

04 March 2015

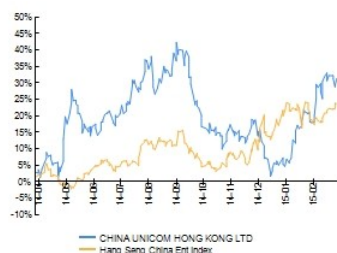
## 减持

## 下调

### Market Data: 03 Mar

Closing Price (HK\$)	12.38
Price Target (HK\$)	11.00
HSCEI	11,945
HSCCI	4,628
52-week High/Low (HK\$)	14.22/9.03
Market Cap (US\$m)	39,653
Market Cap (HK\$m)	307,479
Shares Outstanding (m)	23,947
Exchange Rate (Rmb-HK\$)	1.26

### Price Performance Chart:



Source: Bloomberg

### Analyst

Ashley Sheng

A0230512080002 BBS394

### Research Associate

Xiaolei Qiu A0230114030001

BDH009

qiuxl@swsresearch.com

(+86) 21 23297818x7707

### Related Reports

"CHINA UNICOM HONG KONG  
(762:HK)- Result coverage" Mar  
3,2014

"CHINA UNICOM HONG KONG

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

## 年报点评：预计网络刚性费用和资本开支增加，下调至减持中国联通 (762:HK)

### Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	295,038	284,681	275,922	275,160	276,871
YoY (%)	18.5	-3.5	-3.1	-0.3	0.6
Net income (Rmbm)	10,408	12,055	13,962	17,336	20,368
YoY (%)	46.7	15.8	15.8	24.2	17.5
EPS (Rmb)	0.44	0.51	0.59	0.74	0.86
Diluted EPS (Rmb)	0.42	0.49	0.57	0.70	0.83
ROE (%)	4.75	5.48	5.92	7.83	9.36
Debt/asset (%)	58.63	59.09	57.78	61.64	62.45
Dividend yield (%)	24.11	24.33	24.64	24.36	24.44
PE (x)	22.25	19.21	16.58	13.36	11.37
PB (x)	1.06	1.05	0.98	1.05	1.06
EV/Ebitda (x)	3.80	3.48	3.18	3.07	2.95

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

### 投资要点：

● **年报低于市场一致预期。**中国联通公布了 2014 年收入为人民币 2847 亿元（申万宏源预期 2748 亿元，彭博一致预期 2868 亿元），其中 4 季度收入为人民币 694 亿元（同比下滑 7.4%），主要原因是营改增和营销方式转变对 ARPU 的负面影响。14 年全年净利润为人民币 121 亿元（申万宏源预期 121 亿元，彭博一致预期 129 亿元），其中 4 季度净利润预计为人民币 15 亿元（同比下滑 25%），主要原因是营改增负面影响和网络相关刚性费用增加。

● **激进的资本开支指引。**考虑到铁塔公司共享共建对于资本开支的节约部分，管理层指引了 15 年资本开支为人民币 1000 亿元。这超过了我们之前对资本开支 900 亿元的估计，和市场的一致预期。借助激进的资本开支和铁塔公司的支持，联通计划建设一张覆盖全国 95% 人口和大部分行政村的移动宽带(3G/4G)一体化网络。我们预计网络相关的费用，例如折旧，运维支持将持续增长。而营销费用和话费补贴预计将是费用中唯一够压缩的部分。

● **新定义移动宽带用户。**15 年联通发展方式正从增量扩展为主转向调整存量、做优增量并存的深度调整，需更加理性关注量质并重，量收平衡。管理层介绍，联通移动宽带用户划分是按照用户实际使用的套餐，并不考虑终端或网络，换言之用户使用 2G 手机和 2G 网络，只要订购了 4G 套餐即被认为 4G 用户。公司鼓励 2G/3G 终端、网络的用户仍然能升级为资费更加优惠实用的 4G 套餐，因此我们上调了全年净增移动宽带用户数到 7000 万，主要来自于存量 2G 用户。考虑到监管部门对于实名制的要求，非实名制的卡在宽限期后可能会被停止服务计入离网用户，对净增移动用户数造成压力，我们维持全年净增移动用户数 1000 万的估计。

● **下调至减持评级。**考虑到激进的资本开支和网络刚性费用有所提升，我们下调 15E EPS 从人民币 0.62 到 0.59 元（同比增加 15.8%），下调 16E EPS 从人民币 0.80 元到 0.74 元（同比增加 +24.2%），并预计 17E EPS 为 0.86 元（同比增加 17.5%）。我们将目标价从港币 12.0 元下调至港币 11.0 元，对应 14.6 倍 15 年 PE 和 11.6 倍 16 年 PE。相比上个交易日收盘价港币 12.38 元有 11% 的下行空间，我们从持有下调到减持评级。

### Valuation table

Company	Code	Rating	Target price (HK\$)	+/- (%)	PE (x)			PB (x)		
					15E	16E	17E	15E	16E	17E
China Unicom	762 HK	U-PF	11.0	-11%	16.6	13.4	11.4	1.0	1.1	1.1

Source: SWS Research

**Results miss as expected.** China Unicom reported 2014 full-year revenue of Rmb284.7bn (SWS forecast Rmb274.8bn vs Bloomberg consensus of Rmb286.8bn) and full-year net profit of Rmb12.1bn (SWS Rmb12.1bn vs Bloomberg consensus Rmb12.9bn). The lower than consensus revenue was primarily due to VAT reform, the company's shift in marketing from subsidising handsets to subsidised tariff rates and China Mobile's (941:HK) aggressive 4G migration which dragged down data service industry unit rates. We expect the subsidised tariff rate to be a common way for solicitation. Lower than consensus net income was mainly due to the combined impacts of both VAT reform and growing network-related expenses.

**Aggressive Capex guidance.** Considering the benefits from its tower sharing JV, the company guided c.Rmb100bn (exceeding our estimate of Rmb90bn) Capex in 2015. China Unicom plans to build a mobile broadband network covering c.95% of the nation's population. We expect the network related expenses (including depreciation, network operation & support) to continue to increase YoY.

**New definition of mobile broadband subscriber.** According to management, the company will focus on both service quality and revenue efficiency in 2015. In addition, management will define any user subscribing to a mobile broadband tariff package as a mobile broadband sub (including 2G handset terminals and 2G networks). We revise up our mobile broadband sub net add forecasts to 70m in 2014 and maintain mobile sub net add forecasts of 10m, since the real name registration process would cancel the services of some anonymous mobile subs.

**Average revenue per user (Arpu) contraction.** Blended Arpu continued to fall in 2014 from Rmb47.6 in 1Q14, Rmb46.4 in 2Q14, Rmb42.5 in 3Q14 and Rmb40.3 in 4Q14, while mobile broadband Arpu fell from Rmb70.3 in 1Q14, Rmb67.2 in 2Q14, Rmb60.3 in 3Q14 and Rmb57.6 in 4Q14 and 2G mobile Arpu declined from Rmb23.0 in 1Q14, Rmb22.3 in 2Q14, Rmb22.7 in 3Q14 and Rmb20.5 in 4Q14. We believe China Unicom's flexible definition of mobile broadband user will encourage more 2G subs with relatively low Arpu to mobile broadband services with higher tariffs, partially offsetting the rapidly declining Arpu for each group.

**Downgrade to Underperform.** Considering the revised Capex forecast and increased network related expenses, we revise down our EPS forecasts from Rmb0.62 to Rmb0.59 (+15.8% YoY) in 15E and from Rmb0.80 to Rmb0.74 (+24.2% YoY) in 16E, and expect EPS of Rmb0.86 (+17.5% YoY) in 17E. We revise down our target price from HK\$12.0 to HK\$11.0, representing 14.6x 15E and 11.6x 16E PE. With 11.1% downside, we downgrade our rating from Hold to Underperform.

# APPENDIX

**Table 1: Consolidated Income Statement**

Rmbm	2013	2014	2015E	2016E	2017E
<b>Revenue</b>	295,038	284,681	275,922	275,160	276,871
<b>Cost of Sales</b>	217,307	204,367	201,273	199,162	201,552
<b>Gross Profit</b>	77,731	80,314	74,650	75,999	75,319
<b>Other Income</b>	887	1,362	1,213	1,118	1,222
Distribution expenses	42,991	40,191	34,164	30,748	29,210
Administrative expenses	18,973	21,220	19,590	19,949	21,596
<b>EBITDA</b>	83,963	92,771	102,098	108,224	108,925
EBIT	15,767	18,903	20,895	25,302	24,513
Finance Costs	2,940	4,334	3,582	3,501	0
<b>Profit before tax</b>	13,714	15,931	18,526	22,919	25,735
Income tax expense	3,306	3,876	4,564	5,582	5,367
Minority interests	-	-	-	-	-
<b>Profit for the year</b>	10,408	12,055	13,962	17,336	20,368

Source: SWS Research

**Table 2: Consolidated Cash Flow Statement**

Rmbm	2013	2014	2015E	2016E	2017E
<b>Profit before taxation</b>	13,714	15,931	18,526	22,919	21,957
Plus : Depr. and amortisation	68,196	73,868	81,203	82,922	84,412
Finance cost	2,963	3,328	3,329	3,329	3,329
Losses from investments	-	-	-	-	-
Change in working capital	(2,263)	11,404	(30,561)	(210)	795
Others	(4,128)	(7,806)	(9,709)	(10,224)	(10,246)
<b>CF from operating activities</b>	78,482	96,725	62,788	98,736	100,247
CAPEX	77,264	81,896	72,054	96,529	80,902
Other CF from investing activities	154	198	42	140	140
<b>CF from investing activities</b>	(77,110)	(81,698)	(72,012)	(96,389)	(80,762)
Equity financing	1,102	-	-	-	-
Net change in liabilities	17,166	16,789	24,502	32,203	4,206
Dividend and interest paid	(2,686)	(4,822)	(5,585)	(6,935)	(6,636)
Other CF from financing activities	-	-	-	-	-
<b>CF from financing activities</b>	15,582	11,967	18,917	25,268	(2,430)
<b>Net cash flow</b>	16,954	26,994	9,693	27,616	17,055
FCFF	155,658	182,195	139,027	198,960	185,255
FCFE	169,861	195,656	160,200	227,834	186,132

Source: SWS Research

**Table 3: Consolidated Balance Sheet**

Rmbm	2013	2014	2015E	2016E	2017E
Current Assets	52,210	56,574	63,043	84,775	96,207
Bank balances and cash	21,506	25,308	33,811	55,543	66,714
Trade and other receivables	25,103	26,820	23,470	23,405	23,551
Inventories	5,536	4,378	5,518	5,503	5,537
Other current assets	-	-	-	-	-
Long-term investment	27,793	28,943	26,032	26,078	26,298
PP&E	342,066	345,463	365,480	353,450	336,221
Intangible and other assets	2,771	2,771	2,771	2,771	2,771
<b>Total Assets</b>	<b>529,171</b>	<b>537,371</b>	<b>558,806</b>	<b>576,867</b>	<b>579,602</b>
Current Liabilities	295,239	291,920	316,980	348,908	354,486
Borrowings	94,422	91,503	122,000	150,000	150,000
Trade and other payables	159,367	173,829	138,375	137,993	138,851
Other current liabilities	38,816	25,122	54,398	58,713	63,420
Long-term liabilities	15,007	25,594	5,825	6,605	7,386
<b>Total Liabilities</b>	<b>310,272</b>	<b>317,531</b>	<b>322,858</b>	<b>355,582</b>	<b>361,958</b>
Minority Interests	-	-	-	-	-
Equity attributable					
Share Capital	2,328	179,101	177,515	177,515	177,515
Reserves	155,754	(19,482)	(15,931)	(14,197)	(12,538)
Retained profit	60,817	67,922	71,507	80,175	88,471
<b>Total Liabilities and equity</b>	<b>529,171</b>	<b>545,072</b>	<b>555,949</b>	<b>599,074</b>	<b>615,405</b>

Source: SWS Research

**Table 4: Key Financial Ratios**

	2013	2014	2015E	2016E	2017E
<b>Ratios per share (yuan)</b>					
Earnings per share	0.44	0.51	0.59	0.74	0.86
Diluted EPS	0.42	0.49	0.57	0.70	0.83
Operating CF per share	3.33	4.10	2.66	4.19	4.25
Dividend per share	0.18	0.20	0.24	0.29	0.28
Net assets per share	9.29	9.33	10.01	9.39	9.24
<b>Key Operating Ratios(%)</b>					
ROIC	6.71	7.58	7.07	8.86	9.42
ROE	4.75	5.48	5.92	7.83	9.36
Gross profit margin	26.35	28.21	27.05	27.62	27.20
EBITDA Margin	28.46	32.59	37.00	39.33	39.34
EBIT Margin	5.34	6.64	7.57	9.20	8.85
Growth rate of Revenue(YoY)	18.52	(3.51)	(3.08)	(0.28)	0.62
Growth rate of Profit(YoY)	46.67	15.82	15.82	24.17	17.49
Debt-to-asset ratio	58.63	59.09	57.78	61.64	62.45
Turnover rate of net assets	1.35	1.25	1.18	1.13	1.09
Turnover rate of total assets	1.79	1.89	2.03	2.10	2.09
Effective tax rate (%)	24.11	24.33	24.64	24.36	24.44
Dividend yield (%)	1.80	2.08	2.41	3.00	2.87
<b>Valuation Ratios (X)</b>					
P/E	22.25	19.21	16.58	13.36	11.37
P/B	1.06	1.05	0.98	1.05	1.06
EV/EBITDA	3.80	3.48	3.18	3.07	2.95

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

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

### Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact [compliance@swsresearch.com](mailto:compliance@swsresearch.com) for the relevant disclosure materials or log into [www.swsresearch.com](http://www.swsresearch.com) for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

### 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:

Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

#### 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 ;

Equal weight : 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.

HSCEI is the benchmark employed in this report.

## Disclaimer :

This report is to be used solely by the clients of SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities, 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 public information, 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.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

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 clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. 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. Please be particularly cautious to the risks and exposures of the market via investment.

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 which shall be treated as non-public information. 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.

## Disclaimer

This report was prepared, approved, published and distributed by the SWS Research Co., Ltd ( subsidiary of Shenwan Hongyuan Securities ) located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by Enclave Capital LLC, a U.S. registered broker dealer, on behalf of SWS Research Co., Ltd only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital LLC (19 West 44th Street, suite 1700, New York, NY 10036).

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

The information has been compiled or arrived from sources believed to be reliable and in good faith, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. SWS Research Co., Ltd has not verified the factual accuracy, assumptions, calculations or completeness of the information. Accordingly, SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) accepts no liability whatsoever for any direct or consequential loss or damage arising from (i) the use of this communication (ii) reliance of any information contained herein, (iii) any error, omission or inaccuracy in any such Information or (iv) any action resulting there from. SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) provides the information for the purpose of the intended recipient's analysis and review. Accordingly you are advised to verify the factual accuracy, assumptions, calculations or completeness of the information.

## Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

## Important US Regulatory Disclosures on Subject Companies

This material was produced by SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by Enclave Capital LLC and elsewhere in the world by SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or an authorized affiliate of SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ). This document does not constitute an offer of, or an invitation by or on behalf of SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its Affiliates consider to be reliable. None of SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

1. SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report.
2. SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its Affiliates have not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its Affiliates have not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more person of SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients.
5. As of the publication of this report Enclave Capital LLC, does not make a market in the subject securities.
6. SWS Research Co., Ltd. ( subsidiary of Shenwan Hongyuan Securities ) or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report

## Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenyin Wanguo Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.