

Other Financial Services

Dec 7, 2009

Goldbond Group (172 HK)

—Unique business model not discovered by the market.
Initiate with a Buy rating, upside potential of 55%

Buy

Initiation of Coverage

Market Data: Dec 4

Closing Price (HKD)	0.72
Price Target (HKD)	1.10
Triple-C	-
HSCEI	13461.55
HSCCI	4122.77
52-week High/Low (HKD)	0.74/0.32
Market Cap (HKD million)	1922.08
Shares Outstanding (million)	2669.56
Exchange Rate (HKD/CNY)	1.134

Price Performance Chart:



Source: Bloomberg

Related Research:

Robert Hu

Financial Analyst
huhp@swsresearch.com

Steven Sun

Financial Analyst

Contact

Vivian Xue

(8621) 63295888 x273
xuehr@swsresearch.com

Financial summary and valuation:

	2007.3	2008.3	2009.3	2010.3E	2011.3E
Revenue (HKD million)	59	227	351	351	424
YOY (%)	49	285	55	0	21
Net income (HKD million)	49	180	149	143	197
YOY (%)	26	267	-17	-4	38
EPS (HKD)	0.029	0.067	0.057	0.054	0.074
Diluted EPS (HKD)	0.029	0.066	0.052	0.054	0.074
BPS (HKD)	0.25	0.40	0.47	0.49	0.52
ROE (%)	12.0	17.4	11.8	10.9	14.3
DPS (HKD)	-	-	0.04	0.04	0.04
Dividend Yield (%)	-	-	5.56	5.21	6.16
P/E (x)	24	9.2	12.7	13.5	9.7
P/B (x)	2.9	1.8	1.5	1.5	1.4

Note: Diluted EPS is calculated if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS. Accounting period of this company is from Mar. to Mar.

Investment Highlight:

- Goldbond Group Holdings Limited is Included as a constituent stock in Morgan Stanley Capital International Global Small Cap Index. Founded in 2003, the Group currently focuses on the SME bridge loans business. The business was first launched in Wuhan in April 2006. Since then, such service has been extended to Chongqing, Chengdu, Jiangsu, Guangzhou, Nanjing and Hangzhou. Since the group owns pawn licenses, it could charge a monthly yield as high as 4% in its loans.
- Given the major business is SME bridge financing service, the SMEs loans demand becomes a key driver for the company. Nowadays in China, SMEs financial needs could not be fully satisfied by the commercial banks. We believe it is a great potential for the group to provide such financial services to SMEs. Also the group will benefit from the central or western area pickup lately since the major exposure is in these areas.
- Given the business model of Goldbond is unique, we use commercial banks focusing on the SMEs as a group of benchmark peers. We believe a target 2010E PE ratio of 15x could be achieved for Goldbond Group. Thus we give out our target price of Goldbond Group as HKD 1.1 and the upside potential is 55%, we initiate Goldbond Group with a Buy Rating.

The company or its affiliate may have equities of the listed corporation reviewed authorized by law. The company may also provide investment banking and consulting service to the listed corporation. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials. The clients shall have a comprehensive understanding of the disclosure in the last page.

投资案件:

公司业务模式: 金榜集团业务收入主要来源于旗下持股 71%的子公司融众集团, 融众集团主要为中小企业提供过桥贷款服务, 银行贷款担保服务。目前公司 85%以上的收入来源于贷款业务, 其余来源于担保业务, 对象为武汉, 长沙, 重庆, 南京等地区的中小企业。由于融众集团拥有典当牌照, 公司可以在对中小企业贷款上收取月息最高为 4%的利息, 折合年息超过 40%。大部分贷款有过桥性质, 普遍的贷款期限在 1 个月至 6 个月。

估值及目标价: 我们参照专注于中小企业业务银行的估值来评估金榜集团。和一般的商业银行不同的是, 金榜集团的贷款抵押物比例更高, 贷款期限更短, 贷款收益率更高, 由于不能吸收存款公司的杠杆较低, 公司所面对的中小企业客户的风险较银行为高。我们预测随着经济的强劲复苏, 明年公司的对外贷款余额将会大幅上升, 有望实现净利润 30%以上的增长, 对应 EPS0.074 港元, 我们给予公司 15 倍的 2010 年 PE, 目标价 1.1 港元, 相对于目前交易价格有 55%的上涨空间。

关键假设点: 2010 年中国经济继续强劲反弹, GDP 增速达到 9.6%。

股价表现的催化剂: 我们预计下一财政年度随着经济的强劲复苏, 公司的对外贷款量有望迅速上升。公司经营模式逐渐被认可, 估值提升。

核心假设风险: 1, 公司目前市值仅约 20 亿港元, 流动性不足。2, 经济复苏低于预期, 资产质量出现问题。

Investment Case

Valuation and Target price

Given the business model of Goldbond is unique, we use commercial banks focusing on the SMEs as a group of benchmark peers. We believe a target 2010E PE ratio of 15x could be achieved for Goldbond Group. Thus we give out our target price of Goldbond Group as HKD 1.1 and the upside potential is 55%, we initiate Goldbond Group with a Buy Rating.

Key assumptions

According to SWS macro dep.'s forecast, China economy will record a robust growth of 9.6% next year brought by a steady investment growth and recovery of export.

How we differ from consensus

1, Strong loans demand from China SMEs will become the key driver for the company. 2, The company could enjoy central and western areas boom up in China. 3, High quality management team differs the company from its peers.

Catalysts for share price performance

1, Substantial Growth in next fiscal year

We estimate it is unlikely for the company to realize a huge bottom line growth owing to management's prudence in offering incremental loans. But substantial growth is expected next fiscal year due to the strong recovery of China economy.

2, High Dividend Yield

Based on current trading price, the dividend yield is around 6%. If the management continues to implement its high dividend payout policy, we believe the company will attract more long term investors due to the high dividend yield.

Risks to central scenario

1, Liquidity Problem

The total market cap of Goldbond Group is around HKD 2 billion. Liquidity will be a problem for such a small cap company.

2, Assets Quality

China economy did not recover as strong as we expected and further affect the assets quality of the company.

Table of Contents

Focus on the SME bridge financing business	4
The key driver for the company is the strong loans demand.	5
Strong loans demand of China SMEs can not be satisfied by commercial banks	5
Wu Han's enterprises will benefit from central area pickup	7
High quality employee and management team differ Goldbond from its peers.....	10
Fund Source creates the main headwind.....	11
Huge growth potential is expected	12
Buy rating with a target price of HKD 1.1	14
What's the difference between Goldbond and normal commercial banks focusing on SMEs business.....	14
Valuation	15
Catalysts	16
Risk.....	16
Appendix I - Company History	17

Chart & Table

Chart 1: Business Mix till Mar. 2008	5
Chart 2: Business Mix till Mar. 2009	5
Chart 3: SMEs contribute 60% of our whole outputs but only get 3% of total loans	6
Chart 4: Most funds owned by SMEs come from their own capital	6
Chart 5: Growth rate of SMEs is much faster than others	7
Chart 6: Urbanization ratio of eastern area has little upside potential	8
Chart 7: Weak export situation	8
Chart 8: FAI growth in central or western areas is much faster	9
Chart 9: Marginal propensity/consumption	9
Chart 10: Growth rate of 2nd hand auto sale	9
Chart 11: GDP growth in different districts (2009)	10
Chart 12: Ideal Pattern of Goldbond Group	12
Chart 13: GDP growth forecast	13
Chart 14: Driven by inner area boom	13
Chart 15: Goldbond Group's History	17
Table 1: Earnings Forecast of Goldbond Group	13
Table 2: Valuation of small sized banks worldwide	15

Focus on the SME bridge financing business

Goldbond Group Holdings Limited is Included as a constituent stock in Morgan Stanley Capital International Global Small Cap Index.

Founded in 2003, the Group currently focuses on the SME bridge loans business. The Group does the bridge financing service through its subsidiary (has a 71% stake) – Rong Zhong Group.

Rongzhong Group first launched the bridge financing service in Wuhan, the PRC, in April 2006. Since then, such service has been extended to Chongqing, Chengdu, Jiangsu, Guangzhou, Nanjing and Hangzhou.

Definition of Bridge Financing Service:

When a corporate applies for bank loans, always there is a time interval between bank permission and getting the loans. Provide that the corporate needs the money immediately, financial institute A will first give the money to the corporate and get paid after it gets the loans. What financial institute A provides is called Bridge Financing Service. **Rong Zhong Group plays as the financial institute A.**

Who need the bridge financing service?

1, In China, loan cannot roll-over upon maturity. Borrower must repay the existing loan with interest upon its maturity first then apply for a new loan. It takes approximately 1 month. Such loan repayment scheme has created a huge demand for working capital bridge financing from SMEs.

2, Management buyout (MBO) of state-owned enterprises

Manager of state-owned enterprise is required to inject funds into the target company before he can be entitled the ownership of the interest in that company. Following the ownership entitlement granted and the registered shares of the targeted enterprise issued to the manager, manager can finance the buyout with commercial bank by pledging the shares of the target enterprises as collateral.

3, Property developer needs to pay up land premium to the Ministry of Land and Resources prior obtaining the land use right. After obtaining the land use right certificate, developer pledges it to bank as collateral to finance the development project.

Rongzhong Group also provides general short term loans to qualified SMEs.

The specialty of Rongzhong Group's financing services:

1, Time length of loans: One month to Six months

2, Target: SMEs

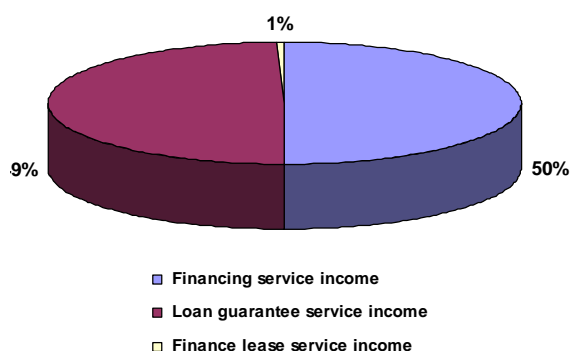
3, Collateral: Most of the collaterals are properties or company shares owned by the SMEs

4: Interest Rate: Rong Zhong Group has several licenses of pawn broking business. **According to the regulations of pawn business, the company could charge a monthly yield as high as 4% (annual yield as high as 40%) on its loans.**

5, location: Currently the major exposure is in Wuhan (above 70%). Next step is in Chongqing, Nanjing and Changsha.

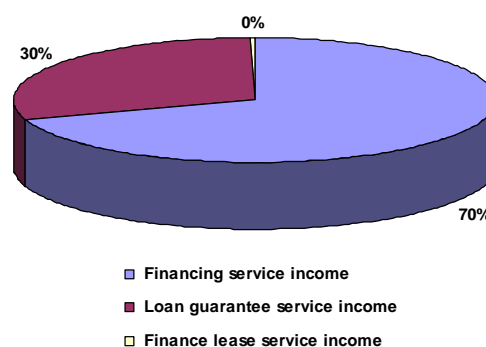
Though Goldbond Group has other business like loan guarantee service and financial lease business, most of the revenue came from bridge financing service. Looking forward, the group will continue turning its focus to the financing service. We believe by the end of this Dec. the percentage of SMEs loans revenue will reach 85%.

Chart 1: Business Mix till Mar. 2008



Source: Company announcement, SWS research

Chart 2: Business Mix till Mar. 2009



Source: Company announcement, SWS research

The key driver for the company is the strong loans demand

Given the major business is SME bridge financing service, the SMEs loans demand becomes a key driver for the company.

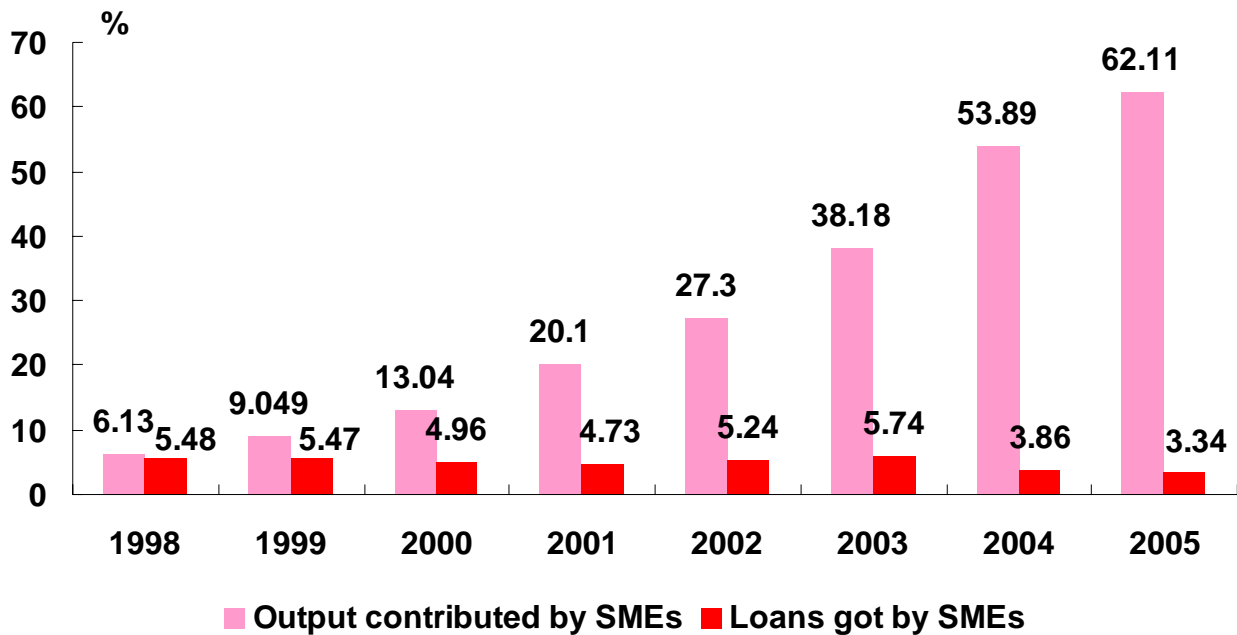
Strong loans demand of China SMEs can not be satisfied by commercial banks

Goldbond provides financing services to SMEs. We believe in the long term loans demand from SMEs will be the key driver for the company.

In China, SMEs financial needs could not be fully satisfied by the commercial banks. Always commercial banks focus on the big enterprises due to

efficiency consideration. Banks need more resources to conduct the SMEs businesses. From chart 3, we will find out that SMEs contribute 60% of our whole outputs but only get 3% of total loans.

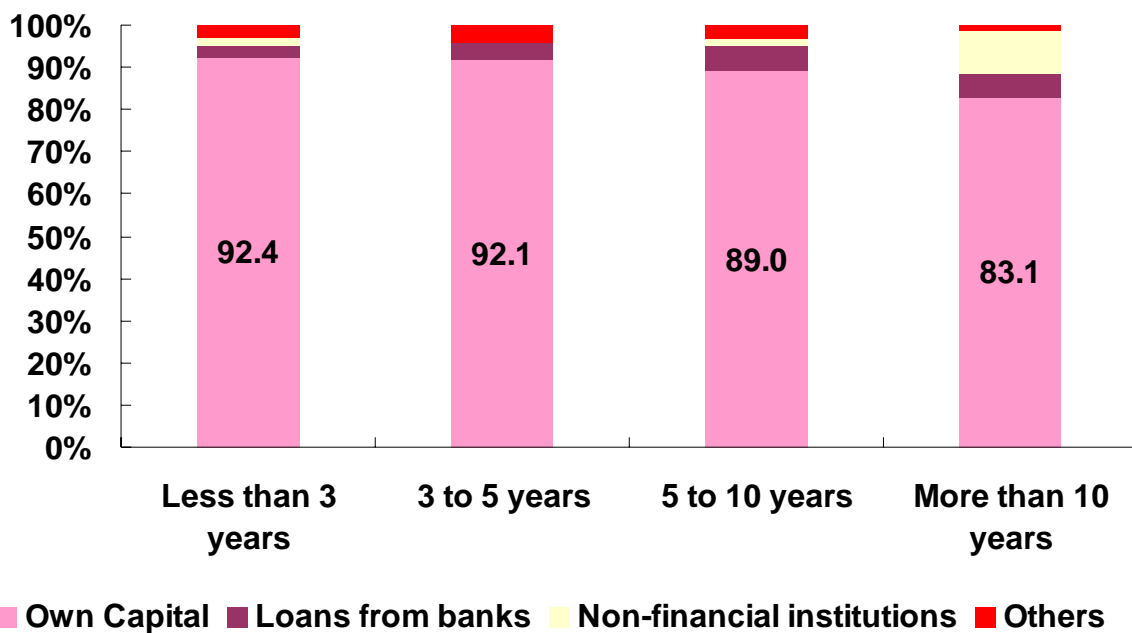
Chart 3: SMEs contribute 60% of our whole outputs but only get 3% of total loans



Source: SWS research

Most funds owned by SMEs come from their own capital.

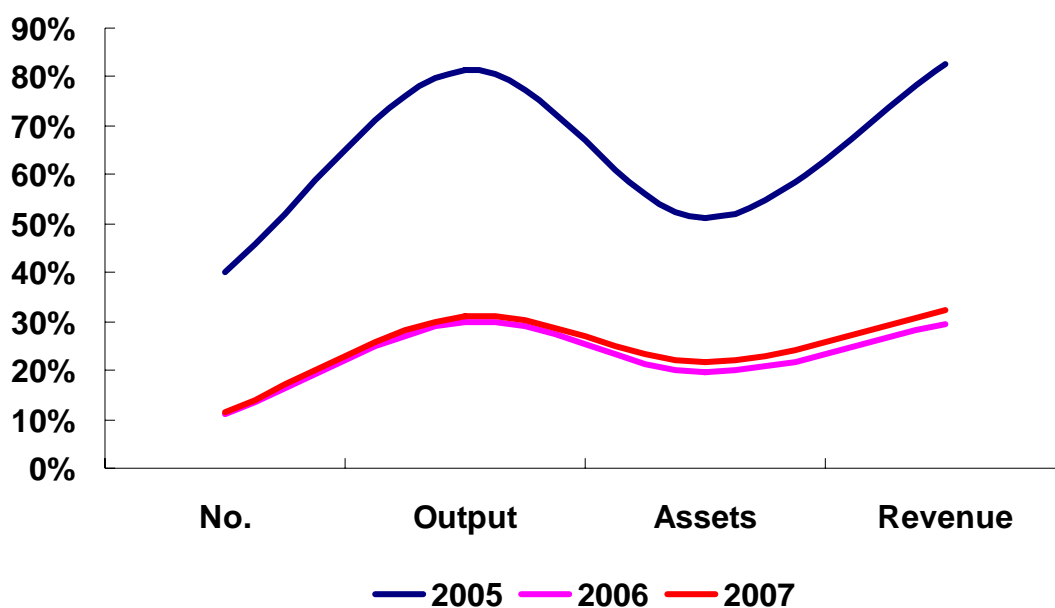
Chart 4: Most funds owned by SMEs come from their own capital



Source: SWS research

There is still a great potential for China SMEs. Growth rate of China SMEs is much faster than the big ones.

Chart 5: Growth rate of SMEs is much faster than others



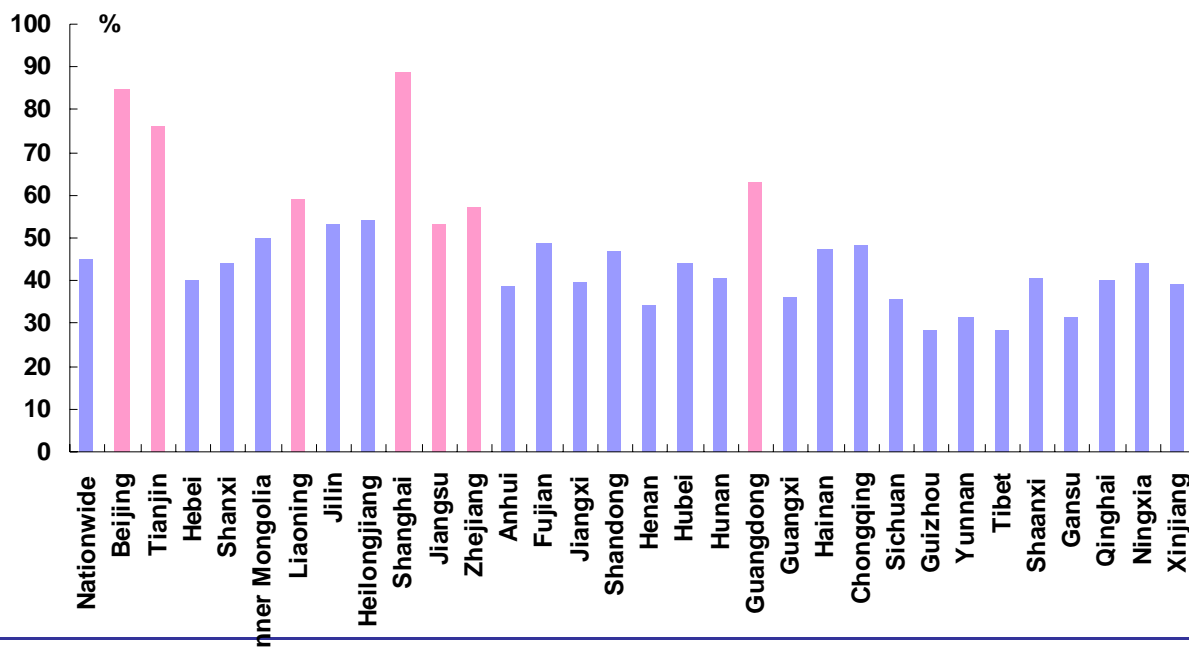
Source: SWS research

Wu Han’s enterprises will benefit from central area pickup

Major businesses of Goldbond Group focus on Wu Han and will develop to districts like Chongqing, Changsha and Nanjing. Except for Nanjing, other cities all located in central or western area of China. We believe these areas are endowed with great potential compared to other areas.

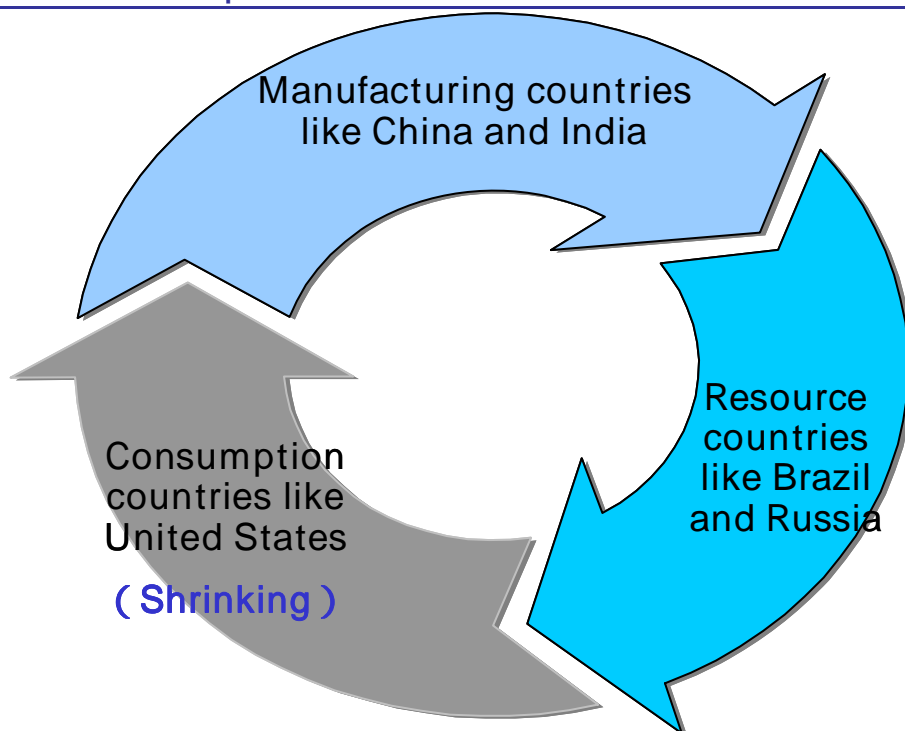
The economy growth of eastern area of China began to decelerate due to high urbanization ratio and weak export.

Chart 6: Urbanization ratio of eastern area has little upside potential



Source: SWS research, CEIC

Chart 7: Weak export situation

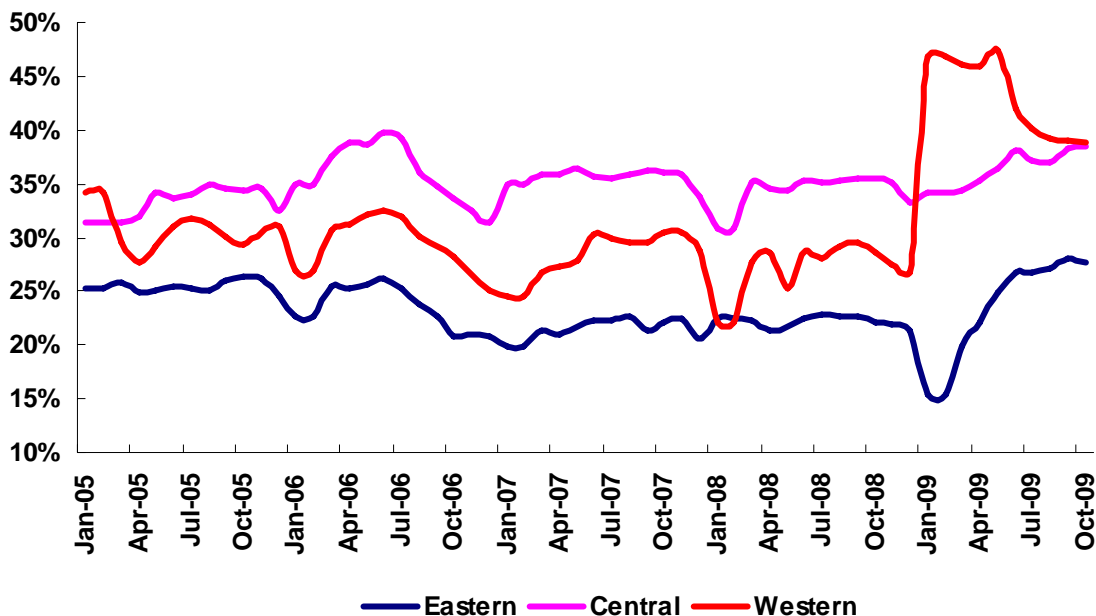


Source: SWS research

Compared to eastern areas, the urbanization rate and income per capita of central or western areas are much lower. Chinese government also tried to stimulate the economy of these areas. They may become the next locomotive of China economy like eastern areas played years ago.

Firstly, industrial relocation is under way. The government put more resources in the central or western areas.

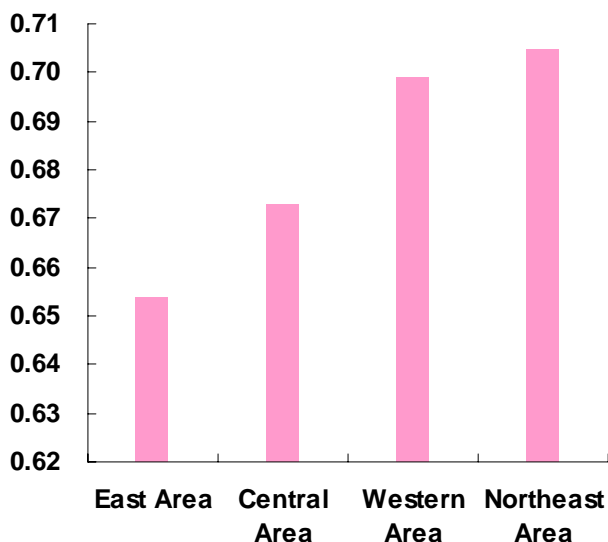
Chart 8: FAI growth in central or western areas is much faster



Source: SWS research, CEIC

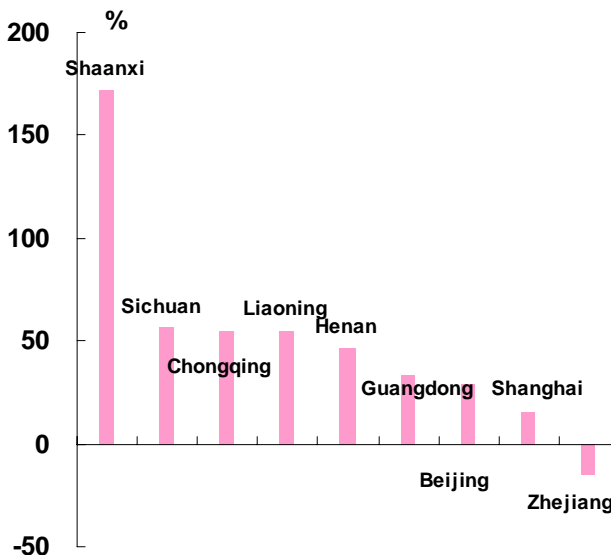
During and after the industrial relocation, consumption of these areas will boom up.

Chart 9: Marginal propensity/consumption



Source: SWS research

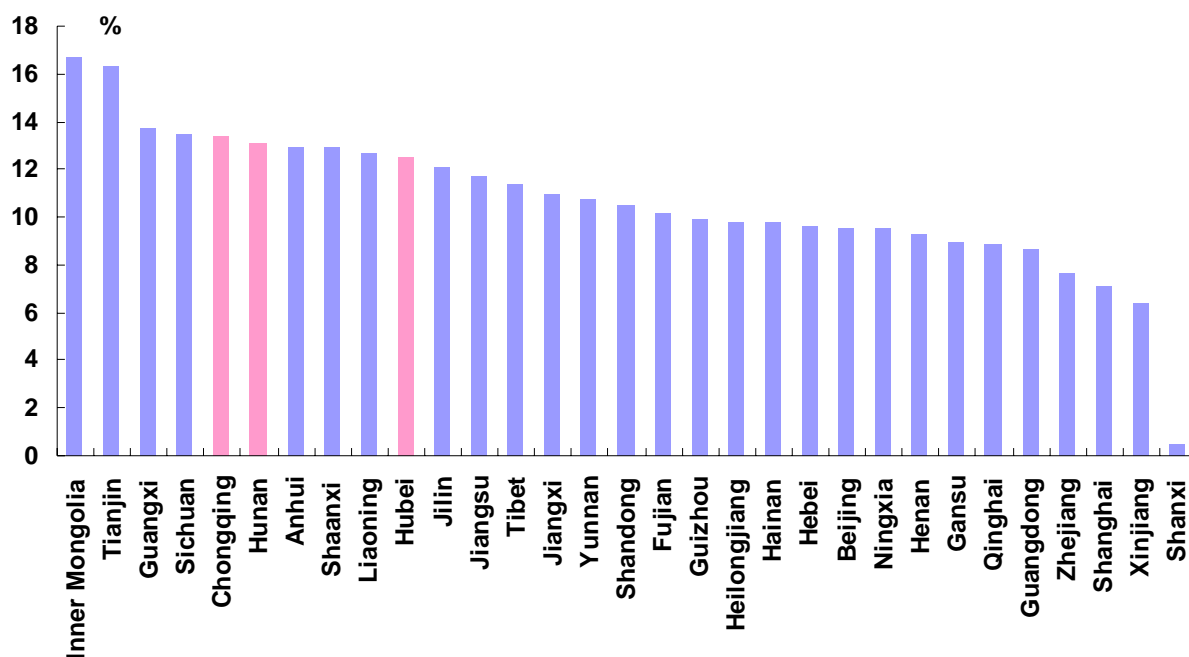
Chart 10: Growth rate of 2nd hand auto sale



Source: SWS research

As a result, the economy of these areas will boom up in the mid term. We have observed this change from the GDP growth of year 2009.

Chart 11: GDP growth in different districts (2009)



Source: SWS research

Note: Strips in pink are the places Goldbond has exposure

High quality employee and management team differ Goldbond from its peers

According to the business model, we find a group of experts is necessary for Goldbond group. Given all the loans last for a really short term, the company needs more projects than normal commercial banks. To do the bridge loans business, the company’s staff must have good relationship with banks. As far as we know, staffs of Rong Zhong group come from different regional offices of China banks. Some of them once were the heads of the branch.

As for the management team, Mr. Wang Jun is the chairman of the company.

Wang Jun: aged 68, is the Chairman and executive Director of the Company since April 2007. He was the former Chairman of CITIC Group in Beijing, Mr. Wang is currently the chairman of CITIC 21CN Company Limited and the independent non-executive director of China Communications Services Corporation Limited, the issued shares of all the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Fund Source creates the main headwind

If the loans demand is strong, what about the loans supply? We believe this will become the major headwind over Goldbond Group. Different from normal commercial banks, Goldbond Group could not absorb individual deposits. The fund will either come from the following ways:

1, Stock market placement

The company issued 268 million new shares at a price of HKD 1.18 in July 2007. Goldbond is not willing to do some placements now since the trading price is relatively low.

2, Bank loans

Currently the company holds a RMB 109 million bank loans in its account. Given China banks are unwilling to issue loans to pawn brokers due to no decent collaterals, it is unlikely for Goldbond to get more loans from commercial banks.

3, Own capital

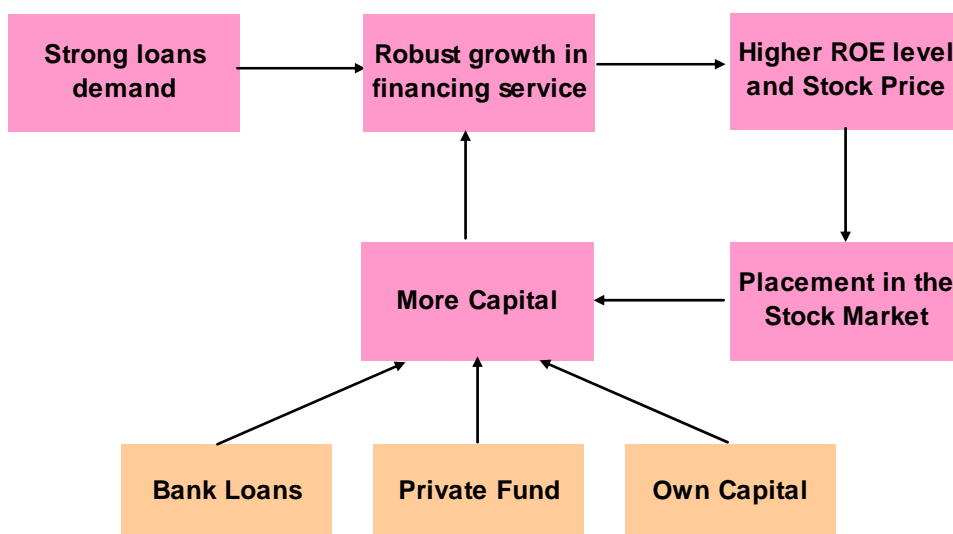
This is a decent way to supplement capital but the total amounts are limited.

4, Establish a private equity fund

Launched in May 2008, Wuhan Rongzhong Growth Fund is a private equity fund seeking opportunities for investment primarily in the PRC where Rongzhong's operating expertise and sector knowledge can guide the strategic direction of its portfolio and create sustainable value. As at 31 March 2009, the fully paid-up capital was approximately RMB183 million in which 27.34% was owned by Rongzhong Group, the manager of the Fund. The Fund became another capital source for the bridge financing services.

We believe the ideal mode for the development of the company will be showed as the following chart.

Chart 12: Ideal Pattern of Goldbond Group



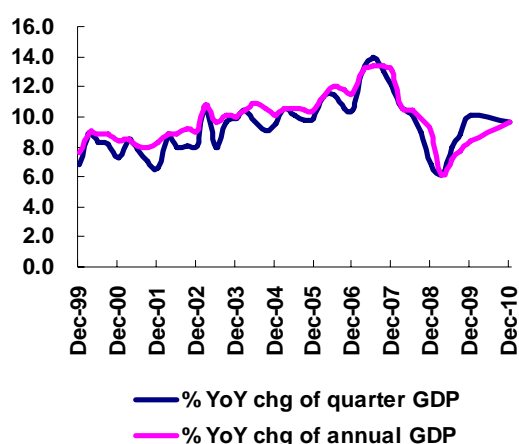
Source: SWS research

Huge growth potential is expected

The future growth potential will be determined by the loans demand, fund source and the management will. Nowadays when we looked back to year 2009, we believe the Group remained prudent in loans releasing. The total amounts of loans outstanding will be close to year 2008's since the situation of SMEs just began to recover. The Group still held around 500 million cash and short term deposits in hand currently.

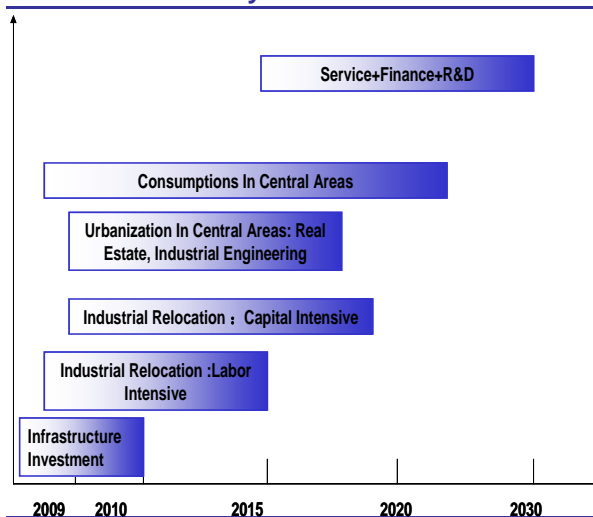
According to SWS macro dep.'s forecast, China economy will record a robust growth next year brought by a steady investment growth and recovery of export.

Chart 13: GDP growth forecast



Source: SWS research

Chart 14: Driven by inner area boom



Source: SWS research

Thus we believe the company is likely to issue more loans next year. In our model, next year the outstanding loans will reach HKD 1 billion. Regarding the rapid loans growth, we estimate revenue will realize a 30% increase.

Table 1: Earnings Forecast of Goldbond Group

HKD '000	2008.3	2009.3	2010.3	2011.3
Continuing operations				
Turnover	226,598	351,128	351,725	424,147
Other income	25,794	29,674	8,000	9,000
Change in fair value of derivative component of convertible note	14,463	15,801	0	0
Gain on disposal of associates	25,364			
Staff costs	(48,131)	(62,519)	(61,552)	(74,226)
Other operating expenses	(56,857)	(108,329)	(88,448)	(75,774)
Share of profits of associates	4,218	7,910	8,209	8,209
Finance costs	(22,569)	(21,963)	(16,037)	(12,637)
Profit before taxation	168,880	211,702	201,897	278,719
Taxation Profit for the year from continuing operations	(12,794)	(45,142)	(40,379)	(55,744)
	156,086	166,560	161,518	222,975
Discontinued operation				
(Loss) profit for the year from discontinued operation	25,330	(169)	0	0
Profit for the year	181,416	166,391	161,518	222,975
Attributable to:				
Equity holders of the Company	180,228	149,404	142,943	197,333
Minority interests	1,188	16,987	18,575	25,642
	181,416	166,391	161,518	222,975
Earnings per share -- Diluted	0.0656	0.0518	0.0535	0.0739
Dividend		106,782	100,060	118,400
Dividend per share		0.0400	0.0375	0.0444
BVPS	0.40	0.47	0.49	0.52
ROE	17.38%	11.82%	10.94%	14.24%
Dividend Yield		5.56%	5.21%	6.16%

Source: SWS research

Buy rating with a target price of HKD 1.1

Given the business model of Goldbond is unique, we use commercial banks focusing on the SMEs as a group of benchmark peers.

What's the difference between Goldbond and normal commercial banks focusing on SMEs business

1, Lower risk due to high collateral ratio

Most loans will be charged at a collateral ratio above 100%. This is higher than normal commercial banks' ratio.

2, Lower risk due to shorter loans duration

Most loans last one month to six months which is much shorter than normal commercial banks'.

3, Higher ROE due to higher margin in loans

The company could charge an annual yield of 40% on these short term financing services. For comparison, normal commercial banks could only charge benchmark interest rate which is around 5%.

4, Lower ROE due to low leverage

The company could not absorb deposits so most funds are company's own capital. The leverage is much lower than normal commercial banks.

5, Higher risk due to the quality of SMEs

The company's clients are ones could not get bank loans or temporarily could not get. Thus we believe the quality of company's clients is a bit worse than the clients of normal commercial banks'.

As a whole, we believe the valuation of Goldbond Group could be close to small commercial banks or even higher attribute to a higher long term ROE level.

Valuation

Table 2: Valuation of small sized banks worldwide

	PE			PB		
	2008Y	2009E	2010E	2008Y	2009E	2010E
China						
BANK OF NINGBO CO LTD -A	28.28	28.06	22.08	4.48	4.08	3.59
HK						
WING HANG BANK LIMITED	19.21	19.45	14.77	2.24	2.06	1.90
DAH SING FINANCIAL	21.44	15.60	10.13	1.09	1.08	0.99
Other Asia						
HDFC BANK LIMITED	34.47	37.34	27.61	5.03	5.52	3.95
ICICI BANK LTD	20.36	-	23.98	1.71	-	1.93
KOTAK MAHINDRA BANK LTD	24.56	45.46	26.08	4.23	4.56	3.66
PUNJAB NATIONAL BANK	12.51	11.19	8.08	2.05	2.40	1.83
BANGKOK BANK PUBLIC CO LTD	11.42	10.83	9.48	1.27	1.13	1.03
KASIKORNBANK PCL	13.49	14.13	11.60	1.89	1.63	1.49
America						
VIRGINIA COMMERCE BANCORP	8.43	-	-	0.53	0.72	0.80
PEOPLES BANCORP INC	14.21	27.82	12.15	-	0.48	0.47
BANK OF NOVA SCOTIA	14.78	13.76	13.57	2.90	2.26	2.09
Europe						
SANDNES SPAREBANK	-	15.30	11.01	0.74	0.57	0.55
TURKIYE VAKIFLAR BANKASI T-D	14.49	8.55	8.17	1.98	1.42	1.24
BANCA CARIGE SPA	18.98	19.56	17.16	1.19	0.93	0.90
PIRAEUS BANK S.A.	7.31	14.26	11.76	1.16	1.06	1.00
	ROE(%)			DIVIDEND YIELD(%)		
	2008Y	2009E	2010E	2008Y	2009E	2010E
China						
BANK OF NINGBO CO LTD -A	16.21	15.01	16.16	1.88	1.19	1.38
HK						
WING HANG BANK LIMITED	11.69	10.91	13.24	2.49	1.64	2.73
DAH SING FINANCIAL	3.68	7.64	10.03	2.38	2.14	3.57
Other Asia						
HDFC BANK LIMITED	18.51	16.33	16.15	0.58	0.53	0.68
ICICI BANK LTD	12.27	-	7.96	1.54	1.17	1.32
KOTAK MAHINDRA BANK LTD	21.96	10.59	14.89	0.18	0.13	0.16
PUNJAB NATIONAL BANK	16.17	21.95	23.65	1.40	1.42	2.27
BANGKOK BANK PUBLIC CO LTD	11.53	10.81	11.41	2.63	2.77	3.11
KASIKORNBANK PCL	14.66	12.16	13.40	2.34	2.43	2.89
America						
VIRGINIA COMMERCE BANCORP	6.92	-19.53	-4.47	-	-	-
PEOPLES BANCORP INC	-	1.71	3.99	-	6.88	4.17
BANK OF NOVA SCOTIA	21.20	17.84	16.92	3.38	3.98	3.98
Europe						
SANDNES SPAREBANK	-0.87	3.83	5.09	3.11	-	2.50
TURKIYE VAKIFLAR BANKASI T-D	14.77	17.88	15.38	0.99	0.93	1.70
BANCA CARIGE SPA	5.80	5.05	5.75	3.75	3.68	4.30
PIRAEUS BANK S.A.	17.52	7.09	7.85	3.31	0.89	2.07

Source: Bloomberg

We believe a target 2010E PE ratio of 15x could be achieved for Goldbond Group. Thus we give out our target price of Goldbond Group as HKD 1.1.

Given the upside potential is 55%, we initiate Goldbond Group with a Buy Rating.

Catalysts

1, Substantial Growth in next fiscal year

We estimate it is unlikely for the company to realize a huge bottom line growth owing to management's prudence in offering incremental loans. But substantial growth is expected next fiscal year due to the strong recovery of China economy.

2, High Dividend Yield

Based on current trading price, the dividend yield is around 6%. If the management continues to implement its high dividend payout policy, we believe the company will attract more long term investors due to the high dividend yield.

Risk

1, Liquidity Problem

The total market cap of Goldbond Group is around HKD 2 billion. Liquidity will be a problem for such a small cap company.

2, Assets Quality

China economy did not recover as strong as we expected and further affect the assets quality of the company.

Appendix I - Company History

Chart 15: Goldbond Group's History

2003	Jan	: Change of substantial shareholders of the Company
	May	: Changed Company's name to Goldbond Group Holdings Limited
	Dec	: Acquired 25% interests in Nanjing City Plaza
2004	Nov	: Acquired 40% interests in Rongzhong, a platform of loan guarantee business in the PRC
	Nov	: Acquired 20% interests in Goldbond Capital
2005	Jul	: Further acquired 11% interests in Rongzhong, becoming a 51% owned subsidiary of the Company
2006	Apr	: Launched bridge financing service in Wuhan through Rongzhong
2007	Feb	: Disposed of Golden Plaza in Hong Kong at approximately HK\$530 million
	Mar	: Disposed of 25% interests in Nanjing City Plaza at approximately HK\$125 million
	Apr	: Appointed Mr. Wang Jun as Chairman
	Jul	: Disposed of 20% interests in Goldbond Capital at approximately US\$10.25 million (equivalent to approximately HK\$80 million)
	Aug	: Acquired additional 20% interests in Rongzhong, resulting a 71% owned subsidiary of the Company
	Sept	: Granted RMB115 million 3-year project finance facility to a Zhuhai Property Developer at an annual return over 33%
2008	Oct	: Launched bridge financing service in Chengdu, Chongqing and Jiangsu
	Apr	: Obtained the wholly foreign owned leasing license from Ministry of Commerce of the PRC
	May	: Launched a private equity fund in the PRC
2009	Dec	: Formed a subsidiary in Taizhou to capture the potential business and investment opportunities in the region of Yangtze River Delta
	May	: Launched bridge financing service in Guangzhou
	May	: Included as a constituent stock in Morgan Stanley Capital International Global Small Cap Index

Source: SWS research

Information Disclosure:

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst
Robert Hu: Equity Analyst

I am conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China or have equivalent professional competence. I issue this report independently and objectively with due diligence. This report distinctly and accurately reflects my research opinions. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Information Disclosure with respect to the Company

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials.

Introduction of Share Investment Rating

Security Investment Rating:

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Buy: with a markup more than 20% better than that of the market;

Outperform: With a markup 5% to 20% better than that of the market;

Neutral: with a markup less than 5% better or worse than that of the market;

Underperform: with a markup more than 5% worse than that of the market.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight: Industry performs better than that of the whole market;

Neutral: Industry performs about the same as that of the whole market;

Underweight: Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

Triple-C Index is the benchmark employed in this report.

Disclaimer:

This report is to be used solely by the clients of SWS Research Co., Ltd. (hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on published information which the Company believes to be reliable, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Neither this report nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions or distributed, directly or indirectly, in the United States of America, its territories or possessions or to any U.S. person (Within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended). Any failure to comply with this restriction may constitute a violation of U.S. securities laws. Neither this report nor any copy of it may be taken or transmitted into Canada. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report the clients agree to be bound by the foregoing limitations.