

INDICES	Closing	DoD%
Hang Seng Index	22,606.0	0.7
HSCEI	11,307.4	1.5
Shanghai Composite	2,150.6	4.3
Shenzhen Composite	816.2	4.1
Gold (US\$/ounce)	1,695.6	(0.0)
Baltic Dry Index	784.0	(1.9)
Crude Oil, WTI (US\$/BBL)	87.0	0.3
Crude Oil, BRENT (US\$/BBL)	108.3	0.1
HIBOR, 3-M (%)	0.4	-
SHIBOR, 3-M (%)	3.9	0.1
RMB/USD - mid rate	6.25	0.2

CALENDAR THIS WEEK

Dec 14-18	Actual FDI [previously: -0.20%]
Dec 19	Conference Board China Nov Leading Economic Index
Dec 20	MNI December Flash Business Sentiment Indicator

Source: Bloomberg

CHART OF THE DAY — FOCUS ON INFRASTRUCTURE AND “REFORM” IN 2013



China's A-share market has finally popped up, with two days of strong demand and increased turnover. While the HSBC Flash Purchasing Managers' Index (PMI) - see detail on page 4—helped, a more important factor was the weekend's Chinese Communist Party's Central Economic Work Conference, which set the scene for 2013. The statement following the meeting highlighted the urbanization theme, a point stressed by the fact that more than 10.2m new jobs were created in Chinese cities during the first nine months of 2012. The uncertain global outlook has increased the need for China to push ahead on domestic consumption. It is estimated that RMB100,000 in infrastructure investment is needed for every new urban resident, so that an investment of RMB1 trillion (US\$158bn) is needed for every 10m new urban residents. A key element of this spending will be on social housing, underpinning prospects for construction companies and building materials. The statement from the conference also referred to a “pro-active fiscal policy and prudent monetary policy in 2013”, and also stressed the continuing controls over property and the need for reform, without elaborating what that will actually mean.

TALKING POINTS

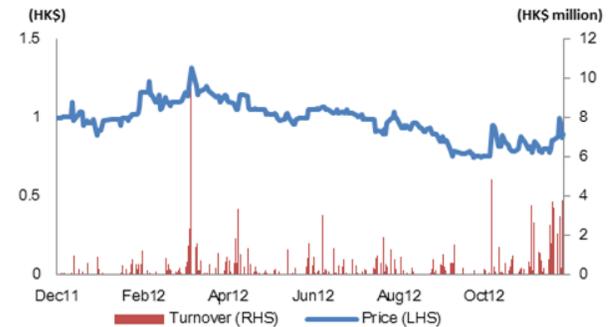
- CDB INTERNATIONAL INVESTMENT [1062.HK; HK\$0.90]** – CDB International Investment, a listing platform acquired by China Development Bank International early this year, announced that it entered into a letter of intent (LOI) last Friday to acquire the entire issued share capital of Gateway Energy & Resource. Gateway is a private investment corporation managed by EIG Global Energy Partners, investing in a diversified portfolio of energy, resources and related infrastructure projects and companies worldwide with a net asset value of about US\$175m.
- INTIME [1833.HK; HK\$9.68]** – After bottoming at a low single digit (c.3%) pace, Intime's same store sales growth (SSSG) has improved, and is expected to achieve 9% SSSG in Q4 2012. For the whole year, 8% SSSG should be realized comfortably, given 9%, 10% and 3% SSSG in the first three quarters.
- PMI—MODERATE EXPANSION CONTINUES** – This HSBC Flash Purchasing Managers' Index (PMI) for December shows that overall output is still growing in December, albeit at a slower pace, while the de-stocking process is continuing and export orders are increasing. Generally, the preliminary PMI data for December suggests the economy has continued stabilizing, and as the HSBC PMI focuses on private companies this is especially encouraging.

COMPANY / INDUSTRY NEWS

CDB INTERNATIONAL INVESTMENT [1062.HK; HK\$0.90] – CDB'S INTERNATIONAL ENERGY INVESTMENT PLATFORM?

- Potential acquisition of Gateway Energy & Resource:** CDB International Investment, a listing platform acquired by China Development Bank International early this year, announced that it entered into a letter of intent (LOI) last Friday to acquire the entire issued share capital of Gateway Energy & Resource. It is anticipated that under the LOI the company may issue 2,286m new shares (44.1% of enlarged share capital with a one-year lock-up) to complete the transaction. Meanwhile, China Development Bank International expressed its intention to remain the sole controlling shareholder after the transaction. The parties involved will have a period of three months for exclusive negotiation.
- Barry Cheung (張震遠) is a Gateway director:** Gateway is a private investment corporation managed by EIG Global Energy Partners, investing in a diversified portfolio of energy, resources and related infrastructure projects and companies worldwide with a net asset value of about US\$175m. One of its latest investments is in the preferred shares of a shale oil project in Ohio and Pennsylvania in the US. According to press reports in the past, Gateway planned to seek an IPO in Hong Kong in 1H12 but shelved the plan due to uncertain market conditions. Based on public information, we understand that Barry Cheung, the chairman of the Urban Renewal Authority and the chairman for the campaign office of then-Chief Executive candidate C.Y. Leung, is one of the independent non-executive directors of Gateway.
- EIG also intends investing in the company:** According to the announcement, EIG, Gateway's investment manager, may also acquire US\$10m in new shares of CDB International Investment. EIG is an institutional investor to the global energy sector with US\$10.3b funds under management. It specializes in private investments in energy, resources and related infrastructure.
- International energy investment flagship of CDB?** The company changed its name from New Capital to CDB International Investment in July after CDB International took control with a 66% stake (cost: HK\$0.40 per share). Its first major transaction was a convertible notes investment of US\$25m in early December in a drilling rig construction project in the North Sea area of Norway with CIMC as a partner. Together with the possible acquisition of Gateway, CDB International may use the company as a platform for international energy investment, in our view.
- Financial highlights:** Given that the company is a back-door listing with a very short history, historical financial statements are not very useful. As of 30 November 2012, the company announced that its NAV per share is HK\$0.3573 with a total share base of 2,902m shares (As an investment company, it is required to disclose NAV on a monthly basis).

CDB INTERNATIONAL INVESTMENT [1062.HK]



Market Cap: US\$337m; Free Float: 86.3%

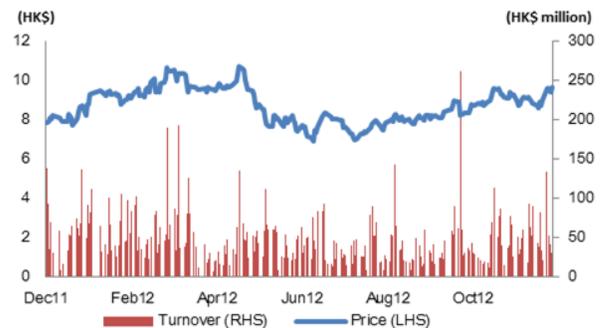
Source: Bloomberg

COMPANY / INDUSTRY NEWS

INTIME [1833.HK; HK\$9.68] – Q4 SHOWING REBOUND

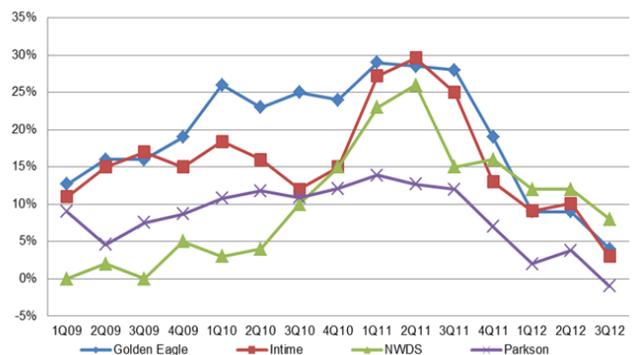
- Q4 SSSG shows rebound.** After bottoming at a low single digit (c.3%) pace, Intime's same store sales growth (SSSG) has improved, and is expected to achieve 9% SSSG in Q4 2012. For the whole year, 8% SSSG should be realized comfortably, given 9%, 10% and 3% SSSG in the first three quarters. While the drop in SSSG this year was an industry-wide phenomenon, we believe the SSSG rebound is company specific, since some department stores expect even worse results in the current quarter.
- Net profit is expected to grow at 10% YoY in 2012.** While the 2H12 concessionaire rate and gross margin will decline somewhat compared with 1H12, due to product mix (high-margin apparel's contribution declined) and increased promotion activities, we expect operating expenses will increase in proportion to revenue. All stores except Wulin Store have operated for less than 7 years and no rental renewals are expected yet, meaning relatively mild growth in rentals (3-5% annual growth). Staff cost also showed slower year-on-year (YoY) increase in 1H12 on operating efficiency. As a result, we believe 10% earnings growth is achievable, while 1H12 revenue grew 20.1% and earnings growth was 13.7%.
- Xi'an store to open later.** While it was previously expected to open in Q4 2012, the 30th store opening will be delayed until next year. Currently, the Xi'an store and six other projects are in the pipeline to open in 2013, increasing overall floor area (OFA) by 25%. The six new stores are located in Zhejiang, Hebei and Anhui. With the economic recovery and relatively lower penetration level, we believe the breakeven period for new stores will remain at two years or less.
- Strong performance, more upside to come.** Intime is trading at 14.1x PER on 2013E consensus forecast, compared with the industry average of 15.1x. The share price recently showed strong performance, after a period of downgrading in October due to weak sales. With continuous positive news on sales figures, we expect Intime to continue outperforming the market.

INTIME [1833.HK]



Market Cap: US\$2,501m; Free Float: 57.2%

Source: Bloomberg



Source: CGIHK Research

Company	Ticker	Price	52-Wk Price Range	Mkt Cap	3m Avg Turnover	PER			Dividends Yield		
						2011	2012E	2013E	2011	2012E	2013E
		(HK\$)	(HK\$)	(US\$m)	(US\$m)	(x)	(x)	(x)	(%)	(%)	(%)
GOLDEN EAGLE	3308 HK	18.96	12.94 / 22.15	4,727	8.9	25.3	23.6	20.2	1.0	1.2	1.4
PARKSON RETAIL	3368 HK	6.14	5.3 / 11.12	2,224	4.1	12.7	14.6	13.2	2.9	3.1	3.3
INTIME DEPT	1833 HK	9.68	6.93 / 10.96	2,498	6.3	18.7	16.9	14.1	1.8	2.3	2.8
MAOYE INTL	0848 HK	1.60	1.09 / 2.45	1,107	1.3	11.1	9.2	8.6	5.7	3.6	4.2
NEW WORLD DEPT*	0825 HK	4.72	3.89 / 5.45	1,026	0.4	9.3	13.1	12.6	3.2	3.8	3.3
PCD STORES GROUP	0331 HK	0.87	0.52 / 1.68	472	2.5	9.8	10.9	7.1	3.3	5.6	7.1
SPRINGLAND INTL	1700 HK	3.93	3.39 / 6.14	1,266	0.3	14.2	12.4	10.9	3.6	3.3	3.7
LIFESTYLE INTL	1212 HK	19.52	15.44 / 22.25	4,188	6.0	17.4	17.4	15.6	2.4	2.4	2.6
Simple Avg						14.8	14.8	12.8	3.0	3.2	3.6
Mkt Cap Avg						17.8	17.3	15.1	2.4	2.5	2.7

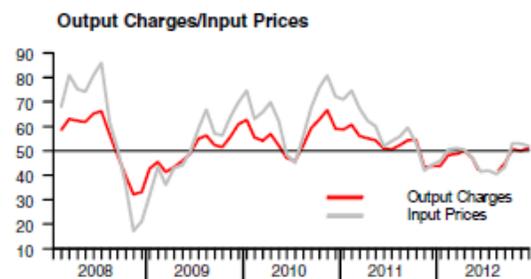
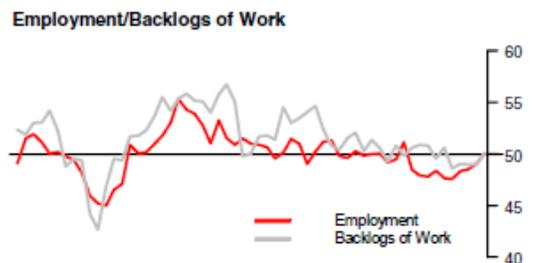
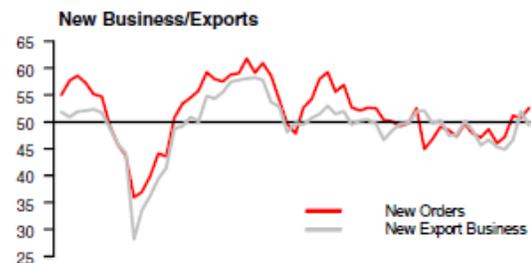
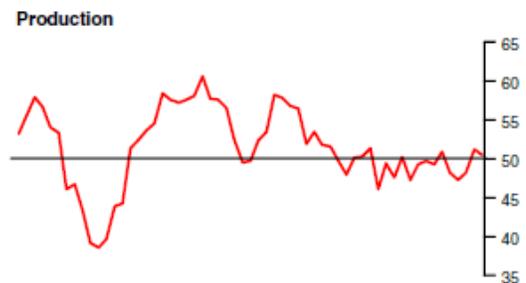
Company	Ticker	2013 PEG (2011-14 CAGR)			PBR			ROE			Net Debt/Equity		
		2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E
		(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)
GOLDEN EAGLE	3308 HK	1.4	6.5	5.5	4.6	29.4	24.7	24.3	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
PARKSON RETAIL	3368 HK	3.7	2.6	2.7	2.4	23.0	17.1	18.1	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
INTIME DEPT	1833 HK	1.1	2.2	1.9	1.8	13.8	12.9	13.7	31.53	21.73	24.38	Net Cash	Net Cash
MAOYE INTL	0848 HK	0.7	1.0	0.9	0.9	13.7	11.6	12.0	37.63	48.25	55.15	Net Cash	Net Cash
NEW WORLD DEPT*	0825 HK	-2.2	1.4	1.3	1.3	16.5	10.2	10.8	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
PCD STORES GROUP	0331 HK	0.3	1.2	1.4	0.9	13.2	13.4	16.6	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
SPRINGLAND INTL	1700 HK	0.7	1.9	1.7	1.5	14.7	14.6	15.2	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
LIFESTYLE INTL	1212 HK	2.6	3.5	3.2	2.8	24.2	21.1	20.8	Net Cash	4.35	Net Cash	Net Cash	Net Cash
Simple Avg		1.0	2.6	2.3	2.0	18.6	15.7	16.4					
Mkt Cap Avg		1.6	3.6	3.2	2.7	21.9	18.5	18.7					

Source: Company, Bloomberg Estimates, CGIHK Research
 Updated as of December 14, 2012

* Latest financial year end in June 2012. Announced data for 2012

MACRO

- **Overall Purchasing Managers' Index (PMI) rose to 50.9 in December, according to the HSBC Flash PMI. This indicates expanding manufacturing activity.**
- **Production slowed, but is still expanding in December.**
- **New orders showed strong growth in the December figure, but new export business is slowing.**
- **Employment is stable in December, and backlogs of work have turned positive.**
- **For the first time in several months, output prices have started increasing, while prices of inputs have continued to increase, but at a slower pace.**



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