	359	373
Bank loans & leases	0	0	0	0	0
CB & other debts	0	3	86	86	86
Deferred tax & others	72	52	47	47	47
Non-current liabilities	72	55	133	133	133
Total net assets	787	840	1,238	1,530	1,999
Shareholder's equity	536	477	708	835	1,130
Share capital	1	1	1	1	1
Reserves	536	476	707	834	1,129
MI	251	363	530	695	869
BVPS (HK\$)	0.66	0.53	0.69	0.80	1.08

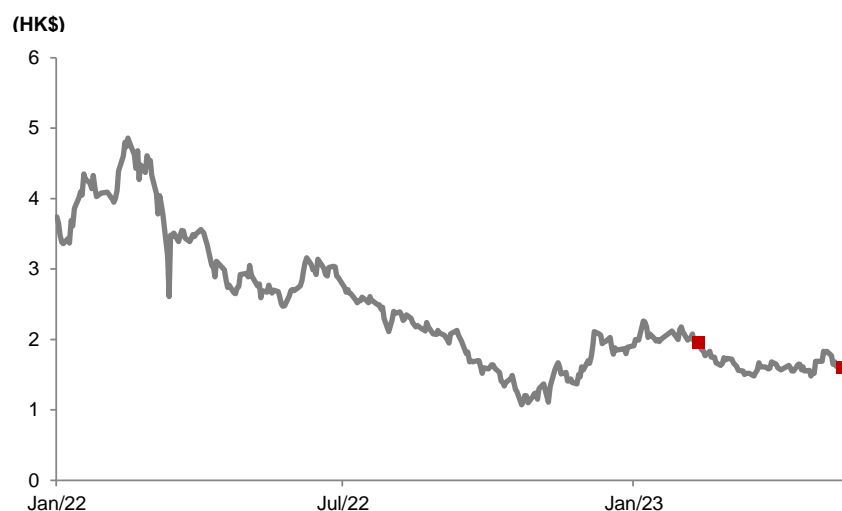
² Adjusted profit attributable to shareholders and adjusted EPS in FY20-22 are estimated figures.

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
05/05/2023	China Edu Group	839	FY1H23 results up to expectations	BUY	John Siah
04/05/2023	Edvantage Group	382	FY1H23 results showed the strong organic growth	BUY	John Siah
27/04/2023	New Higher Edu	2001	FY1H23 results in-line	BUY	John Siah
19/04/2023	361 Degrees	1361	2023Q1 sales bounced as expected	BUY	John Siah
24/03/2023	Micro Connect	-	Releasing the investment value of SMEs in China through technological innovation(中/ENG)	NR	John Siah
02/03/2023	Xinyi Energy	3868	FY22 results miss, expecting a rebound for FY23E	BUY	John Siah
24/02/2023	Edvantage Group	382	FY23Q1 operations on track	BUY	John Siah
13/02/2023	Newborn Town	9911	More social apps expecting to begin bearing fruit	BUY	John Siah
02/02/2023	China Water Affairs	855	Tapping into opportunities in the direct drinking water market	BUY	John Siah
18/01/2023	361 Degrees	1361	The worst has likely passed	BUY	John Siah
05/12/2022	China Edu Group	839	Higher vocational education leads the growth	BUY	John Siah
05/12/2022	New Higher Edu	2001	FY22 results slightly beat, emphasis on quality education	BUY	John Siah
29/11/2022	Edvantage Group	382	FY22 earnings beat, moderate growth ahead	BUY	John Siah
20/10/2022	361 Degrees	1361	Lockdown may impact sales in Q4	BUY	John Siah
20/10/2022	Greentown Mgmt	9979	Impressive new contracts growth in Q3 under severe headwinds	BUY	John Siah
16/09/2022	EVA Holdings	838	Decent earnings outlook supported by strong order backlogs	BUY	John Siah
02/09/2022	Tian Lun Gas	1600	1H22 results missed, tough near-term outlook	HOLD	John Siah
02/09/2022	HK Tech Venture	1137	1H22 results beats amid better costs management	BUY	John Siah
31/08/2022	AAC Tech	2018	Headwinds likely to persist in 2H22E	HOLD	John Siah
31/08/2022	Truly Int'l	732	1H22 earnings decline as expected, negatives priced in	BUY	John Siah
26/08/2022	361 Degrees	1361	1H22 earnings beats, strong growth in e-commerce and kids' wear	BUY	John Siah

Historical recommendations and target price: Newborn Town (9911 HK)

(as of 05/19/2023)



	Date	Rating	TP	Close
1	13 Feb 2023	BUY	HK\$3.33	HK\$1.95
2	22 May 2023	BUY	HK\$2.60	HK\$1.54

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 © 2015 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

Suites 2704-8, 27/F, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

www.oriental-patron.com.hk
john.siah@oriental-patron.com.hk

Tel: (852) 2135 0248
Fax: (852) 2135 0295