

Pain and gain

Why the Greentown acquisition is a good deal

Value of Greentown: enhancement of ~20% NAV

Our analysis of Greentown's (3900 HK, Buy) landbank ([Deep dive into Greentown's landbank](#), dated 17 June) shows that its projects have decent locations, but too large unit sizes and too high pricing premium. Therefore, we reduce our NAV estimate to HKD20/share, based on a scenario of price cuts and inventory destocking. Our worst-case scenario shows that a 30% price cut on the 34 overpriced projects can bring down NAV to HKD15.35/share; and assuming zero value for the 26 projects with bad locations will cut NAV to HKD11.59/share. Therefore, the HKD11/share that Sunac is paying already reflects our worst-case scenario.

Synergies and dilutions: enhancement of ~20% earnings

We believe synergies come from: (1) additional project exposure at low cost; (2) enhancement of brand name and product quality; (3) further lowering of financing cost; (4) 20% earnings enhancement. Dilutions include: (1) operational dilutions like price cuts on Greentown projects in the short term for destocking; and (2) a complicated shareholding structure (24.313% stake for both Wharf and Sunac) adds future uncertainties on operation.

Favour Sunac on strong growth, improving funding cost, low valuation

We forecast 2014F sales to grow 34% y-y to CNY68bn and expect its funding cost to improve gradually from 10% currently: 2013 new financing cost was 8.3%, and the syndicate loan it raised in June only cost LIBOR+450bp. Valuation still looks attractive at 2.3x 2014F P/E and 78% discount to NAV.

Raise earnings and NAV; key short-term risks

We reiterate our Buy call on Sunac (see [Gold will glitter eventually](#)). We add Greentown's contribution and thus raise our NAV forecast to HKD19.13/share. Our new TP is HKD10.52/share. Short-term risks include: potential high gearing and weak earnings at interim results due to high expenses.

Year-end 31 Dec	FY13	FY14F		FY15F		FY16F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	30,837	32,098	32,322	39,730	39,805	51,097	51,834
Reported net profit (mn)	3,178	4,131	4,918	5,086	6,169	6,035	7,678
Normalised net profit (mn)	3,523	4,131	4,874	5,086	6,144	6,035	7,533
Normalised EPS	1.07	1.24	1.47	1.53	1.85	1.81	2.27
Norm. EPS growth (%)	17.2	29.0	37.6	23.1	26.0	18.7	22.6
Norm. P/E (x)	3.2	N/A	2.3	N/A	1.9	N/A	1.5
EV/EBITDA (x)	4.6	N/A	3.7	N/A	0.8	N/A	-0.3
Price/book (x)	0.8	N/A	0.7	N/A	0.5	N/A	0.4
Dividend yield (%)	5.6	N/A	8.5	N/A	10.7	N/A	13.2
ROE (%)	23.4	24.4	28.0	24.2	27.4	23.4	26.8
Net debt/equity (%)	93.3	88.4	94.1	16.5	net cash	net cash	net cash

Source: Company data, Nomura estimates

Key company data: See page 2 for company data and detailed price/index chart

Global Markets Research

17 June 2014

Rating Remains	Buy
Target price Increased from 8.99	HKD 10.52
Closing price 16 June 2014	HKD 4.29
Potential upside	+145.2%

Anchor themes

We expect the overall property sector growth to slow, but big developers with good access to borrowing, cheap financing, and strong execution should benefit from market consolidation. We recommend investors stick with big developers and quality small caps.

Nomura vs consensus

Our FY14F/FY15F core EPS forecasts are 9%/11% higher than consensus. Our TP implies 145% upside potential.

Research analysts

China Property

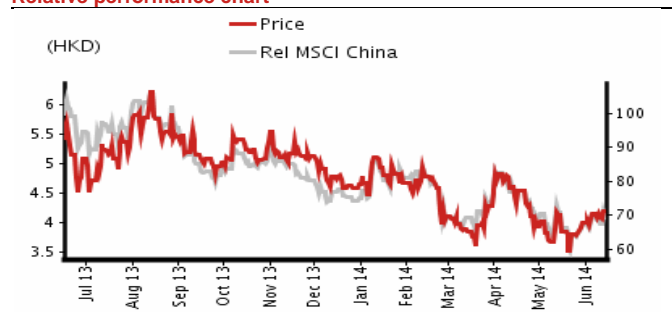
Jeffrey Gao, CFA - NIHK
jeffrey.gao@nomura.com
+852 2252 1569

Elly Chen - NIHK
elly.chen@nomura.com
+852 2252 2181

Stephen Cheung - NIHK
stephen.cheung@nomura.com
+852 2252 1559

Key data on Sunac China Holdings

Relative performance chart



Source: Thomson Reuters, Nomura research

Notes:

Performance

(%)	1M	3M	12M		
Absolute (HKD)	11.1	11.1	-21.0	M cap (USDmn)	1,841.7
Absolute (USD)	11.1	11.4	-20.9	Free float (%)	
Rel to MSCI China	6.7	2.1	-32.8	3-mth ADT (USDmn)	7.0

Income statement (CNYmn)

Year-end 31 Dec	FY12	FY13	FY14F	FY15F	FY16F
Investment properties	17	32	116	128	128
Property development	20,654	30,573	31,974	39,444	51,474
Hotels/serviced apartments					
Other Revenue	171	232	232	232	232
Revenue	20,843	30,837	32,322	39,805	51,834
EBIT contributions					
Investment properties	17	32	116	128	128
Property development	5,194	6,912	6,992	10,754	14,625
Hotels/serviced apartments					
Other income	481	310	317	326	335
Management expenses	-884	-1,136	-1,442	-1,740	-1,302
EBITDA	4,807	6,118	5,982	9,468	13,785
Dep and amort					
EBIT	4,807	6,118	5,982	9,468	13,785
Net interest expense	-82	-546	-471	-442	-173
Associates & JCEs	-39	72	2,902	4,380	4,215
Other income	-2	41	45	49	54
Earnings before tax	4,685	5,684	8,458	13,454	17,882
Income tax	-2,070	-2,191	-2,917	-5,196	-7,169
Net profit after tax	2,615	3,494	5,541	8,258	10,712
Minority interests	-7	-315	-666	-2,114	-3,180
Other items	129	345	0	0	0
Preferred dividends					
Normalised NPAT	2,736	3,523	4,874	6,144	7,533
Extraordinary items	-129	-345	44	25	145
Reported NPAT	2,607	3,178	4,918	6,169	7,678
Dividends	-261	-636	-975	-1,229	-1,507
Transfer to reserves	2,347	2,543	3,943	4,940	6,171

Valuations and ratios

Reported P/E (x)	4.0	3.6	2.3	1.9	1.5
Normalised P/E (x)	3.8	3.2	2.3	1.9	1.5
FD normalised P/E (x)	3.8	3.2	2.3	1.9	1.5
Dividend yield (%)	2.5	5.6	8.5	10.7	13.2
Price/cashflow (x)	0.8	1.6	2.7	0.4	0.5
Price/book (x)	1.1	0.8	0.7	0.5	0.4
EV/EBITDA (x)	4.9	4.6	3.7	0.8	-0.3
EV/EBIT (x)	4.9	4.6	3.7	0.8	-0.3
EBIT margin (%)	23.1	19.8	18.5	23.8	26.6
Effective tax rate (%)	44.2	38.5	34.5	38.6	40.1
Dividend payout (%)	10.0	20.0	19.8	19.9	19.6
ROA (pretax %)	10.8	8.8	9.8	14.2	20.6

Source: Company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY12	FY13	FY14F	FY15F	FY16F
EBITDA	4,807	6,118	5,982	9,468	13,785
Change in working capital	-4,994	-7,570	-1,948	17,581	12,251
Other operating cashflow	12,461	8,502	145	-538	-2,156
Cashflow from operations	12,274	7,050	4,180	26,510	23,880
Capital expenditure					
Free cashflow	12,274	7,050	4,180	26,510	23,880
Reduction in investments	0	0	-263	-165	-229
Net acquisitions	-5,175	-15,067	-6,244	257	-1,290
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	-85	0	0	0	0
CF after investing acts	7,015	-8,018	-2,327	26,602	22,362
Cash dividends	-236	-261	-975	-1,229	-1,507
Equity issue	24	1,628	0	0	0
Debt issue	1,939	5,472	5,741	-3,445	0
Convertible debt issue					
Others	-346	4,924	-519	-1,330	-1,201
CF from financial acts	1,381	11,764	4,247	-6,004	-2,707
Net cashflow	8,396	3,746	1,920	20,598	19,654
Beginning cash	3,867	12,263	16,009	17,929	38,527
Ending cash	12,263	16,009	17,929	38,527	58,181
Ending net debt	9,462	12,698	16,519	-7,524	-27,178

Balance sheet (CNYmn)

As at 31 Dec	FY12	FY13	FY14F	FY15F	FY16F
Cash & equivalents	12,263	16,009	17,929	38,527	58,181
Properties held for sale	46,401	58,106	67,205	59,215	38,922
Accounts receivable	416	1,214	1,457	1,748	2,097
Other current assets	5,752	12,261	14,713	17,656	21,187
Total current assets	64,832	87,590	101,303	117,145	120,388
Investment properties	571	252	515	680	909
Other fixed assets (net)	49	65	65	65	65
Associates	4,205	7,909	14,129	13,848	15,114
Other LT assets	1,279	1,539	1,539	1,539	1,539
Total assets	70,934	97,355	117,551	133,278	138,015
Short-term debt	11,783	7,835	9,402	8,461	8,461
Accounts payable	12,269	23,795	28,554	34,265	41,118
Other current liabilities	20,242	20,159	25,246	32,359	21,346
Total current liabilities	44,294	51,789	63,201	75,086	70,926
Long-term debt	9,942	20,872	25,046	22,541	22,541
Convertible debt					
Other LT liabilities	4,704	6,483	6,483	6,483	6,483
Total liabilities	58,940	79,144	94,730	104,110	99,950
Minority interest	2,505	4,606	5,272	6,679	9,405
Preferred stock					
Shareholders' Equity	9,489	13,605	17,549	22,489	28,660
Other equity and reserves					
Total shareholders' equity	9,489	13,605	17,549	22,489	28,660
Total equity & liabilities	70,934	97,355	117,551	133,278	138,015

Leverage

Interest cover	58.84	11.20	12.69	21.40	79.78
Gross debt/prop assets (%)	30.6	29.5	29.3	23.3	22.5
Net debt/EBITDA (x)	2.0	2.1	2.8	net cash	net cash
Net debt/equity (%)	99.7	93.3	94.1	net cash	net cash
Revenue	96.6	48.0	4.8	23.2	30.2
EBITDA	29.2	27.3	-2.2	58.3	45.6
EBIT	29.2	27.3	-2.2	58.3	45.6
Normalised EPS	51.3	17.2	37.6	26.0	22.6
Normalised FDEPS	51.3	17.2	37.6	26.0	22.6

Dupont decomposition

Net margin (%)	12.5	10.3	15.2	15.5	14.8
Asset utilisation (x)	0.4	0.4	0.3	0.3	0.4
ROA (%)	5.0	3.8	4.6	4.9	5.7
Leverage (Assets/Equity x)	5.5	6.2	6.1	5.6	4.7
ROE (%)	27.48	23.36	28.03	27.43	26.79

Per share

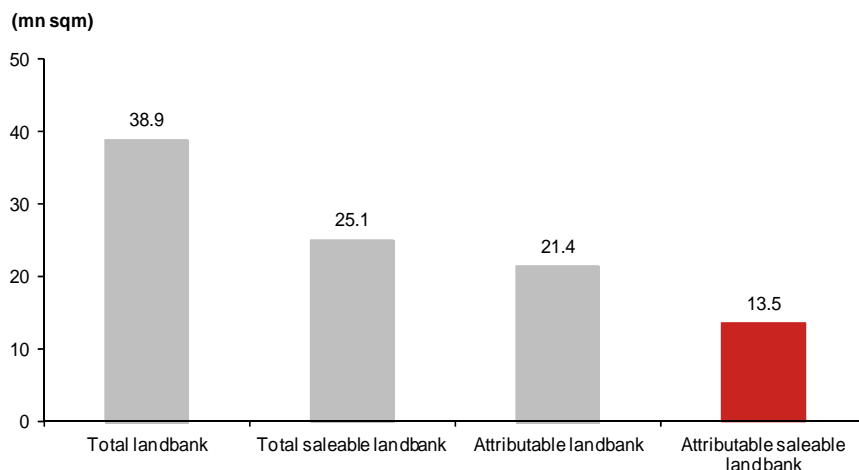
Reported EPS (CNY)	86.78c	96.26c	1.48	1.86	2.31
Norm EPS (CNY)	91.06c	1.07	1.47	1.85	2.27
FD norm EPS (CNY)	91.06c	1.07	1.47	1.85	2.27
BVPS (CNY)	3.15	4.10	5.29	6.77	8.63
DPS (CNY)	0.09	0.19	0.29	0.37	0.45

Source: Company data, Nomura estimates

What is the real value of Greentown?

By the end of 2013, Greentown had 103 saleable projects, located in 16 provinces, 49 cities, and 71 districts. Its total landbank GFA is 38.9mn sqm, of which saleable GFA (ex car parks) totals 25.1mn sqm. Of these 103 projects, 44 can be consolidated and 59 are associates and jointly controlled entities (JCEs). Total GFA attributable to Greentown works out to 21.4mn sqm, of which saleable attributable GFA totals 13.5mn sqm.

Fig. 1: Greentown landbank summary



Source: Company data, Nomura research

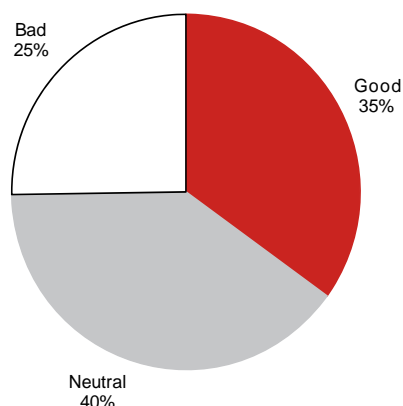
Decent locations, but unit sizes are too large and pricing premium is too high

We score each project on three major aspects: (1) location; (2) unit size; (3) pricing reasonability. Based on this, we rate each project as good, bad, or neutral.

Our comprehensive analysis of the landbank shows: (1) it has decent locations within 5.2km from city/district centres, and is especially well positioned in Shanghai and Hangzhou; (2) it enjoys lower land cost relative to other developers, accounting for only 14% of the average selling price; (3) unit sizes in its projects are too large, at 100-400 sqm for apartments, and 300-900 sqm/unit for villas; and (4) pricing premium is too high, in our view, on average 20% more expensive than surrounding projects. In summary, we believe 25-39% projects have weak locations or unit sizes that are too large or pricing premium that is too high.

Fig. 2: Location is decent

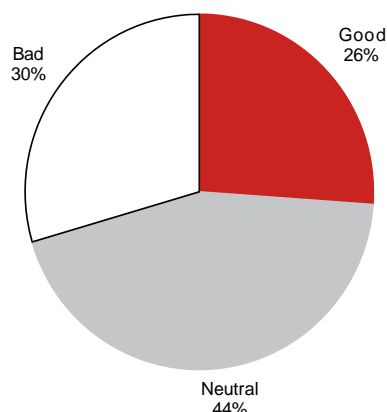
75% projects have good or neutral locations



Source: Company data, Soufun, Nomura research

Fig. 3: Unit size is too large

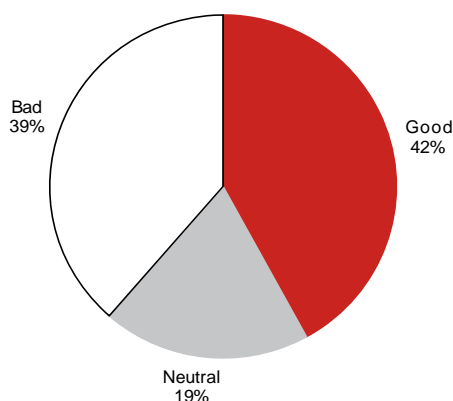
30% projects have too large unit size that are difficult to sell



Source: Company data, Soufun, Nomura research

Fig. 4: Pricing is too high

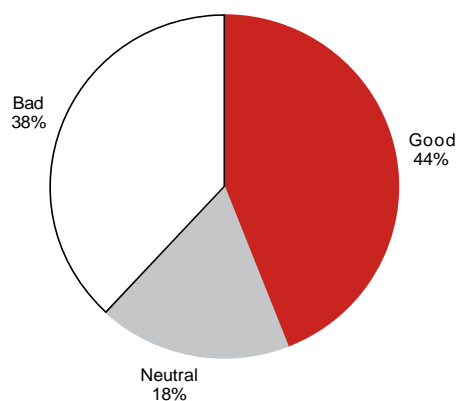
39% projects are over 30% more expensive than surrounding projects



Source: Company data, Soufun, Nomura research

Fig. 5: Total score and rating

38% projects need adjustments to accelerate sales



Source: Company data, Soufun, Nomura research

How can Sunac make a difference?

We believe the coming in of Sunac could help address some issues for Greentown: (1) cut selling prices for certain projects and accelerate inventory destocking; (2) lower the construction cost (currently over CNY7,000/sqm on saleable GFA); and (3) reduce unit size for the 35% landbank that has not started construction. We believe this should help clear inventory, free up capital, and drive growth in the mid to long run, although it would bring short-term pain on earnings.

Base-case and worst-case valuation

We revise our forecasts based on a scenario of price cuts and inventory destocking and, as a result, reduce our NAV estimate to HKD20/share. The worst-case scenario shows that a 30% price cut on the 34 overpriced projects can bring down NAV to HKD15.35/share; and assuming zero value for the 26 projects with weak locations can further bring down NAV to HKD11.59/share. Therefore, the HKD11/share that Sunac is paying for a 24.3% stake is already reflected in our worst-case scenario, not to mention the extra value it can get such as Greentown's strong brand name, expertise and controlling power.

Forecast changes vs. consensus

For Greentown, we build in a scenario of price cuts and inventory destocking for certain projects and, as a result, reduce our NAV estimate to HKD20/share, and cut our FY14-16F earnings forecasts by 14-22%. We also did a stress test: (1) our worst-case scenario shows that a 30% price cut on the 34 overpriced projects can bring down NAV to HKD15.35/share; (2) if further assuming zero value for the 26 projects with bad locations, NAV could be further reduced to HKD11.59/share. We believe that although the price cuts and inventory destocking can hurt earnings and margins in the short term, it should help free up capital, increase operating efficiency, and drive growth in the mid to long term.

For Sunac, we maintain our previous valuation/forecasts for its own 66 projects, reflecting our conviction on its strong project locations and reasonable product type and pricing. On top of this, we add 24.313% of Greentown's earnings and NAV to our forecasts for Sunac, to reflect its recent acquisition. The major changes in our model include: (1) adding 24.313% of Greentown's earnings to Sunac's earnings via "share of contribution from associates and JCEs" in the Income Statement; (2) enlarged equity base via additions on "retained earnings" in the Balance Sheet; (3) adding HKD6bn acquisition consideration under "investment in associates and JCEs" in the Balance Sheet; (4) adding 24.313% of Greentown's NAV to Sunac's NAV estimation. After these adjustments, we revise up Sunac's NAV to HKD19.13/share (from HKD16.34), and 2014-16F earnings by 21-25%.

Fig. 6: Revenue, core profit and NAV per share comparison

2014					
	New	Old	Variance	Consensus	Variance
Revenue (CNY mn)	32,322	32,098	1%	35,628	-9%
Core profit (CNY mn)	4,874	4,131	18%	4,491	9%
NAV per share (HKD)	19.13	16.34	17%		
2015					
	New	Old	Variance	Consensus	Variance
Revenue (CNY mn)	39,805	39,730	0%	41,553	-4%
Core profit (CNY mn)	6,144	5,086	21%	5,540	11%

Source: Bloomberg, Nomura estimates

Fig. 7: NAV per share of Sunac

Pre-acquisition NAV of Sunac (HKD mn)	53,036
Gross NAV of Greentown (HKD mn)	43,170
Sunac's stake	24.3%
Share of Greentown's NAV (HKD mn)	10,496
Post-acquisition NAV of Sunac (HKD mn)	63,532
Total outstanding number of shares (mn)	3,320
NAV/share (HKD)	19.13
NAV discount	45%
Target price of Sunac (HKD)	10.52

Source: Company data, Nomura estimates

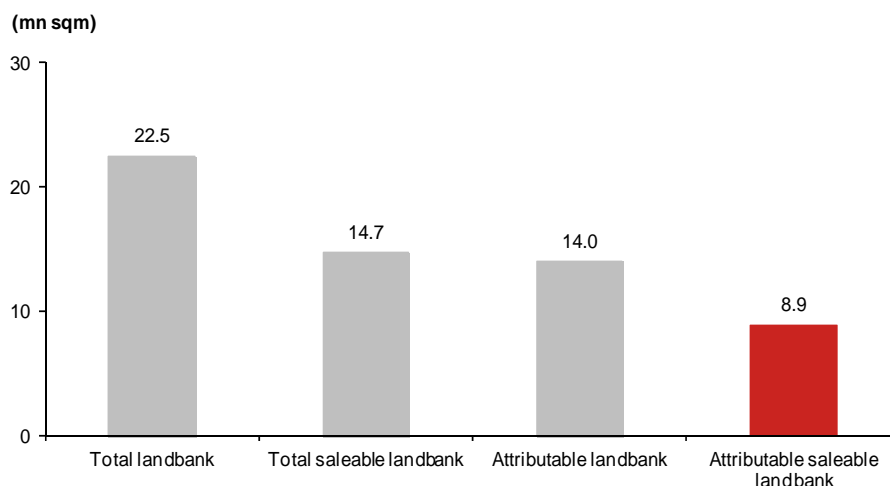
Deep dive into Sunac's landbank

We have done a comprehensive study of Sunac's landbank. We score every project on three major aspects: (1) location; (2) unit size; (3) pricing reasonability, through which we judge its potential sell-through speed and profitability.

Scoring Sunac's 66 projects

By the end of 2013, Greentown had 66 saleable projects, located in 6 provinces, 9 cities, and 43 districts. Its total landbank GFA is 22.5mn sqm, of which saleable GFA (ex car parks) totals 14.7mn sqm. Total GFA attributable to Sunac works out to 14.0mn sqm, of which saleable GFA totals 8.9mn sqm.

Fig. 8: Landbank of Sunac projects (as of end 2013)

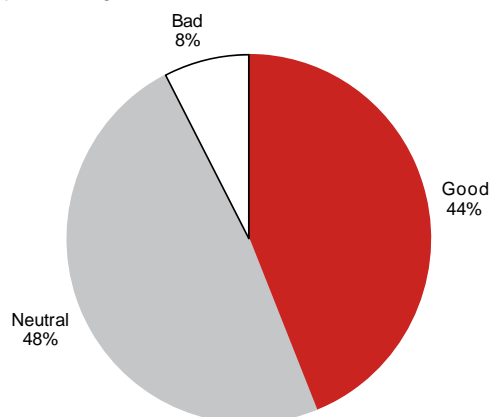


Source: Company data, Nomura research

We score each project on three major aspects: (1) location; (2) unit size; (3) pricing reasonability. Based on this, we rate each project as good, bad, or neutral, as summarised in the charts below.

Fig. 9: Locations are good

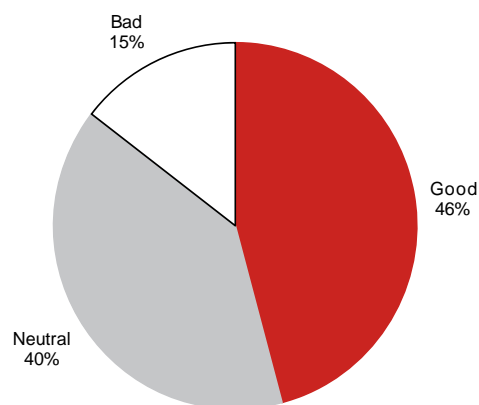
92% projects have good or neutral locations



Source: Company data, Nomura research

Fig. 10: Unit size meets market needs

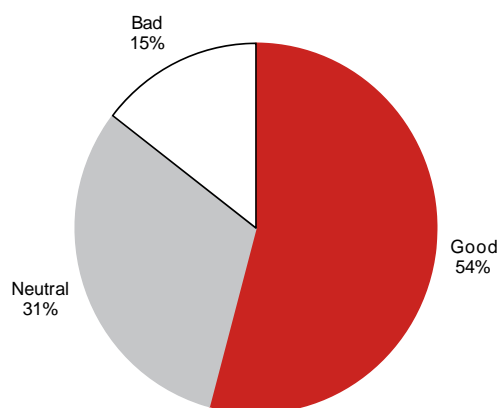
86% projects are in suitable unit size that meets market needs



Source: Company data, Nomura research

Fig. 11: Pricing is close to the market

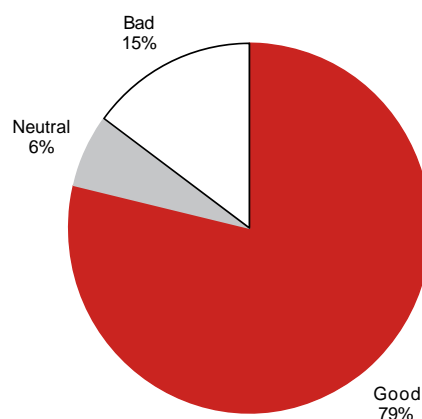
85% projects are priced close to the surrounding projects



Source: Company data, Nomura research

Fig. 12: Total score and rating

Only 15% projects need adjustments to accelerate sales



Source: Company data, Nomura research

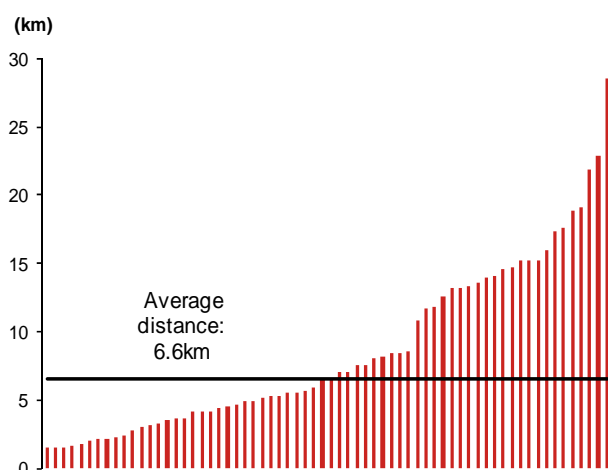
Concentrated landbank and decent project locations

Sunac has a very concentrated landbank in the most developed cities. By the end of 2013, it had 66 saleable projects in only nine cities, namely, Beijing, Shanghai, Tianjin, Hangzhou, Chongqing, Suzhou, Wuxi, Changzhou, and Yixing. On average, it has 7.3 projects per city, compared to the industry average of only 2.5 projects per city. We believe high concentration creates economies of scale, thanks to: (1) higher customer recognition and reputation; (2) better relationship with local governments; (3) savings on SG&A expenses; and (4) more favourable ASP, etc.

Besides choosing the most developed cities, Sunac also tries to select the best locations in each city. Although there are several indicators that can measure the quality of a project's location, we believe the distance to city centre is the most measurable and objective indicator. Therefore, we measured all of Sunac's projects' distances to the city centres. We find Sunac's projects have decent locations, on average within 6.6km from the city or district centre.

Fig. 13: Locations are good

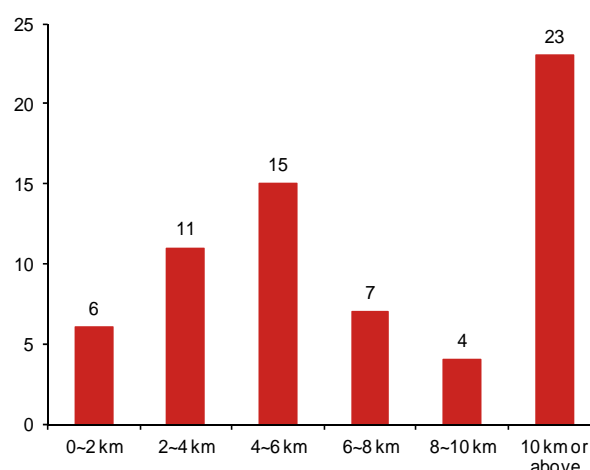
Projects are on average 6.6km from city or district centre



Source: Company data, Soufun, Google Maps, Nomura research

Fig. 14: Locations are good

Number of projects with certain distance to city or district centre



Source: Company data, Soufun, Google Maps, Nomura research

Unit size meets the market needs

We summarised the unit sizes for Sunac's 66 projects. The size range for apartments is 80-250 sqm/unit, and for villas it is 250-400 sqm/unit. We believe the unit sizes meet the market demand.

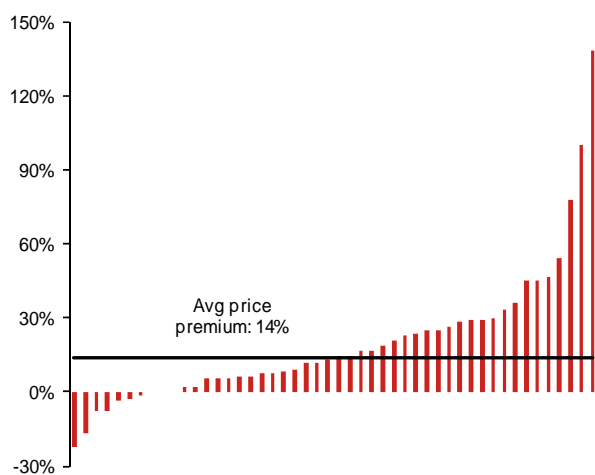
For example, its Beijing Fontainebleau Chateau (枫丹一号) mostly offers apartments with unit size of 95~145 sqm. With selling price of over CNY37,000/sqm, its total price per unit is only CNY3.5~5.4mn, which is quite affordable for white collar workers and young couples, in our view, considering the disposable income per household in Beijing was about CNY120,000 in 2013.

Pricing is close to the levels in surrounding projects

The selling price of Sunac's projects is on average at a premium of 14% over surrounding projects. Over 80% of its launched projects are priced at less than 30% premium over surrounding projects. Considering its above-average product quality, the value-to-quality is very high, in our opinion.

Fig. 15: Pricing is close to the market

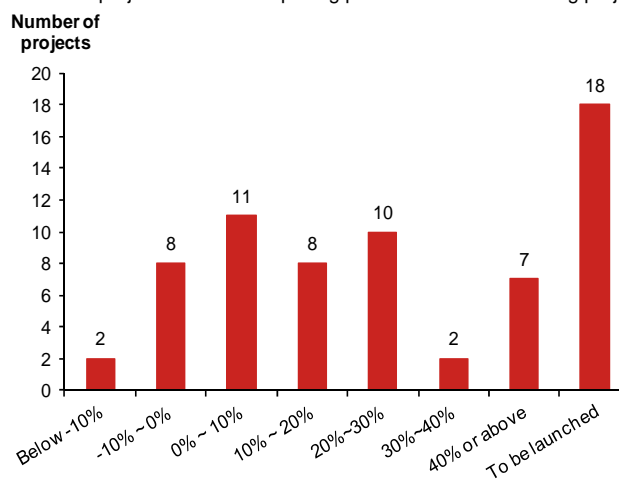
Pricing premium over surrounding projects is on average 14%



Source: Company data, Soufun, Nomura research

Fig. 16: Pricing is close to the market

Number of projects with certain pricing premium over surrounding projects



Source: Company data, Soufun, Nomura research

Fig. 17: Distribution overview of Sunac's projects



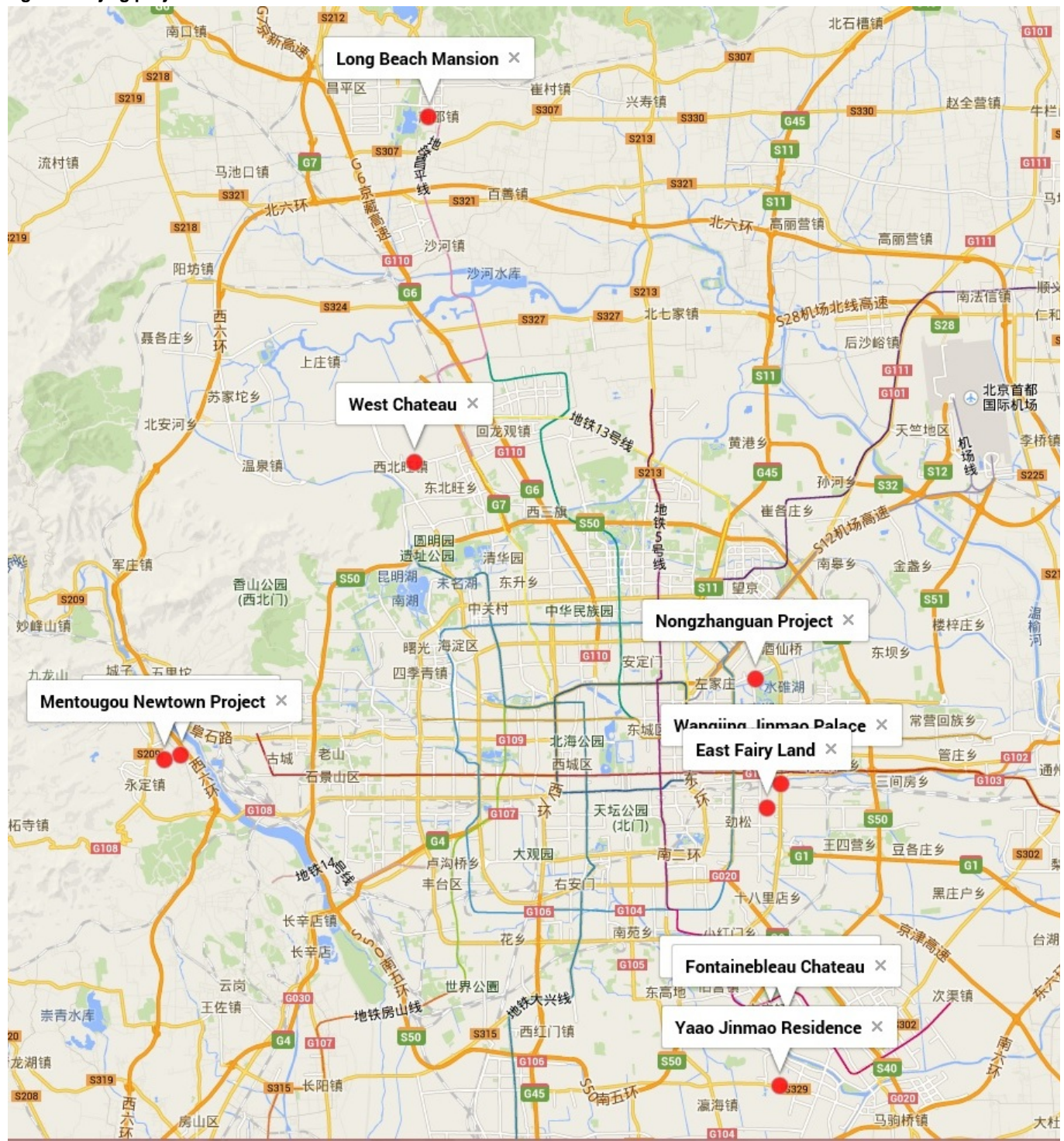
Source: Company data, Google Maps, Soufun, Nomura research

Fig. 19: Tianjin projects' details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
Magnetic Capital	奥城	Tianjin	R	100%	Subsid	88	1,811	4.1	9.3	3	194~271	2	27,000	6%	6%	3
Mind-land International	海逸长洲	Tianjin	R	100%	Subsid	0	1,286	4.1	7.8	2	70~350	3	20,000	14%	5%	3
Central of Glorious	星美御	Tianjin	R	100%	Subsid	0	2,530	4.3	3.2	3	93~142	3	32,000	47%	45%	1
PL Du Pantheon	王府壹号	Tianjin	R	100%	Subsid	76	10,238	9.2	2.4	3	93~257	2	31,000	31%	15%	3
Glorious Mansion	君澜	Tianjin	R	100%	Subsid	145	5,459	53.6	14.7	2	86~190	3	9,300	-23%	-23%	3
Central Academy	中央学府	Tianjin	R	100%	Subsid	345	3,272	22.4	13.3	1	90~230	3	10,000	-17%	-17%	3
Horizon Capital	海河大观	Tianjin	R	49%	Asso	299	10,001	7.1	2.3	2	92~287	3	30,000	24%	25%	2
Dream of Mansion	融公馆	Tianjin	R	50%	Asso	150	5,329	57	14	2	130~210	2	18,000	41%	45%	1
Yongji Phase 2	永基二期	Tianjin	R	47%	Asso	61	5,074	9.8	2.2	2	N/A	N/A	N/A	N/A	N/A	N/A
R3	R3	Tianjin	R	47%	Asso	371	8,174	17.2	7.6	1	N/A	N/A	N/A	N/A	N/A	N/A
River and Sea	河与海	Tianjin	R	47%	Asso	142	5,413	10.2	5.5	2	86~142	3	19,500	-8%	-3%	3
Tianjin Azure Coast	天津蓝色海岸	Tianjin	R	40%	Subsid	157	427	49.4	7	1	N/A	N/A	12,000	-5%	12%	3
Bay and Island	半湾半岛	Tianjin	R	54%	Subsid	459	2,464	32.8	8.6	2	83~162	3	11,000	29%	26%	2
Tiantuo Project	天拖项目	Tianjin	R	51%	Subsid	1,403	7,358	9.4	3.6	3	N/A	N/A	N/A	N/A	N/A	N/A
Top Mansion of the Dongting	洞庭路壹号	Tianjin	R	100%	Subsid	217	5,431	48.9	7	2	88~91	3	14,000	33%	33%	2
Watch Factory Project	手表厂项目	Tianjin	R	51%	Asso	57	26,725	5.6	6.5	3	N/A	N/A	N/A	N/A	N/A	N/A
Tiantuo North Project	天拖北项目	Tianjin	R	51%	Asso	231	9,034	9.5	3.3	3	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, Google Maps, Soufun, Nomura research

Fig. 20: Beijing projects' distribution



Source: Company data, Google Maps, Soufun, Nomura research

Fig. 21: Beijing projects' details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
East Fairy Land	禧福汇	Beijing	R	100%	Subsid	-	3,582	8.6	8.4	3	86~212	3	50,000	31%	30%	2
West Chateau	西山壹号院	Beijing	R	100%	Subsid	42	20,123	30.5	10.8	3	267~780	2	60,000	0%	0%	3
Long Beach Mansion	长滩壹号	Beijing	R	100%	Subsid	-	9,760	50.2	5.9	3	187~360	2	27,000	7%	8%	3
Yao Jinmao Residence	金茂悦	Beijing	R	49%	Asso	145	10,609	22.4	17.3	3	132~158	3	40,000	14%	14%	3
Wangjing Jinmao Palace	金茂府	Beijing	R	49%	Asso	100	15,297	8.3	7.5	3	201~389	2	80,000	51%	47%	2
Fontainebleau Chateau	枫丹壹号	Beijing	R	50%	Asso	304	10,135	22.9	23.6	2	95~145	3	37,000	14%	6%	3
Yizhuang New Project	亦庄新项目	Beijing	R	51%	Asso	281	14,654	21.9	23.6	2	N/A	N/A	N/A	N/A	N/A	N/A
Nongzhanguan Project	农展馆项目	Beijing	R	51%	Subsid	59	73,839	11	5.3	3	N/A	N/A	N/A	N/A	N/A	N/A
Mentougou Project	门头沟项目	Beijing	R	33%	Asso	341	17,217	29.3	5.7	2	N/A	N/A	N/A	N/A	N/A	N/A
Mentougou Newtown Project	门头沟新城项目	Beijing	R	51%	Subsid	110	16,502	31.1	5.3	2	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, Google Maps, Soufun, Nomura research

Fig. 22: Shanghai projects' distribution



Source: Company data, Google Maps, Soufun, Nomura research

Fig. 23: Shanghai projects' details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
Dynasty on the Bund	盛世滨江	Shanghai	R	50%	Subsid	360	22,851	4.4	5	3	86~265	2	80,000	24%	23%	2
Shanghai Magnolia Garden	上海玉兰花园	Shanghai	R	50%	Subsid	-	18,757	22.9	15.2	3	133~398	2	55,000	25%	17%	2
Bund House	上海黄浦湾	Shanghai	R	26%	Subsid	172	41,054	6.7	6.6	3	282~403	1	140,000	-3%	-3%	3
Shanghai Rose Garden	上海玫瑰园	Shanghai	R	50%	Asso	41	29,226	30.5	14.1	3	600~900	1	100,000	58%	100%	1
Shanghai Magnolia Garden-Glorious Garden	上海玉兰花园臻园	Shanghai	R	25%	Asso	105	15,625	22.9	15.2	3	123~398	2	55,000	29%	29%	2
Wujiefang Project	上海五街坊地块	Shanghai	R	25%	Asso	68	12,343	22.9	15.2	3	172~300	2	55,000	29%	29%	2
Francais Demeure	上海御园	Shanghai	R	25%	Asso	121	17,607	16.9	11.7	3	100~233	3	47,000	24%	24%	2
Hongkou Project	上海虹口地块	Shanghai	R	26%	Asso	39	26,973	4.3	2.2	3	N/A	N/A	N/A	N/A	N/A	N/A
Central garden	上海香溢花城	Shanghai	R	50%	Asso	343	15,277	6.7	5.2	3	111~202	2	50,000	6%	8%	3
Shanghai Baoshan Project	上海宝山地块	Shanghai	R	50%	Subsid	119	20,150	19.1	79.1	2	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, Google Maps, Soufun, Nomura research

Fig. 24: Chongqing projects' distribution



Source: Company data, Google Maps, Soufun, Nomura research

Fig. 25: Chongqing projects' details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
Olympic Garden	奥林匹克花园	Chongqing	R	100%	Subsid	119	588	11.5	2	2	81~220	3	8,600	-2%	9%	3
Olympic Garden 15th	奥园 15 期	Chongqing	R	100%	Subsid	160	3,370	13.5	4.2	2	N/A	N/A	N/A	N/A	N/A	N/A
Eton Manor	伊顿庄园	Chongqing	R	100%	Subsid	82	3,444	20.5	3.7	3	300~500	1	12,000	22%	25%	2
Guardian Manor	嘉德庄园	Chongqing	R	100%	Subsid	333	2,930	23	13.6	2	202~371	2	15,000	68%	78%	1
Jardins de Versailles	凡尔赛花园	Chongqing	R	80%	Subsid	849	2,883	12.6	22	2	367~446	1	18,000	29%	29%	2
Asia Pacific Enterprise Valley	亚太商谷	Chongqing	R	100%	Subsid	82	5,448	8	18.6	3	27~84	3	9,000	8%	8%	3
The European Garden for City -West	欧麓花园城西	Chongqing	R	100%	Subsid	743	2,439	28.5	14.6	2	128~321	2	8,500	2%	2%	3
Powpre Fontainebleau	紫泉枫丹	Chongqing	R	100%	Subsid	70	5,253	39.3	3	3	164~995	2	N/A	N/A	N/A	N/A
Kaixuanlu Project	重庆凯旋路地块	Chongqing	R	51%	Subsid	227	7,465	7.6	1.5	3	N/A	N/A	N/A	N/A	N/A	N/A
The European Garden for City -East	欧麓花园城东	Chongqing	R	51%	Subsid	1,258	2,450	28.5	63	1	128~321	2	8,500	2%	2%	3
Lijia Binjiang Project	礼嘉滨江项目	Chongqing	R	100%	Subsid	114	3,608	17.6	19.8	1	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, Google Maps, Soufun, Nomura research

Fig. 26: Hangzhou projects' distribution

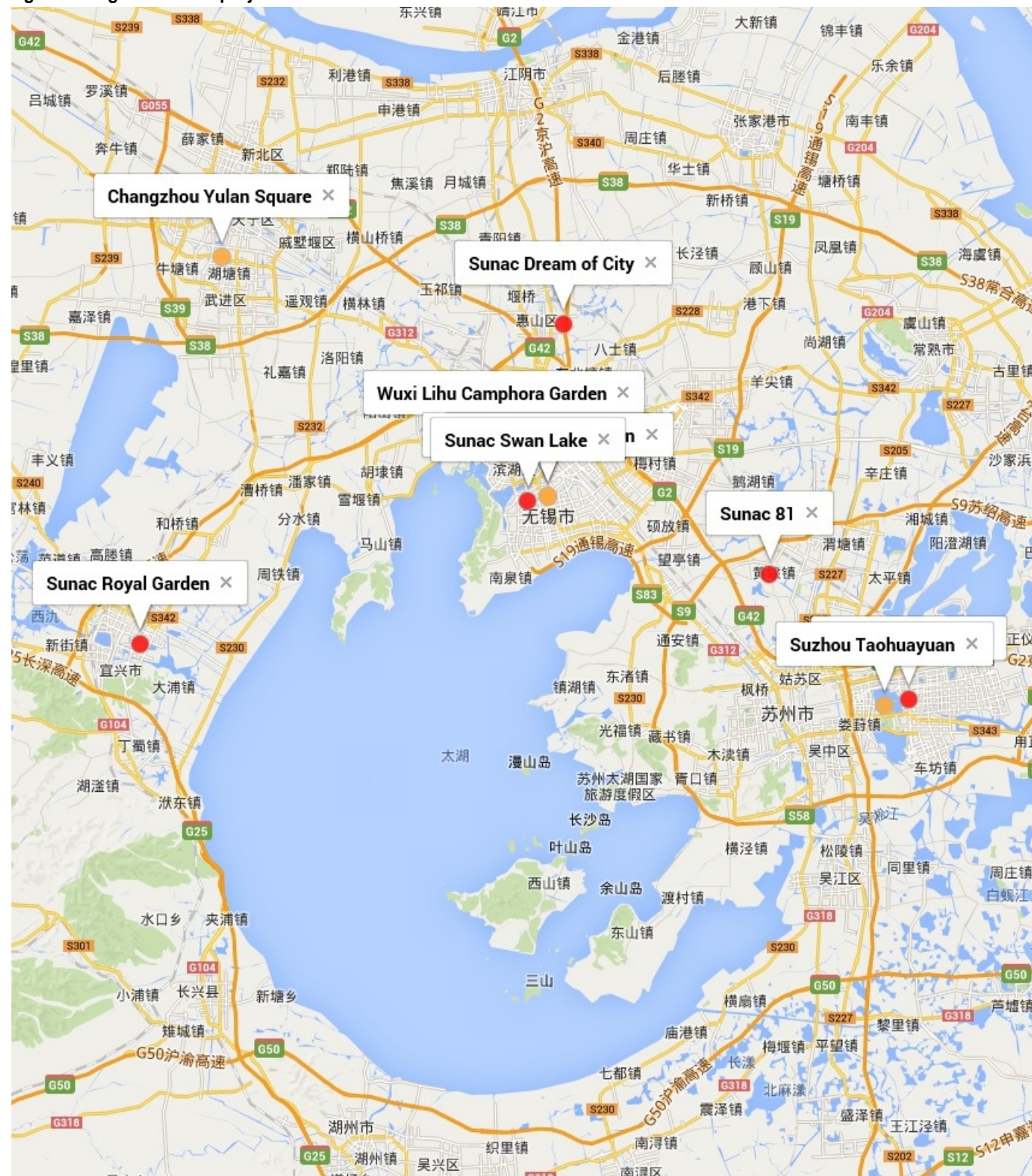
Source: Company data, Google Maps, Soufun, Nomura research

Fig. 27: Hangzhou projects' details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
Melodious Manor	西溪融庄	Hangzhou	R	75%	Subsid	76	8,153	18.9	47.4	2	114~295	2	20,000	10%	21%	2
Wonderful Mansion	望江府	Hangzhou	R	50%	Asso	59	19,032	8.9	3.5	3	89~185	3	42,000	7%	14%	3
Zhijiang River Holiday Village Project	之西湖	Hangzhou	R	49%	Asso	227	7,054	15.9	8.4	2	87~196	3	25,000	-5%	19%	2
Zhijiang Yihao	之江壹号	Hangzhou	R	25%	Asso	312	10,099	19.8	16	2	88~188	3	21,000	17%	17%	2
Yuntai Centre	云台中心	Hangzhou	R	60%	Subsid	108	7,755	15.1	1.7	2	N/A	N/A	N/A	N/A	N/A	N/A
Fuyang Fuchun Project	富阳富春项目	Hangzhou	R	100%	Subsid	113	5,291	43	1.8	2	137~235	2	14,000	0%	0%	3
Jiangcun Zhongjieneng Project	蒋村中节能项目	Hangzhou	R	49%	Asso	149	13,177	15	11.8	2	N/A	N/A	N/A	N/A	N/A	N/A
Jiangcun E-01 Project	蒋村 E-01 项目	Hangzhou	R	100%	Subsid	171	12,365	16.5	13.2	2	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company data, Google Maps, Soufun, Nomura research

Fig. 28: Jiangsu Province projects' distribution



Source: Company data, Google Maps, Soufun, Nomura research

Fig. 29: Jiangsu Province projects details

Project Name (English)	Project Name (Chinese)	City	Use	Stake	Asso/ Subsid	Saleable GFA (k sqm)	Land cost (CNY/sqm)	City center	Town center	Location score	Size rang (sqm)	Size score	ASP (CNY/sqm)	Variance with nearby projects		Pricing score
								Distance (km)						Mean	Median	
Sunac Comphorwood Mansion	香樟园	Wuxi	R	51%	Subsid	383	6,427	10.7	4.6	3	115~745	1	20,000	2%	6%	3
Sunac Swan Lake	天鹅湖	Wuxi	R	100%	Subsid	85	2,169	4.9	6.4	2	112~142	3	10,500	-3%	0%	3
Sunac Dream of City	理想城市	Wuxi	R	100%	Subsid	228	1,243	27.2	6.6	2	68~190	3	7,100	-9%	-1%	3
Sunac 81	81 栋	Suzhou	R	100%	Subsid	2	1,850	17.8	13.2	2	168~474	2	17,000	61%	55%	1
Sunac Royal Garden	汎园	Yixing	R	100%	Subsid	115	4,742	74.6	2.8	2	93~535	2	9,000	0%	7%	3
Wuxi Magnolia Garden	无锡玉兰花园	Wuxi	R	43%	Subsid	75	2,574	1.5	5.5	3	90~187	3	12,000	2%	-8%	3
Magnolia West Projct	无锡玉兰花园西地块	Wuxi	R	20%	Asso	366	4,149	1.5	5.5	3	90~187	3	12,000	2%	-8%	3
Fairy Land	苏州桃花源	Suzhou	R	28%	Asso	126	27,263	16.3	8.2	2	580~1300	1	40,000	139%	139%	1
Majestic Mansion	苏州御园	Suzhou	R	50%	Subsid	78	18,363	19.3	4.7	2	309~732	1	30,000	43%	36%	1
Magnolia Square	常州玉兰广场	Changzhou	R	49%	Subsid	1,082	2,144	12	4.9	2	82~185	3	8,000	12%	12%	3

Source: Company data, Google Maps, Soufun, Nomura research

Appendix A-1

Analyst Certification

I, Jeffrey Gao, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries, and may refer to one or more Nomura Group companies.

Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunac China Holdings	1918 HK	HKD 4.29	16-Jun-2014	Buy	N/A	
Greentown China Holdings	3900 HK	HKD 7.71	16-Jun-2014	Buy	N/A	

Sunac China Holdings (1918 HK)

HKD 4.29 (16-Jun-2014) Buy (Sector rating: N/A)

Rating and target price chart (three year history)

Sunac China Holdings

As of 16-Jun-2014
Currency = HKD

Date	Rating	Target price	Closing price
10-Apr-14		8.99	4.79
07-Jan-14	Buy		4.49
07-Jan-14		8.72	4.49



Source: ThomsonReuters, Nomura research

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of HKD10.52 is based on a 45% discount to end-2014F NAV of HKD19.13. The benchmark index for this stock is MSCI China.

Risks that may impede the achievement of the target price Key risks include slower-than-expected contracted sales, and over-aggressive land acquisitions.

Greentown China Holdings (3900 HK)**HKD 7.71 (16-Jun-2014) Buy (Sector rating: N/A)**

Rating and target price chart (three year history)

Greentown China HoldingsAs of 16-Jun-2014
Currency = HKD

Date	Rating	Target price	Closing price
10-Apr-14		12.97	9.36
18-Feb-14	Buy		11.60
18-Feb-14		13.30	11.60



Source: ThomsonReuters, Nomura research

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of HKD11/share is based on a 45% discount to FY14F NAV of HKD20/share. The benchmark index for the stock is MSCI China.

Risks that may impede the achievement of the target price Key risks of our TP include: (1) uncertainties over the cooperation with Wharf; (2) slower-than-expected destocking progress; and (3) slower-than-expected or unwise land acquisitions.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, MarkitHub, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("Nlplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and Nlplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Any authors named in this report are research analysts unless otherwise indicated. *Industry Specialists* identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear.

Distribution of ratings (Global)

The distribution of all ratings published by Nomura Global Equity Research is as follows:

45% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 42% of companies with this rating are investment banking clients of the Nomura Group*.

44% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 54% of companies with this rating are investment banking clients of the Nomura Group*.

11% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 26% of companies with this rating are investment banking clients of the Nomura Group*.

As at 31 March 2014. *The Nomura Group as defined in the Disclaimer section at the end of this report.

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America, and Japan and Asia ex-Japan from 21 October 2013

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow

analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A **'Buy'** recommendation indicates that potential upside is 15% or more. A **'Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%. A **'Reduce'** recommendation indicates that potential downside is 5% or more. A rating of **'Suspended'** indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Target Price

A Target Price, if discussed, reflects in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This document contains material that has been prepared by the Nomura entity identified at the top or bottom of page 1 herein, if any, and/or, with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or identified elsewhere in the document. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries and may refer to one or more Nomura Group companies including: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; P.T. Nomura Indonesia ('PTNI'), Indonesia; Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; NIHK, Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivasagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No : U74140MH2007PTC169116, SEBI Registration No: BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034, MCX: INE261299034) and Nlplc, Madrid Branch ('Nlplc, Madrid'). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under a Research Assistance Agreement. CNS is not a Nomura entity.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by Nomura group are hereby excluded and Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. Nomura Group is under no duty to update this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Nomura Group does not provide tax advice.

Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

Russell/Nomura Japan Equity Indexes are protected by certain intellectual property rights of Nomura Securities Co., Ltd. and Russell Investments. Nomura Securities Co., Ltd. and Russell Investments do not guarantee the accuracy, completeness, reliability, or usefulness thereof and do not account for business activities and services that any index user and its affiliates undertake with the use of the Indexes. Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis, quantitative analysis and short term trading ideas; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. Nomura Group publishes research product in a number of different ways including the posting of product on Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements. Clients outside of the US may access the Nomura Research Trading Ideas platform (Retina) at <http://go.nomuranow.com/equities/tradingideas/retina/>. Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nipic. Nipic is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nipic is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes. This document has been approved by NIIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIIHK. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or 'professional clients' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or 'Business Customers' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nipic or any other member of Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or 'professional clients' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an 'Authorised Person', an 'Exempt Person' or an 'Institution' in Saudi Arabia or that you are a 'professional client' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese walls and employee training.

Additional information is available upon request and disclosure information is available at the Nomura Disclosure web

page: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2014 Nomura International (Hong Kong) Ltd. All rights reserved.