

# New Higher Edu (2001 HK)

**John Siah**

+852 2135 0248

john.siah@oriental-patron.com.hk

## Company Update

### BUY

**UNCHANGED**
**Close price:** HK\$2.76

**Target Price:** HK\$4.80(+73.9%)

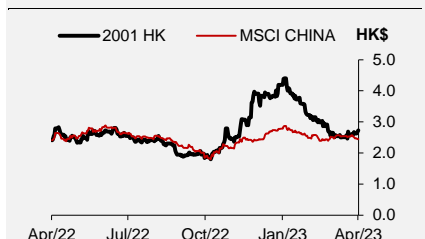
**Prior TP:** HK\$4.00

#### Key Data

HKEx code	2001 HK
12 Months High (HK\$)	4.42
12 Month Low (HK\$)	1.75
3M Avg Dail Vol. (mn)	2.28
Issue Share (mn)	1,555.25
Market Cap (HK\$mn)	4,292.49
Fiscal Year	08/2022
Major shareholder (s)	Mr. Li Xiaoxuan (48.41%)

Source: Company data, Bloomberg, OP Research  
Closing price are as of 04/26/2023

#### Price Chart



	1mth	3mth	6mth
Absolute %	+9.1	-35.0	+52.7
Rel. MSCI CHINA %	+11.8	-19.0	+21.4

#### Company Profile

New Higher Edu currently invested and established eight schools (including four undergraduate colleges and four junior colleges) in seven provinces throughout China. As at Oct 2022, the total number of enrolled students of all schools reached 140,535.

### FY1H23 results in-line

- Adjusted profit rose 13.1% yoy to RMB390.5mn, on the back of 11.2% yoy increase in revenue to RMB 1.152bn.
- The company proposed an interim cash DPS of RMB0.119, representing a near 50% DPS payout ratio.
- Maintain Buy with new TP of HK\$4.80, representing 9.0x FY23E PER.

**FY1H23 results in-line.** NHE's revenue and profit attributable to shareholders reached 54.0% and 54.6% of our earnings forecast for FY23E. This is similar to the percentage contribution of the first half to the full year result in FY22. NHE emphasizes delivering high quality application based education. It continued to upgrade campus facilities and strengthen the teaching quality, which resulted in lower profitability. The company reported a GPM of 39.3%, down 0.9p.p. yoy. NHE has further optimized opex, and the admin expenses to revenue ratio declined 1.8p.p. to 3.9%. Other income lost growth momentum due to delay in school commencement and early holiday during the semester during the pandemic. This has led to a 6.1% yoy decline in service income. Finance costs increased mildly to RMB68.2mn (+3.4% yoy). The company continues to optimize its financing structure. The financing cost has decreased 31bps in 1H23 from FY22.

**Emphasis on students' career success.** NHE's schools maintained a very high graduate employment rate for three consecutive years. For graduates in 2022, the initial employment rate reached 95.6% at Dec. This is higher than the national average. Amongst, NHE said the proportion of high-quality employment as in Dec 2022 for the class of 2022 graduates reached 22%, with the number of employment in famous companies increasing by 187%.

**Updates on the classified registration under the new private education law.** Northeast School, Guangxi Schools, Yunnan Schools, and Guizhou School are currently in the process of classified registration according to the guidance of the relevant provincial authorities. Northeast School has completed the registration to be a for-profit school and acquired a temporary business license. The full implementation of the new private education law will greatly reduce investors' policy concerns about the higher education sector. This should favor the value of higher educational groups, although it is likely to significantly increase tax expenses. For NHE, the tax impact should be relatively mild given that it used to book more profit as taxable income (effective tax rate reached 15.7% in FY22).

**Maintain Buy and lift TP to HK\$4.80.** The new TP is based on FY23E PER of 9.0x. We tune up NHE's FY23E/24E EPS forecast (in HK\$) by 6.8%/5.4%. We expect NHE's net profit to grow at a CAGR of 11.2% in FY23-25E, mainly driven by the increase in average revenue per student. The graduates' high-quality employment should favour organic growth in both the number of student and tuition in the long term. In addition, NHE's relatively high dividend yield (9.7%/10.7% in FY23E/24E) would limit the stock's downside potential.

#### Exhibit 1: Forecast and Valuation

Year to Aug (RMB mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,497	1,922	2,150	2,375	2,600
Growth (%)	n.a.	+28.3	+11.9	+10.5	+9.4
Net profit	568	661	733	816	908
Growth (%)	n.a.	+16.4	+10.8	+11.3	+11.3
Diluted and adjusted EPS (HK\$)	0.415	0.499	0.533	0.593	0.661
Adjusted EPS growth (%)	n.a.	+20.3	+6.8	+11.3	+11.3
Change to previous EPS (%)			+6.8	+5.4	+4.9
Consensus EPS (HK\$)			0.515	0.585	0.657
ROE (%)	21.3	21.4	21.6	21.3	21.2
P/E (x)	6.7	5.5	5.2	4.7	4.2
P/B (x)	1.2	1.1	1.1	0.9	0.8
Yield (%)	6.1	9.0	9.7	10.7	12.0
DPS (HK\$)	0.167	0.249	0.267	0.297	0.330

Source: Bloomberg, OP Research

## Exhibit 2: Earnings review (Interim result ended Feb 2023)

	1H23	1H22	%	
<b>Profitability Data (in RMB)</b>				% to forecasted FY23E result
Revenue	1,152.2	1,036.1	+11.2%	54.0%
Gross profit	452.7	416.5	+8.7%	55.6%
Profit to shareholders	390.5	345.4	+13.1%	54.6%
<b>Profitability Ratios (%)</b>				Our FY23E forecast
GPM	39.3%	40.2%	-0.9p.p.	38.0%
NPM	33.9%	33.3%	+0.6p.p.	33.5%
Effective income tax rate	15.5%	14.1%	+1.4p.p.	15.7%
<b>Operating ratio (% to revenue)</b>				
Selling & distribution	1.5%	1.5%	-	1.4%
Administrative	3.9%	5.7%	-1.8p.p.	4.3%
				This is mainly thanks to the optimization of the cost structure, and no expenses relating to consulting services for the exploration of a centralized school operation model and governance system occurred this year.

Source: OP Research

## Exhibit 3: Earnings revision

(Period ended Aug)		FY23E		FY24E		OP Comments
(RMB mn)	New	Old	% Chg	New	Old	
Revenue	2,150	2,134	+0.7%	2,375	2,366	+0.4%
Gross profit	839	812	+3.3%	926	900	+2.9%
Gross margin(%)	39.0%	38.0%	+1.0p.p.	39.0%	38.0%	+1.0p.p.
Net profit	733	714	+2.6%	816	805	+1.3%
Diluted EPS (HK\$)	0.533	0.499	+6.8%	0.593	0.563	+5.4%

Source: OP Research

## Exhibit 4: Key assumptions

<b>Student enrollments</b>		<b>Unit</b>	<b>SY22/23E</b>	<b>SY23/24E</b>	<b>SY24/25E</b>
New		student	140,535	140,500	140,500
Old		student	140,535	140,500	140,500
Change (%)			0%	0%	0%
<b>Average revenue per student</b>			<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
New		RMB	15,302	16,906	18,502
Old		RMB	15,191	16,842	18,560
Change (%)			+0.7%	+0.4%	-0.3%

Source: Company, OP Research

## Exhibit 5: Positive catalysts and risks

<b>Positive catalysts</b>	■	Robust growth of tuition	<b>Risks</b>	■	Higher than expected in effective tax rate after the full implementation of the new private education law.
	■	Possible accreditation from MOE to allow Guizhou School to offer bachelor degree programs in the long term		■	Policy risks on private education
				■	Execution risk in new programs/ new campus expansion
				■	Temporary decline of students for its schools, especially for Guizhou School

Source: OP research

## Exhibit 6: 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)	3-Yr EPS Cagr (%)	PEG (x)	P/B Hist (x)	P/B FY1 (x)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
New Higher Edu	2001 HK	2.76	547	0.9	5.5	5.2	4.7	11.2	0.5	1.1	1.1	21.4	21.6	+9.1	-35.0
HSI		19,757.27			11.1	9.4	8.6	12.7	0.7	1.1	1.0	10.4	10.9	-0.8	-12.4
HSCEI		6,654.40			9.0	8.4	7.5	10.3	0.8	1.0	1.0	11.6	11.3	-2.1	-13.7
CSI300		3,959.23			14.4	14.4	12.1			1.7	1.7	12.0	12.1	-1.7	-5.3
Adjusted sector avg*					5.8	5.2	4.7	13.3	0.2	0.8	0.7	14.1	14.4	-2.5	-29.9
China Edu Group	839 HK	7.17	2,330	12.5	8.2	7.6	6.7	12.0	0.6	1.1	1.0	14.8	13.3	-6.5	-46.7
China Yuhua Educ	6169 HK	1.33	611	3.1	3.7	3.7	4.2	(1.4)	N/A	0.7	0.6	23.6	20.4	+12.7	+19.8
Hope Edu	1765 HK	0.58	593	3.8	9.2	5.6	4.7	30.4	0.2	0.5	0.5	5.6	9.3	-6.5	-30.1
China Kepei Edu	1890 HK	2.40	616	0.5	6.0	4.9	4.4	15.1	0.3	1.1	1.0	20.1	18.3	-4.4	-38.9
Cathay Media And	1981 HK	1.48	312	0.2	22.1	8.2	7.0	54.9	0.1	0.9	0.7	3.9	8.7	+33.3	+8.0
Edvantage Group	382 HK	2.68	383	0.4	4.6	4.0	3.6	12.4	0.3	0.9	0.7	20.6	20.0	+0.4	-36.9
Minsheng Edui	1569 HK	0.37	196	0.2	2.8	2.5	2.1	11.3	0.2	0.3	0.3	10.4	11.1	-11.0	-34.8
China Xinhua Edu	2779 HK	0.79	162	0.0	4.8	3.2	2.9	21.1	0.2	0.3	0.3	7.5	10.0	-9.2	-22.5

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

Source: Bloomberg, OP Research

## Financial Summary

Year Ended Aug	FY21	FY22	FY23E	FY24E	FY25E
<b>Income Statement (RMB mn)</b>					
<b>Turnover</b>	<b>1,497</b>	<b>1,922</b>	<b>2,150</b>	<b>2,375</b>	<b>2,600</b>
YoY%	n.a.	+28.3	+11.9	+10.5	+9.4
<b>COGS</b>	<b>-830</b>	<b>-1,171</b>	<b>-1,311</b>	<b>-1,449</b>	<b>-1,585</b>
<b>Gross profit</b>	<b>667</b>	<b>750</b>	<b>839</b>	<b>926</b>	<b>1,014</b>
Gross margin	44.6%	39.0%	39.0%	39.0%	39.0%
Other gain/losses	292	319	350	394	429
Selling expenses	-20	-29	-32	-36	-31
Admin expenses	-85	-88	-90	-95	-99
Other expenses	-60	-112	-78	-96	-108
<b>Total opex</b>	<b>-165</b>	<b>-229</b>	<b>-201</b>	<b>-227</b>	<b>-238</b>
<b>Operating profit (EBIT)</b>	<b>794</b>	<b>840</b>	<b>988</b>	<b>1,093</b>	<b>1,205</b>
Operating margin	53.0%	43.7%	46.0%	46.0%	46.4%
Interest Income	26	22	22	22	22
Change in FV of CB	0	0	0	0	0
Finance costs	-142	-115	-141	-127	-127
<b>Pre-tax profit</b>	<b>678</b>	<b>748</b>	<b>869</b>	<b>989</b>	<b>1,101</b>
Tax	-86	-117	-137	-173	-193
Minority interests	-24	-10	0	0	0
<b>Net profit</b>	<b>568</b>	<b>620</b>	<b>733</b>	<b>816</b>	<b>908</b>
YoY%	n.a.	+9.2	+18.2	+11.3	+11.3
<b>Adjusted net profit</b>	<b>568</b>	<b>661</b>	<b>733</b>	<b>816</b>	<b>908</b>
YoY%	n.a.	+16.4	+10.8	+11.3	+11.3
Adjusted net margin	37.9%	34.4%	34.1%	34.3%	34.9%
<b>EBITDA</b>	<b>974</b>	<b>1,079</b>	<b>1,247</b>	<b>1,356</b>	<b>1,474</b>
EBITDA margin	62.9%	56.2%	58.0%	57.1%	56.7%
<b>EPS (HK\$)</b>	<b>0.415</b>	<b>0.499</b>	<b>0.533</b>	<b>0.593</b>	<b>0.661</b>
YoY%	+5.7	+20.3	+6.8	+11.3	+11.3
<b>DPS (HK\$)</b>	<b>0.167</b>	<b>0.249</b>	<b>0.267</b>	<b>0.297</b>	<b>0.330</b>

Year Ended Aug	FY21	FY22	FY23E	FY24E	FY25E
<b>Cash Flow (RMB mn)</b>					
<b>EBITDA</b>	<b>936</b>	<b>1,061</b>	<b>1,247</b>	<b>1,356</b>	<b>1,474</b>
Chg in working cap	-217	510	241	114	165
Others	22	8	0	0	0
<b>Operating cash</b>	<b>741</b>	<b>1,578</b>	<b>1,488</b>	<b>1,470</b>	<b>1,639</b>
Interest received	23	18	18	18	18
Tax	-36	-62	-137	-173	-193
<b>Net cash from operations</b>	<b>729</b>	<b>1,534</b>	<b>1,369</b>	<b>1,315</b>	<b>1,465</b>
Capex	-298	-727	-600	-500	-500
Others	-724	-2	0	0	0
<b>Investing cash</b>	<b>-1,022</b>	<b>-729</b>	<b>-600</b>	<b>-500</b>	<b>-500</b>
<b>FCF</b>	<b>-293</b>	<b>805</b>	<b>769</b>	<b>815</b>	<b>965</b>
Issue of shares	207	0	0	0	0
Proceeds/repayment of CB	642	-647	0	0	0
Dividends paid	-150	-297	-310	-366	-408
Interest paid	-153	-182	-155	-141	-127
Net change in loans	87	999	-500	0	0
Acquisitions of MI	-148	-290	0	0	0
Others	-24	-84	0	0	0
<b>Financing cash</b>	<b>461</b>	<b>-500</b>	<b>-965</b>	<b>-508</b>	<b>-535</b>
<b>Net change in cash</b>	<b>168</b>	<b>305</b>	<b>-196</b>	<b>307</b>	<b>430</b>
Exchange rate or other Adj	0	0	0	0	0
Opening cash	608	776	1,081	886	1,193
<b>Closing cash</b>	<b>776</b>	<b>1,081</b>	<b>886</b>	<b>1,193</b>	<b>1,623</b>
<b>CFPS (HK\$)</b>	<b>0.121</b>	<b>0.233</b>	<b>-0.142</b>	<b>0.224</b>	<b>0.313</b>

Source: Company, OP Research

Year Ended Aug	FY21	FY22	FY23E	FY24E	FY25E
<b>Ratios</b>					
Gross margin (%) - blended	44.6	39.0	39.0	39.0	39.0
Operating margin (%)	53.0	43.7	46.0	46.0	46.4
Net margin (%)	37.9	34.4	34.1	34.3	34.9
Selling exp/sales (%)	1.4	1.5	1.5	1.5	1.2
Admin exp/sales (%)	5.7	4.6	4.2	4.0	3.8
Payout ratio (%)	40.8	50.0	50.0	50.0	50.0
Effective tax (%)	12.7	15.7	15.7	17.5	17.5
Total debt/equity (%)	94.0	104.5	78.1	69.8	62.2
Net debt/equity (%)	69.7	70.5	53.5	40.3	26.4
Current ratio (x)	0.5	0.5	0.4	0.5	0.6
Quick ratio (x)	0.5	0.5	0.4	0.5	0.6
Inventory T/O (days)	0	0	0	0	0
AR T/O (days)	26	23	39	39	40
AP T/O (days)	0	0	0	0	0
Cash conversion cycle (days)	26	23	39	39	40
Asset turnover (x)	0.2	0.2	0.2	0.2	0.3
Financial leverage (x)	2.6	2.7	2.7	2.5	2.4
EBIT margin (%)	53.0	43.7	46.0	46.0	46.4
Interest burden (x)	0.9	0.9	0.9	0.9	0.9
Tax burden (x)	0.8	0.9	0.8	0.8	0.8
<b>Return on equity (%)</b>	<b>21.3</b>	<b>21.4</b>	<b>21.6</b>	<b>21.3</b>	<b>21.2</b>

Ended Aug	FY21	FY22	FY23E	FY24E	FY25E
<b>Balance Sheet (RMB mn)</b>					
<b>Net PPE</b>	<b>4,091</b>	<b>4,883</b>	<b>5,312</b>	<b>5,579</b>	<b>5,836</b>
Goodwill	372	752	752	752	752
Intangible assets	62	76	53	37	26
Right-of-use Assets	839	1,110	1,110	1,110	1,110
Other non-current assets	1,226	775	761	747	733
<b>Non-current assets</b>	<b>6,590</b>	<b>7,597</b>	<b>7,989</b>	<b>8,226</b>	<b>8,457</b>
Inventories	0	0	0	0	0
Receivables, prepayments	162	119	230	254	285
Other current assets	404	276	276	276	276
Cash	776	1,081	886	1,193	1,623
<b>Current assets</b>	<b>1,342</b>	<b>1,476</b>	<b>1,391</b>	<b>1,723</b>	<b>2,184</b>
AP	0	0	0	0	0
Accruals & other payables	956	958	958	958	958
Tax	67	80	117	137	173
Bank loans & leases	568	1,130	1,130	1,130	1,130
Contract liabilities	351	973	1,306	1,430	1,591
Convertible bonds	646	0	0	0	0
Other current liabilities	20	23	23	23	23
<b>Current liabilities</b>	<b>2,609</b>	<b>3,163</b>	<b>3,534</b>	<b>3,677</b>	<b>3,874</b>
Bank loans	1,786	2,190	1,690	1,690	1,690
Other non-current liabilities	344	543	543	543	543
<b>Non-current liabilities</b>	<b>2,131</b>	<b>2,733</b>	<b>2,233</b>	<b>2,233</b>	<b>2,233</b>
<b>Total net assets</b>	<b>3,192</b>	<b>3,177</b>	<b>3,613</b>	<b>4,039</b>	<b>4,534</b>
<b>Total Equity</b>	<b>3,192</b>	<b>3,177</b>	<b>3,613</b>	<b>4,039</b>	<b>4,534</b>
<b>Shareholder's equity</b>	<b>3,012</b>	<b>3,177</b>	<b>3,613</b>	<b>4,039</b>	<b>4,534</b>
Share capital	1	1	1	1	1
Reserves	3,011	3,176	3,612	4,038	4,533
NCI	180	0	0	0	0
<b>BVPS (HK\$)</b>	<b>2.32</b>	<b>2.42</b>	<b>2.63</b>	<b>2.94</b>	<b>3.30</b>

## Our recent reports

Date	Company / Sector	Ticker	Title	Rating	Analyst
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
03/08/2022	Xinyi Energy	3868	Flat earnings growth in 1H22, slowing M&A pace due to high prices	BUY	John Siah
01/08/2022	Greentown Mgmt	9979	Impressive growth trajectory in 1H22 despite industry headwinds	BUY	John Siah

## Historical recommendations and target price: New Higher Edu (2001 HK)

(as of 04/26/2023)



	DATE	RATING	TARGET PRICE	CLOSE PRICE
1	15 Jan 2021	BUY	HK\$ 7.20	HK\$ 5.29
2	21 Apr 2021	BUY	HK\$ 7.80	HK\$ 5.08
3	09 Aug 2021	BUY	HK\$ 6.70	HK\$ 4.21
4	06 Dec 2021	BUY	HK\$ 5.30	HK\$ 3.28
5	28 Apr 2022	BUY	HK\$ 4.00	HK\$ 2.55
6	05 Dec 2022	BUY	HK\$ 4.00	HK\$ 2.53
7	27 Apr 2023	BUY	HK\$ 4.80	HK\$ 2.76

## 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

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

### Copyright © 2017 Oriental Patron Financial Group. All Rights Reserved

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

## CONTACT

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

[www.oriental-patron.com.hk](http://www.oriental-patron.com.hk)  
[john.siah@oriental-patron.com.hk](mailto:john.siah@oriental-patron.com.hk)

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