

## Technology Sector

### Fund raising season



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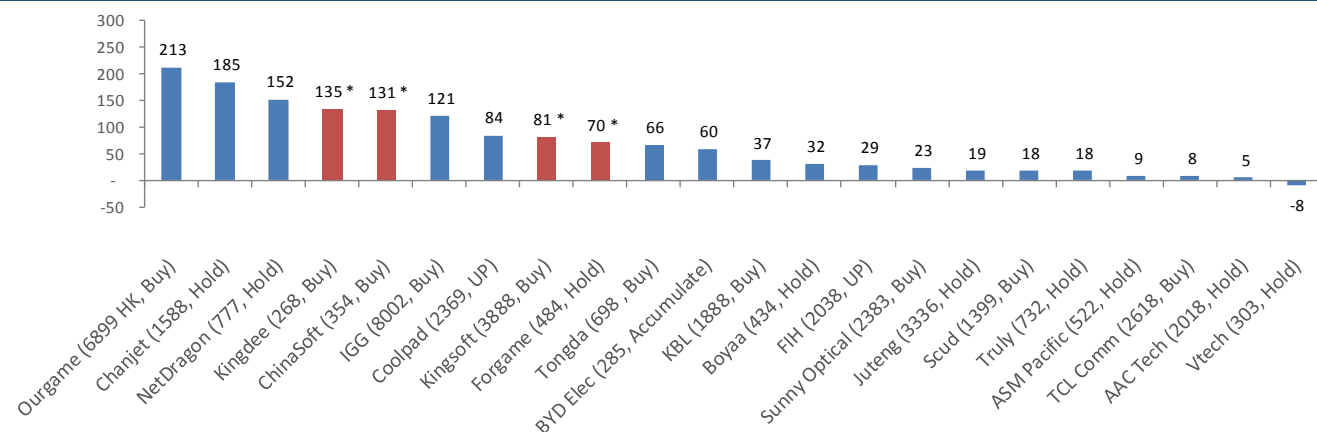
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**US\$1.56bn share placement by Alibaba Picture at a deep discount** After the strong market rally in April, companies have been seizing the opportunity to raise fresh capital in May and June. **Alibaba Pictures** (1060 HK) is the latest company to raise capital. On Jun 4, the company tapped the market for HK\$12.2bn (US\$1.56bn), issuing 4.2bn shares at HK\$2.9, a deep discount of ~20% to the last closing price. Shares in Alibaba Pictures have surged over 150% YTD and its market cap has reached US\$9.6bn, matching that of industry leader **Huayi Brothers** (300027 CH), at US\$9.3bn, which is currently trading at 56x 2015E P/E. The two companies far exceed that of **TVB** (511 HK) which has a market cap of US\$2.6bn. Alibaba Pictures intends to use the net proceeds from the share placement as general working capital and to finance potential acquisitions of media-related businesses in the future. However, the company has not identified any specific acquisition targets at present.

**Who else has raised funds recently?** Other companies that have raised fresh capital recently include **Kingsoft** (3888 HK), to develop its cloud computing business, **ChinaSoft** (354 HK), **Kingdee** (268 HK) to prepare for potential acquisitions, **BYD** (1211 HK) to expand their li-on ferrous battery and new energy vehicles businesses, and **Forgame** (484 HK) to prepare for future acquisitions of domestic internet businesses and international game-related businesses (see fig 2 for summary).

**Who's next?** For investors, it is undesirable to buy a stock and then discover the company is selling new shares at a big discount. We have screened through our coverage, over half of which has seen a share price surge of over 50% YTD (see fig 1). We believe the following companies could potentially issue new shares: hardware sector - **Coolpad** (2369 HK) and **Tongda** (698 HK); gaming and software sector - **Ourgame** (6899 HK), **Chanjet** (1588 HK), **NetDragon** (777 HK), **IGG** (8002 HK).

**Figure 1: Stocks under our coverage that have raised funds recently (marked in red and asterisk) (% YTD share price change)**



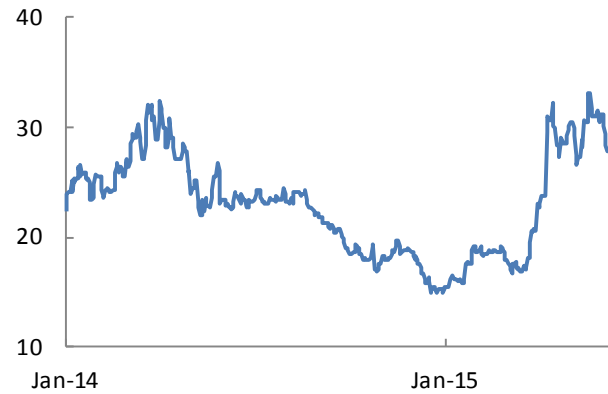
Source: Bloomberg, UP = Underperform (as of Jun 5, 2015)

Figure 2: Alibaba Pictures (1060 HK) share price chart (HK\$)



Source: Bloomberg

Figure 3: Kingsoft (3888 HK) share price chart (HK\$)



Source: Bloomberg

Figure 4: Monthly share price performance (rolling twelve month) (% change)

Date	Company	Stock code	Share placement	Amount (HK\$ bn)	Discount to last closing pricing	Remarks	Placing agents
4-Jun-15	Alibaba Picture	1060 HK	4.2bn shares @ HK\$2.9	12.2	19.9%	New funds for potential acquisitions of media-related businesses	Morgan Stanley/Credit Suisse
4-Jun-15	Kingsoft	3888 HK	100m shares @HK\$27.4	2.7	6.5%	80% for cloud business/20% for general working capital	Morgan Stanley/JP Morgan
4-Jun-15	BYD	1211 HK 002594 CH	261m A-shares @Rmb57.4	18.6	24.5%	Rmb6bn for battery expansion, Rmb5bn for new energy vehicles, Rmb4bn for working capital and repaying bank loans	
22-May-15	Forgame	484 HK	18m shares @HK\$16.50	0.3	6.9%	New funds for potential acquisitions of domestic internet related business/international game-related business	BoCom Int'l
18-May-15	Kingdee	268 HK	289m shares @HK\$4.6	1.3	10.0%	Placement to JD.com; new funds to prepare for potential acquisitions	N/A
4-May-15	ChinaSoft	354 HK	50m shares @HK\$3.68	0.2	16.9%	HK\$100m to develop supply chain financing with BoCOM, others for JointForce platform, internet financing business	BoCom Int'l

Source: GF Securities (HK)

## Rating Definitions

Benchmark: Hong Kong Hang Seng Index

Time horizon: 12 months

### Company ratings

<b>Buy</b>	Stock expected to outperform benchmark by more than 15%
<b>Accumulate</b>	Stock expected to outperform benchmark by more than 5% but not more than 15%
<b>Hold</b>	Expected stock relative performance ranges between -5% and 5%
<b>Underperform</b>	Stock expected to underperform benchmark by more than 5%

### Sector ratings

<b>Positive</b>	Sector expected to outperform benchmark by more than 10%
<b>Neutral</b>	Expected sector relative performance ranges between -10% and 10%
<b>Cautious</b>	Sector expected to underperform benchmark by more than 10%

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