Tue, 09 Apr 2019

Equity Research
Sportswear / China

Xtep Intl (1368 HK)

Dallas Cai
+852 2135 0248
dallas.cai@oriental-patron.com.hk

Megan Jin
+852 2135 0209
megan.jin@oriental-patron.com.hk

Company Update

BUY

UNCHANGED

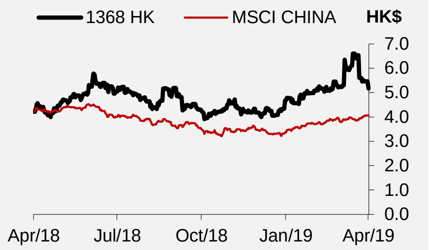
Close price:	**HK$5.17**
Target Price:	**HK$5.70 (+10%)**
Prior TP:	**HK$6.50**

Key Data

HKEx code		1368 HK
12 Months High	(HK$)	6.74
12 Month Low	(HK$)	3.82
3M Avg Dail Vol.	(mn)	10.34
Issue Share	(mn)	2,244.68
Market Cap	(HK$mn)	11,605.00
Fiscal Year		31/12/2018
Major shareholder (s)		Ding Shuibo (59.98%)

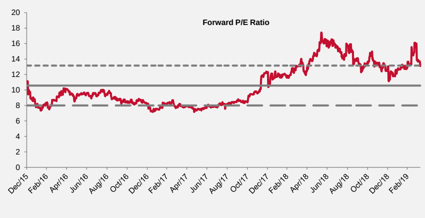
Source: Company data, Bloomberg, OP Research
Closing price are as of 08/04/2019

Price Chart



	1mth	3mth	6mth
Absolute %	**11.3**	**11.9**	**-9.3**
Rel. MSCI CHINA %	**10.5**	**9.1**	**3.8**

PE



Company Profile

Xtep International Holdings Ltd. designs, manufactures, and markets sportswear. The Company produces footwear, apparel, and accessories.

1Q19 operations on track

- **Xtep announced 1Q19 operations update with SSSG/retail sell-through up low-teens percentage/over 20% yoy respectively.**
- **We revise down our FY19/20E diluted EPS by 12.8%/12.3% to HK$0.406/HK$0.476 mainly on the dilution effects due to share placement.**
- **Reiterate BUY on Xtep with TP HK$5.70 revised down from HK$6.50 based on same 14x FY19E P/E.**

1Q19 saw strong retail sell-through. Xtep announced 1Q19 operation updates with retail sell-through (incl. both online and offline) up over 20% yoy, on track with OP expectations. SSSG was maintained at low-teens (LTS) percentage, vs LTNS in 1Q18 and MTS in 4Q18. Retail discount level rose slightly to ~25%, compared with around 20% in 1Q18, which the mgmt attributed to more promotions carried out during Chinese New Year. Retail inventory turnover was kept stable at around 4 months, flattish YoY/MoM.

Revise down FY19/20E diluted EPS by 12.8%/12.3% to HK$0.406/HK$0.476 mainly on the dilution effects of share placement. Xtep announced on 29 March to raise HK$1,374mn by a top-up share placement at HK$5.56 per share, around 15% discount to the latest closing price before the announcement. The company intends to use the proceeds for a potential acquisition of an international sportswear brand and financing the overseas expansion in Southeast Asia.

We factor in the cash inflow from share issuance and fine tune our FY19/20E core earnings by 0.7%/1.3% to RMB854mn/RMB1,001mn. Based on the enlarged share base, our FY19/20E diluted EPS is revised down to HK$0.406/HK$0.476 respectively.

Maintain BUY. We maintain BUY on Xtep with TP of HK$5.70 revised down from HK$6.50 based on same 14x FY19E P/E.

Risks: (1) Channel inventory build-up (2) slower than expected retail growth (3) deflated consumer confidence due to slowing down macro economy.

Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	5,113.4	6,383.2	7,672.4	8,794.2	9,931.7
Growth (%)	(5.2)	24.8	20.2	14.6	12.9
Adjusted net profit	529.0	577.3	853.8	1,001.1	1,151.5
Growth (%)	0.2	9.1	47.9	17.2	15.0
Diluted EPS (HK$)	0.230	0.369	0.406	0.476	0.547
EPS growth (%)	(22.6)	60.6	10.1	17.2	15.0
Change to previous EPS (%)			(12.8)	(12.3)	
Consensus EPS (HK$)			0.356	0.406	
ROE (%)	8.0	12.4	14.0	14.1	15.2
P/E (x)	22.5	14.0	12.7	10.9	9.4
P/B (x)	1.8	1.7	1.6	1.5	1.4
Yield (%)	2.7	3.9	4.7	5.5	6.4
DPS (HK$)	0.140	0.200	0.244	0.286	0.328

Source: Bloomberg, OP Research

Exhibit 2: Earnings Revision

	FY19E			FY20E			OP Comments
(RMB mn)	New	Old	% Chg	New	Old	% Chg	
Revenue	**7,672**	**7,672**	**0.0**	**8,794**	**8,794**	**0.0**	
Gross profit	3,361	3,361	0.0	3,869	3,869	0.0	
Gross margin	43.8%	43.8%	0.0	44.0%	44.0%	0.0	
Opex	(2,169)	(2,169)	0.0	(2,449)	(2,449)	0.0	
EBIT	1,299	1,299	0.0	1,527	1,527	0.0	
Core Net Profit	854	848	0.7	1,001	988	1.3	
Diluted EPS (HK$)	0.406	0.466	(12.8)	0.476	0.543	(12.3)	As we factor in the new share placement and updated exchange rate

Source: OP Research

Financial Summary

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
Income Statement (RMB mn)					
Footwear	3,258	3,925	4,718	5,408	6,107
Apparel	1,759	2,327	2,797	3,206	3,620
Accessories	96	131	158	181	204
Turnover	**5,113**	**6,383**	**7,672**	**8,794**	**9,932**
YoY%	(5.2)	24.8	20.2	14.6	12.9
COGS	(2,869)	(3,555)	(4,312)	(4,925)	(5,562)
Gross profit	**2,244**	**2,828**	**3,361**	**3,869**	**4,370**
Gross margin	43.9%	44.3%	43.8%	44.0%	44.0%
Other income	158	196	107	107	107
Selling & distribution	(911)	(1,357)	(1,596)	(1,809)	(2,028)
Admin	(623)	(456)	(358)	(420)	(466)
R&D	(143)	(166)	(215)	(220)	(248)
Other opex	0	0	0	0	0
Total opex	**(1,678)**	**(1,980)**	**(2,169)**	**(2,449)**	**(2,742)**
Operating profit (EBIT)	**725**	**1,044**	**1,299**	**1,527**	**1,734**
Operating margin	14.2%	16.4%	16.9%	17.4%	17.5%
Provisions	0	0	0	0	0
Interest Income	52	72	82	97	102
Finance costs	(106)	(141)	(144)	(144)	(144)
Profit after financing costs	671	976	1,237	1,480	1,692
Associated companies & JVs	0	0	0	(50)	(50)
Pre-tax profit	671	976	1,237	1,430	1,642
Tax	(224)	(306)	(371)	(414)	(474)
Minority interests	(38)	(13)	(12)	(15)	(17)
Profit from discontinued operations	0	0	0	0	0
Net profit	**408**	**657**	**854**	**1,001**	**1,151**
YoY%	(23)	61	30	17	15
Adjusted net profit	**529**	**577**	**854**	**1,001**	**1,151**
YoY%	0	9	48	17	15
Adjusted net margin	10.3%	9.0%	11.1%	11.4%	11.6%
EBITDA	**783**	**1,126**	**1,367**	**1,602**	**1,818**
EBITDA margin	15.3%	17.6%	17.8%	18.2%	18.3%
EPS (RMB)	**0.184**	**0.295**	**0.338**	**0.397**	**0.456**
YoY%	(23)	61	10	17	15
DPS (HK$)	0.140	0.200	0.244	0.286	0.328

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
Cash Flow (RMB mn)					
EBITDA	783	1,126	1,367	1,602	1,818
Chg in working cap	(119)	(513)	(193)	(299)	(273)
Others	205	(94)	0	0	0
Operating cash	**868**	**518**	**1,174**	**1,303**	**1,545**
Interest received	(51)	(55)	82	97	102
Tax	(259)	(309)	(54)	(371)	(414)
Net cash from operations	**558**	**154**	**1,202**	**1,029**	**1,232**
Capex	(123)	(72)	(87)	(100)	(113)
Investments	(75)	(81)	0	0	0
Change in short-term bank deposits	447	(234)	0	0	0
Sales of assets	63	83	0	0	0
Interests received	0	0	0	0	0
Others	(37)	24	0	0	0
Investing cash	**275**	**(281)**	**(87)**	**(100)**	**(113)**
FCF	**833**	**(127)**	**1,115**	**929**	**1,119**
Issue of shares	7	59	1,129	0	0
Buy-back	0	(89)	0	0	0
Minority interests	0	(4)	0	0	0
Dividends paid	(271)	(459)	(455)	(551)	(640)
Net change in bank loans	421	(10)	0	0	0
Others	(3)	(7)	(144)	(144)	(144)
Financing cash	**154**	**(511)**	**530**	**(696)**	**(784)**
Net change in cash	**987**	**(637)**	**1,645**	**234**	**335**
Exchange rate or other Adj	(1)	1	0	0	0
Opening cash	2,847	3,832	3,196	4,841	5,075
Closing cash	**3,832**	**3,196**	**4,841**	**5,075**	**5,410**
CFPS (HK$)	**0.314**	**0.087**	**0.571**	**0.489**	**0.586**

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
Ratios					
Gross margin (%)	43.9	44.3	43.8	44.0	44.0
Operating margin (%)	14.2	16.4	16.9	17.4	17.5
Net margin (%)	8.0	10.3	11.1	11.4	11.6
Selling & dist'n exp/Sales (%)	17.8	21.3	20.8	20.6	20.4
Admin exp/Sales (%)	12.2	7.2	4.7	4.8	4.7
Salaries/Sales (%)	12.1	11.6	11.1	10.8	10.6
A&P/Sales (%)	12.9	15.2	15.0	15.0	15.0
R&D/Sales (%)	2.8	2.6	2.8	2.5	2.5
Payout ratio (%)	101.4	59.5	60.0	60.0	60.0
Effective tax (%)	33.5	31.4	30.0	28.0	28.0
Total debt/equity (%)	35.4	36.5	28.4	26.6	24.9
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	3.2	2.5	2.6	2.6	2.6
Quick ratio (x)	2.9	2.2	2.4	2.3	2.3
Inventory T/O (days)	91	86	86	86	86
AR T/O (days)	129	121	120	117	115
AP T/O (days)	131	90	90	90	90
Cash conversion cycle (days)	90	117	116	113	111
Asset turnover (x)	0.6	0.7	0.7	0.7	0.8
Financial leverage (x)	1.7	1.7	1.7	1.7	1.7
EBIT margin (%)	14.2	16.4	16.9	17.4	17.5
Interest burden (x)	0.9	0.9	1.0	0.9	0.9
Tax burden (x)	0.6	0.7	0.7	0.7	0.7
Return on equity (%)	**8.0**	**12.4**	**14.0**	**14.1**	**15.2**
ROIC (%)	**19.9**	**26.2**	**31.1**	**36.9**	**39.2**

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
Balance Sheet (RMB mn)					
Fixed assets	686	677	698	724	755
Intangible assets & goodwill	8	8	6	4	3
Associated companies & JVs	0	0	0	(50)	(100)
Long-term investments	267	339	339	339	339
Other non-current assets	92	114	114	114	114
Non-current assets	**1,052**	**1,139**	**1,157**	**1,132**	**1,112**
Inventories	718	836	836	1,014	1,158
AR	1,807	2,115	2,522	2,819	3,129
Prepayments & deposits	572	727	874	1,002	1,132
Other current assets	953	1,186	1,186	1,186	1,186
Cash	3,832	3,196	4,841	5,075	5,410
Current assets	**7,882**	**8,060**	**10,259**	**11,095**	**12,014**
AP	1,028	879	1,066	1,217	1,375
Tax	66	54	371	414	474
Accruals & other payables	565	861	1,035	1,187	1,340
Bank loans & leases	831	1,483	1,483	1,483	1,483
CB & othe debts	0	0	0	0	0
Other current liabilities	0	1	1	1	1
Current liabilities	**2,489**	**3,278**	**3,956**	**4,302**	**4,672**
Bank loans & leases	1,019	461	461	461	461
CB & othe debts	0	0	0	0	0
Deferred tax & others	97	129	129	129	129
MI	108	5	17	31	48
Non-current liabilities	**1,224**	**595**	**606**	**621**	**638**
Total net assets	**5,221**	**5,326**	**6,855**	**7,304**	**7,816**
Shareholder's equity	**5,221**	**5,326**	**6,855**	**7,304**	**7,816**
Share capital	20	20	20	20	20
Reserves	5,201	5,306	6,835	7,284	7,796
BVPS (HK$)	**2.94**	**2.97**	**3.30**	**3.52**	**3.76**
Total debts	1,850	1,944	1,944	1,944	1,944
Net cash/(debts)	2,934	2,438	4,083	4,316	4,652

Source: Company, OP Research

Exhibit 3: Peer Group 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 FY1 YoY%	EPS FY2 YoY%	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	EV/ Ebitda Hist	EV/ Ebitda Cur Yr	Net gearing Hist (%)	Gross margin Hist (%)	Net margin Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
Xtep Intl	**1368 HK**	**5.17**	**1,478**	**7.3**	**14.0**	**12.7**	**10.9**	**10.1**	**17.2**	**16.4**	**0.8**	**3.9**	**4.7**	**1.7**	**1.6**	**8.1**	**6.4**	**Net cash**	**44.3**	**10.3**	**12.4**	**14.0**	**(1.1)**	**10.5**
HSI		30,077.15			11.8	11.6	10.7	1.1	8.3	6.2	1.89	3.3	3.5	1.40	1.28						11.9	11.0	3.9	17.4
HSCEI		11,793.65			9.7	9.0	8.3	8.4	8.4	8.4	1.07	3.5	3.8	1.21	1.07						12.4	11.9	1.8	17.6
CSI300		4,057.23			15.4	12.8	11.4	20.2	12.5	14.6	0.9	2.0	2.5	2.0	1.7						12.7	13.1	6.3	33.6
Domestic peers																								
Adjusted sector avg*					**24.5**	**20.5**	**14.9**	**17.0**	**19.9**	**22.2**	**0.8**	**3.9**	**3.2**	**1.9**	**1.8**	**14.6**	**9.3**	**8.0**	**45.8**	**8.9**	**6.8**	**8.5**	**7.2**	**24.6**
361 Degrees	1361 HK	1.61	424	0.7	9.4	7.4	6.4	26.5	15.1	17.4	0.4	7.0	6.1	0.5	0.5	(0.0)	(0.0)	0.0	40.6	5.9	5.3	6.6	5.2	(4.7)
Anta Sports Prod	2020 HK	51.00	17,447	36.1	28.6	23.0	19.1	24.4	20.4	20.2	1.1	2.1	1.6	7.4	6.0	18.1	14.9	0.0	52.6	17.0	27.8	28.9	8.3	45.9
Li Ning Co Ltd	2331 HK	12.64	3,531	25.7	36.5	26.8	21.1	36.3	27.2	27.4	1.0	N/A	1.1	3.8	3.9	16.9	13.6	0.0	48.1	6.8	13.1	15.7	13.9	44.6
Pou Sheng Intl	3813 HK	1.83	1,249	0.3	15.1	14.0	11.4	7.8	23.2	16.4	0.9	1.1	1.8	1.2	1.1	7.7	7.2	39.8	33.5	2.4	8.2	8.2	13.7	22.8
China Dongxiang	3818 HK	1.14	855	0.7	17.9	8.6	8.9	107.7	(2.7)	30.2	0.3	9.6	8.0	0.6	0.6	30.4	11.1	0.0	57.3	18.5	3.3	6.3	(0.9)	(2.6)
Annil Co Ltd-A	002875 CH	20.63	405	20.0	32.7	26.7	22.4	22.7	19.4	21.6	1.2	0.7	N/A	3.2	2.8	N/A	N/A	N/A	55.0	6.9	10.0	10.9	(6.1)	39.0
Guirenniao Co-A	603555 CH	7.77	727	9.8	31.1	37.0	32.4	(16.1)	14.3	6.2	5.9	3.2	0.5	2.2	2.2	14.3	N/A	74.7	33.8	4.9	1.1	3.3	16.0	27.4
International peers																								
Adjusted sector avg*					**47.4**	**31.8**	**26.9**	**46.9**	**18.0**	**24.7**	**1.55**	**1.5**	**0.7**	**9.39**	**8.79**	**21.4**	**19.3**	**0.0**	**48.9**	**6.2**	**22.6**	**25.5**	**7.6**	**17.6**
Nike Inc -Cl B	NKE US	85.40	134,227	550.5	73.2	33.2	28.2	120.6	17.7	45.0	0.7	1.0	1.0	15.0	16.4	25.7	23.4	0.0	43.8	5.3	44.6	44.2	0.7	11.3
Under Armour-A	UAA US	21.83	9,265	103.2	N/A	66.2	46.9	N/A	40.9	(286.8)	N/A	N/A	0.0	4.9	4.5	60.2	22.8	8.5	45.1	(0.9)	(2.3)	6.3	1.7	15.7
Lululemon Ath	LULU US	169.37	22,179	362.3	46.7	37.1	31.5	25.8	18.0	17.4	2.1	N/A	0.0	15.3	12.7	25.7	22.2	0.0	55.2	14.7	31.8	36.0	18.8	24.7
Adidas Ag	ADS GR	226.00	50,892	133.7	26.8	24.0	21.3	11.6	12.8	12.3	1.9	1.2	1.6	7.1	6.0	15.4	13.7	0.0	51.9	7.8	27.4	27.4	7.2	15.9
Puma Se	PUM GR	537.50	9,109	18.4	42.9	33.0	26.7	29.8	23.5	23.9	1.4	2.3	0.8	4.7	4.3	18.7	14.7	0.0	48.4	4.0	11.3	13.9	9.8	20.5

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

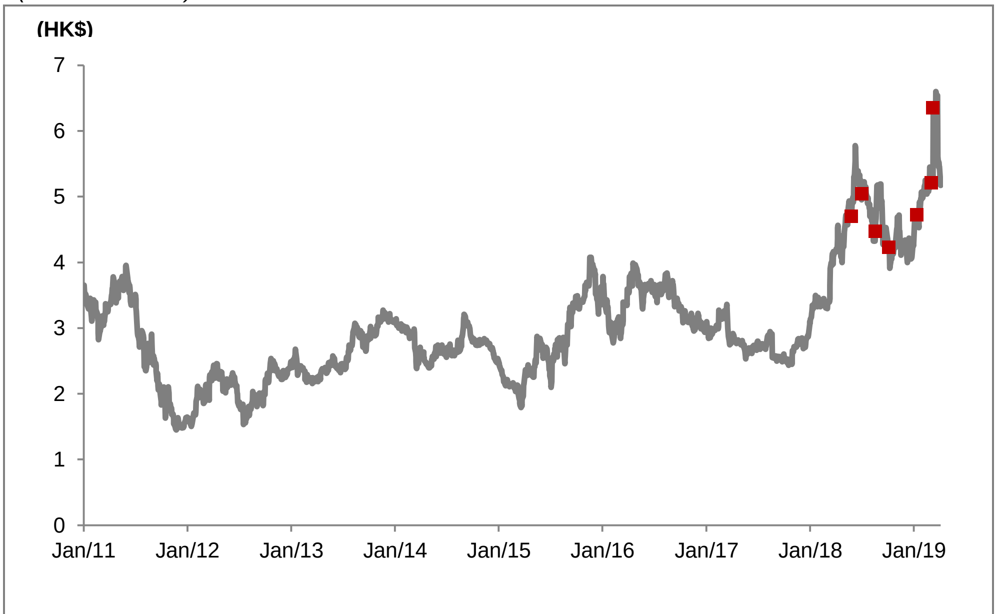
Source: Bloomberg, OP Research

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
04/04/2019	Regal Intl Airport	357	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
02/04/2019	Tianlun Gas	1600	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
01/04/2019	Truly Int'l	732	FY18 earnings miss on GPM and loss from associate	BUY	Yuji Fung/Dallas Cai
28/03/2019	China Youzan	8083	FY18 saw narrower loss than expected	BUY	Yuji Fung/Dallas Cai
27/03/2019	Sinosoft Tech	1297	FY18 results in line	BUY	Yuji Fung/Dallas Cai
26/03/2019	Q Tech	1478	Downgrade to SELL as margin recovery was priced in	SELL	Yuji Fung/Dallas Cai
25/03/2019	Li Ning	2331	FY18 saw sustainable high-quality growth	HOLD	Dallas Cai/Megan Jin
22/03/2019	Chinasoft Intl	354	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
21/03/2019	Sunny Optical	2382	Downgrade on fair value	HOLD	Yuji Fung/Dallas Cai
21/03/2019	Tongda	698	GPM likely bottom out	BUY	Yuji Fung/Dallas Cai
21/03/2019	Ju Teng Intl	3336	On secular trend of metal casing adoption	BUY	Yuji Fung/Dallas Cai
20/03/2019	CH Display OPT	334	FY18 revenue beat, earnings in line	BUY	Yuji Fung/Dallas Cai
20/03/2019	Ausnutria Dairy	1717	Margin expansion story continues	BUY	Dallas Cai
20/03/2019	TCL Electronics	1070	Promising FY19E ahead	BUY	Yuji Fung/Dallas Cai
18/03/2019	361 Degrees Intl	1361	Rebranding strategies to bear fruit in 2020E	BUY	Yuji Fung/Dallas Cai
15/03/2019	Kingdee Intl	268	FY18 results up to expectations	HOLD	Yuji Fung/Dallas Cai
13/03/2019	Xtep Intl	1368	Growth momentum likely keeps up in FY19E	BUY	Dallas Cai/Megan Jin
06/03/2019	Xtep Intl	1368	JV with Wolverine for multi-brand portfolio	BUY	Dallas Cai/Megan Jin
05/03/2019	CH Display OPT	334	Foldable smartphone play backed by CSOT	BUY	Yuji Fung/Dallas Cai
27/02/2019	Anta Sports	2020	FY18 revenue strong beat, profits in-line	BUY	Dallas Cai/Megan Jin
22/02/2019	Ausnutria Dairy	1717	FY18 profit surprise on margin expansion	BUY	Dallas Cai
20/02/2019	Q Tech	1478	Jan shipments growth was solid	BUY	Yuji Fung/Dallas Cai
19/02/2019	Tongda	698	FY18E profit warning	BUY	Yuji Fung/Dallas Cai
18/02/2019	Sunny Optical	2382	Earnings growth momentum likely resume in 2019	BUY	Yuji Fung/Dallas Cai
30/01/2019	Li Ning	2331	FY18E results preview	HOLD	Dallas Cai
30/01/2019	Anta Sports	2020	FY18E results preview	BUY	Dallas Cai
15/01/2019	361 Degrees Intl	1361	FY18E results preview	BUY	Yuji Fung/Dallas Cai

Historical recommendations and target price: Xtep (1368 HK)

(as of 08/04/2019)



	Date	Rating	TP (HK$)	Close (HK$)	Date	Rating	TP (HK$)	Close (HK$)
1	29 May 2018	BUY	6.40	4.94	5. 15 Jan 2019	BUY	5.70	4.62
2	25 Jun 2018	BUY	7.30	5.30	6. 06 Mar 2019	BUY	5.70	5.27
3	22 Aug 2018	BUY	6.60	5.07	7. 13 Mar 2019	BUY	6.50	5.30
4	09 Oct 2018	BUY	5.70	4.23				

東英 ORIENTAL PATRON | RESEARCH

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.

CONTACT

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

www.oriental-patron.com.hk
dallas.cai@oriental-patron.com.hk

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