

Singapore Equity Explorer

Cordlife Group Ltd

Bloomberg: CLGL SP | Reuters: CORD.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

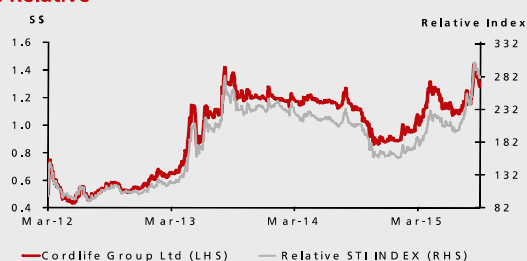
2 Oct 2015

NOT RATED S\$1.26 STI : 2,801.85

Return *: 2

Risk: Moderate

Potential Target * : 12-Month S\$ 1.30

AnalystAlfie Yeo +65 6682 3717
alfieyeo@dbs.comAndy Sim +65 6682 3718
andysim@dbs.com**Price Relative****Forecasts and Valuation**

FY Jun (\$\$ m)	2014A	2015A	2016F	2017F
Turnover	49	58	67	76
EBITDA	8	7	17	19
Pre-tax Profit	32	33	12	13
Net Profit	30	32	11	13
Net Pft (Pre Ex.)	5	7	11	13
EPS (S cts)	12.0	12.4	4.3	5.0
EPS Pre Ex. (S cts)	2.1	2.5	4.3	5.0
EPS Gth (%)	107	3	(65)	15
EPS Gth Pre Ex (%)	(49)	22	72	15
Diluted EPS (S cts)	11.8	12.3	4.3	5.0
Net DPS (S cts)	2.0	2.0	2.1	2.2
BV Per Share (S cts)	53.6	62.6	64.9	67.6
PE (X)	10.5	10.2	29.1	25.4
PE Pre Ex. (X)	60.7	49.9	29.1	25.4
P/Cash Flow (X)	85.0	nm	23.1	26.1
EV/EBITDA (X)	35.0	61.4	25.3	22.3
Net Div Yield (%)	1.6	1.6	1.7	1.7
P/Book Value (X)	2.4	2.0	1.9	1.9
Net Debt/Equity (X)	CASH	0.6	0.5	0.5
ROAE (%)	4.8	4.3	6.8	7.5

Consensus EPS (S cts):

Other Broker Recs: B: 3 S: 0 H: 0

ICB Industry : Consumer Services

ICB Sector: General Retailers

Principal Business: Provides cord blood and tissue banking services in Asia. Its services include the collection, processing, testing, cryopreservation and storage of umbilical cord blood at birth.

Source of all data: Company, DBS Bank, Bloomberg Finance L.P

Special dividend on the cards

- A regional market leader in cord blood banking
- Potential special dividends from sale of CCBC investment
- Fair value of S\$1.30 based on SOTP valuation

The Business

Market leader in cord blood banking. Cordlife provides cord blood and cord lining banking services regionally. Its services include the collection, processing, testing, cryopreservation and storage of umbilical cord blood at birth. Its revenue is predominantly derived from Singapore, India and Hong Kong.

Driving growth geographically and through new products. We see growth coming from market share gains via higher market penetration in existing markets as well as through new products. Cordlife has developed a new Diagnostics product segment. This is in line with Cordlife's vertical growth plan to improve economies of scope by offering complementary products and services catering to the mother and child segment.

The Stock

Stock's fair value at S\$1.30 based on SOTP. The stock currently trades at 25.4x FY15 PE, in line with Singapore listed healthcare peers. We value Cordlife at a fair value of S\$1.30 based on SOTP. Cordlife's stake in Stemlife (S\$0.04/share) and CCBC (S\$0.24/share) are based on market value, while we value Cordlife's core business (S\$1.41/share) based on DCF (t=4%, WACC=8.1%). Net debt is S\$0.39/share.

Special dividends of up to S\$0.07 per share on the cards.

Cordlife is in the process of selling all its shares and convertible notes in CCBC to Golden Meditech for c.S\$152m. The completion is subject to Golden Meditech's shareholders' approval on 15 October 2015. Cordlife has the intention to pay out special dividends after taking care of working capital requirements and bank borrowings. The excess S\$152m less S\$120m liabilities of fixed rate notes is worth c.S\$0.07 per share.

At A Glance

Issued Capital (m shrs)	259
Mkt. Cap (\$m/US\$m)	327 / 228
Major Shareholders	
Wells Spring Pte Ltd (%)	11.3
Coop International Pte Ltd (%)	11.2
China Stem Cells East Co Ltd (%)	9.8
Free Float (%)	53.6
Avg. Daily Vol.('000)	1,872

*This Equity Explorer report represents a preliminary assessment of the subject company, and does not represent initiation into DBSV's coverage universe. As such DBSV does not commit to regular updates on an ongoing basis. The rating system is distinct from stocks in our regular coverage universe and is explained further on the back page of this report.

Cordlife Group Ltd

REVENUE DRIVERS

Predominantly a cord blood banking business. Cordlife is predominantly a cord blood banking business which holds clients' cord blood for a fee. In FY15, almost all of its reported revenue was derived from Cord Blood and Cord Lining Banking. Its operations are in Singapore, Hong Kong, Philippines, Indonesia and India. Based on FY15's geographical breakdown, Singapore, Hong Kong and India contributed 88% of its total revenue.

Owns shares in China Cord Blood and Stemlife Bhd. Cordlife owns a 9.13% stake in NYSE-listed China Cord Blood Corporation (CCBC), as well as S\$72m worth of its convertible notes. CCBC owns cord blood banks in Beijing, Guangdong and Zhejiang provinces. Cordlife's equity stake in CCBC is accounted for as an investment. Gains or losses are recognised via fair value accounting. Cordlife also owns a 31.8% stake in KLSE-listed Stemlife Bhd. Stemlife's earnings are recognised via the equity method as an associate.

COST STRUCTURE

Processing fee forms bulk of cost. Per contract, about 70% of Cordlife's cost of sales is processing costs, while the balance of 30% comprises storage fees. As facility cost for storage in Singapore is fixed, Cordlife has room to gain economies of scale from higher utilisation of its Singapore storage facility.

Stable recurring income. We view Cordlife's Banking operations largely as a depository business. Cord lining and Cord Blood is deposited at Cordlife's facility for a fee. Customers sign up for banking plans of up to 18-21 years depending on age and jurisdiction. There are various payment plans from full upfront payment to annual installment plans. Cashflows from these payments help to support liquidity in its working capital. Hence, operating cashflow is generally positive.

Adequately covered by insurance. We believe Cordlife is adequately covered by insurance against potential losses and claims. There is also a cap of up to a maximum of S\$4m claim per case in the event of any negligence.

KEY OPERATING ASSETS

Two processing facilities. Cordlife operates processing facilities located in Singapore, Hong Kong, Philippines, India and Indonesia. There are a total of c.100,000 cord blood units stored in these locations. Its Yishun facility in Singapore can store up to 650,000 cord blood units. This will facilitate a larger customer base and bigger scale. Cordlife also provides umbilical cord lining banking in all countries.

Chart 1 : FY15 revenue breakdown by geography

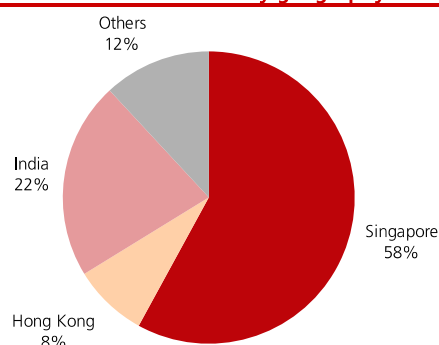


Chart 2: FY15 revenue breakdown by operating segment

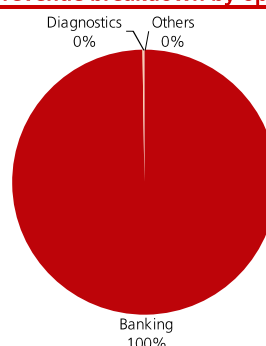


Chart 3: Organisation chart

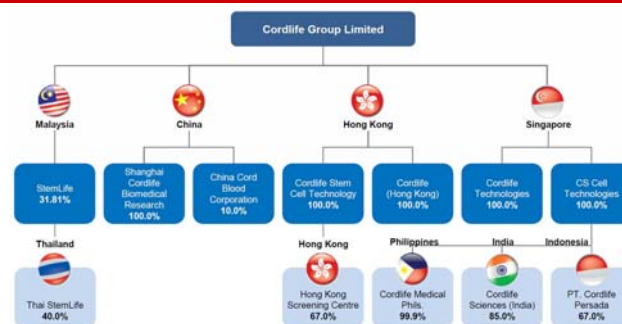


Table 1: Pricing structure in Singapore

Company	Collection Fee or One Time Fee	Annual Storage Fee	Storage Period
Cordlife	S\$1,950	S\$250	21 years
	S\$6,200	0	21 years
	S\$4,200 for the 1st 10 yrs	S\$250 for the next 11 yrs	21 years

Source: Company, DBS Bank

GROWTH PROSPECTS

Geographical expansion and new products. Cordlife's focus is on the mother and child segment. It will expand both geographically for its cord blood and umbilical cord lining banking business and will introduce new products to target its customers. Cordlife has since 2013 diversified away from the Cord Blood and Cord Lining Banking business into Diagnostics. MetaScreen, a metabolic screening test was introduced in 2013 and is now offered across its markets (except Singapore), both individually and as a bundle with cord blood and cord lining banking. There are new Diagnostics products to be introduced in the pipeline, including eye testing screening for kids. Nonetheless, diagnostics' contribution to overall business is still small at below 1% of total revenues. Meanwhile, Cordlife will focus on growing its Banking business in existing markets of India, Philippines and Indonesia. Currently, Cordlife is in key cities in Philippines and Indonesia. It is expanding into other cities outside of metropolitan Manila and Jakarta into areas including Cebu, Davao City, Medan, Surabaya and Bali.

Increasing awareness and acceptance. With higher educational attainment, the younger population has greater awareness and acceptance of cord blood and cord lining banking as a form of biological insurance. The successful transplants so far and active participation in cord blood banking from hospitals, both private and public, are also contributing factors to a more favourable attitude towards banking. Cordlife's selling and marketing expenses in FY15 were 31% of total sales.

MANAGEMENT & STRATEGY

Led by Mr. Jeremy Yee. Cordlife is led by its Executive Director and Chief Executive Officer Mr. Jeremy Yee, who oversees its overall business strategy, corporate development and business growth. He is supported by Executive Officers who have taken up other positions within the company before assuming their current leadership roles. Cordlife believes that the cross functional experience it has given its people have helped to broaden their knowledge of the industry and the company. Four of its five key management executives have been with the company for at least nine years.

Improving scale and scope. Cordlife aims to achieve sustainable long-term growth through economies of scale and scope. Expanding its geographical footprint will fuel horizontal growth plans, while expanding its product and service range will vertically improve growth. Most notably, Cordlife has grown its India business since 2009 and has introduced Diagnostics products to support this.

Realising CCBC investment. Cordlife intends to realise its investment in CCBC. On 8 May 2015, it entered into an agreement with Golden Meditech Holdings Ltd to sell all its CCBC shares and Convertible Notes for c.S\$152m. This is still subject to Golden Meditech shareholders' approval at an EGM on 15 October 2015. The excess S\$152m less liabilities of S\$120m fixed rate notes is equivalent to c.S\$0.07 per share in special dividends.

Table 2: Key Competitors

Market	Key Competitors	Total players
Singapore	Stemcord, Singapore Cord Blood Bank	3
Hong Kong	Health Baby, CryoLife	6
Malaysia	Cellsafe, CryoCord, KOZA, StemTech	5
India	LifeCell, CyroBanks	11
Philippines	StemCord, Medical City	5
Indonesia	BabyBanks, StemCord	5
China	China Cord Blood Corporation, Zhongyuan Union Cell, Shandong Province Cord Blood Bank	8

Table 3: Key Management Team

Name	Designation
Dr Ho Choon Hou	Non-executive Chairman
Mr Yee Pinh, Jeremy	CEO
Ms Thet Hnin Yi	CFO
Mr Laiu Yen San, Jonathan	Senior Director Corporate Development
Ms Woon Geok Peng, Jamie	Business Unit Director, Banking
Ms Lee Mei Suan, Stella	Business Unit Director, Organisational Development
Ms Tan Huiying	Business Unit Director, Diagnostics

Table 4: Management Remuneration Structure

Name	FY15 total remuneration
Dr Ho Choon Hou	S\$250,000 and below
Mr Yee Pinh, Jeremy	Above S\$500,000 to S\$1,000,000
Ms Thet Hnin Yi	Above S\$250,000 to S\$500,000
Mr Laiu Yen San, Jonathan	Above S\$250,000 to S\$500,000
Ms Woon Geok Peng, Jamie	S\$250,000 and below
Ms Lee Mei Suan, Stella	S\$250,000 and below
Ms Tan Huiying	S\$250,000 and below

Source: Company, DBS Bank

Cordlife Group Ltd

Segmental Breakdown

FY Jun	2012A	2013A	2014A	2015A	2016F	2017F
Revenues (\$S m)						
Banking	29	35	49	57	64	72
Diagnostics	0	0	0	0	3	4
Others	0	0	0	0	0	0
Total	29	35	49	58	67	76
Operating profit (\$S m)						
Banking	7	7	9	6	13	14
Diagnostics	0	0	0	0	0	0
Others	0	0	0	0	0	0
Total	7	7	9	6	12	14
Operating profit Margins (%)						
Banking	26.0	21.2	18.5	10.4	19.5	19.8
Diagnostics	N/A	N/A	n/m	n/m	(3.8)	0.0
Others	N/A	N/A	(13.2)	(4.5)	N/A	N/A
Total	26.0	21.2	18.4	9.9	18.6	18.7

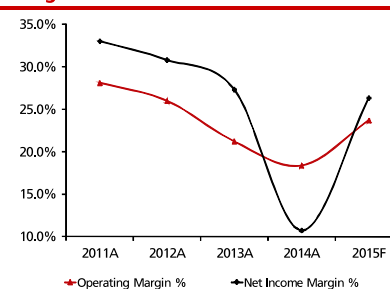
New cities' penetration in Indonesia, Philippines

Expect volume of diagnostics products to pick up.

Income Statement (\$S m)

FY Jun	2012A	2013A	2014A	2015A	2016F	2017F
Revenue	29	35	49	58	67	76
Cost of Goods Sold	(9)	(9)	(14)	(18)	(20)	(23)
Gross Profit	20	25	35	40	47	53
Other Opng (Exp)/Inc	(13)	(18)	(26)	(34)	(34)	(39)
Operating Profit	7	7	9	6	13	14
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	2	3	(2)	0	2	2
Net Interest (Exp)/Inc	0	0	0	2	(3)	(3)
Exceptional Gain/(Loss)	(2)	4	25	26	0	0
Pre-tax Profit	8	15	32	33	12	13
Tax	(1)	(1)	(1)	(1)	0	0
Minority Interest	0	0	0	0	0	0
Preference Dividend	0	0	0	0	0	0
Net Profit	7	13	30	32	11	13
Net Profit before Except.	9	9	5	7	11	13
EBITDA	10	11	8	7	17	19
Growth						
Revenue Gth (%)	12.1	20.6	41.5	17.3	16.2	14.1
EBITDA Gth (%)	8.1	6.2	(24.9)	(14.9)	138.2	12.0
Opg Profit Gth (%)	3.6	(1.5)	22.4	(36.7)	120.2	13.5
Net Profit Gth (%)	(18.3)	94.7	125.3	5.7	(65.0)	14.6
Margins & Ratio						
Gross Margins (%)	69.6	73.0	71.0	69.5	70.0	70.0
Opg Profit Margin (%)	26.0	21.2	18.4	9.9	18.7	18.7
Net Profit Margin (%)	30.8	27.3	10.7	11.4	16.8	16.9
ROAE (%)	15.9	12.8	4.8	4.3	6.8	7.5
ROA (%)	12.2	9.0	3.4	2.5	3.3	3.7
ROCE (%)	10.3	7.3	6.2	2.2	3.8	4.2
Div Payout Ratio (%)	52.5	68.6	100.5	79.0	48.4	44.3
Net Interest Cover (x)	NM	NM	NM	NM	4.3	4.9

Margins Trend

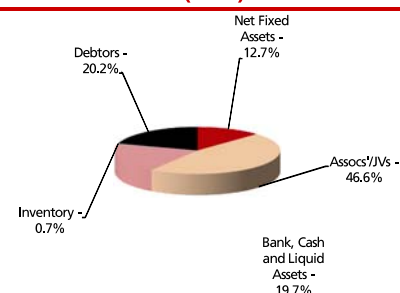


Source: Company, DBS Bank

Balance Sheet (\$\$ m)

FY Jun	2012A	2013A	2014A	2015A	2016F	2017F
Net Fixed Assets	6	8	8	10	9	7
Invt in Associates & JVs	18	28	17	14	16	18
Other LT Assets	38	58	103	258	258	258
Cash & ST Invt	19	12	46	30	37	43
Inventory	0	0	1	1	1	1
Debtors	9	12	13	15	18	20
Other Current Assets	1	3	3	6	2	2
Total Assets	90	120	191	333	340	349
ST Debt	0	0	4	4	4	4
Other Current Liab	8	17	16	17	18	20
LT Debt	2	6	8	125	125	125
Other LT Liabilities	8	20	21	25	25	25
Shareholder's Equity	71	78	141	162	168	175
Minority Interests	0	0	0	0	0	0
Total Cap. & Liab.	90	120	191	333	340	349
Non-Cash Wkg. Capital	2	(2)	0	5	2	3
Net Cash/(Debt)	16	6	33	(100)	(92)	(86)
Debtors Turn (avg days)	97.5	108.9	93.0	89.2	89.9	90.7
Creditors Turn (avg days)	114.1	218.1	235.2	235.5	253.2	255.4
Inventory Turn (avg days)	14.6	18.1	15.5	17.2	18.4	18.4
Asset Turnover (x)	0.4	0.3	0.3	0.2	0.2	0.2
Current Ratio (x)	3.5	1.6	3.1	2.4	2.6	2.7
Quick Ratio (x)	3.3	1.4	2.9	2.1	2.5	2.6
Net Debt/Equity (X)	CASH	CASH	CASH	0.6	0.5	0.5
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.6	0.5	0.5
Capex to Debt (%)	93.6	28.4	15.0	0.9	0.8	0.8
Z-Score (X)	9.9	4.8	5.2	5.5	NA	NA

Asset Breakdown (2015)



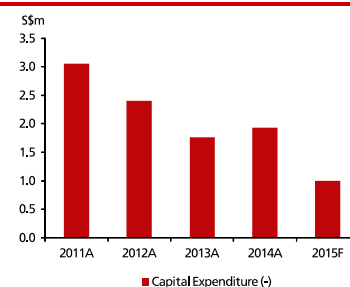
Includes 7% Senior Unsecured CCBC Convertible Note Due 2017 and loans to Magnum Opus valued at S\$62m.

Raised S\$120m 4.9% fixed rate note due 2017 for 1) US\$44 in CCBC CBs, and 2) c.US\$45 to lend Magnum Opus.

Cash Flow Statement (\$\$ m)

FY Jun	2012A	2013A	2014A	2015A	2016F	2017F
Pre-Tax Profit	8	15	32	33	12	13
Dep. & Amort.	1	1	2	2	2	2
Tax Paid	(2)	(1)	(1)	(2)	(1)	0
Assoc. & JV Inc/(loss)	(2)	(3)	2	0	(2)	(2)
Chg in Wkg.Cap.	(1)	1	(6)	(10)	4	(1)
Other Operating CF	2	(4)	(25)	(28)	0	0
Net Operating CF	6	9	4	(4)	14	12
Capital Exp.(net)	(2)	(2)	(2)	(1)	(1)	(1)
Other Invt.(net)	0	(4)	3	(58)	0	0
Invt in Assoc. & JV	0	(5)	(8)	0	0	0
Div from Assoc & JV	0	0	1	0	0	0
Other Investing CF	(18)	1	(7)	(2)	0	0
Net Investing CF	(20)	(10)	(14)	(61)	(1)	(1)
Div Paid	(5)	(7)	(5)	(5)	(5)	(6)
Chg in Gross Debt	2	3	7	58	0	0
Capital Issues	26	0	34	0	0	0
Other Financing CF	0	0	(1)	(6)	0	0
Net Financing CF	23	(3)	34	47	(5)	(6)
Currency Adjustments	0	0	0	0	0	0
Chg in Cash	9	(5)	25	(18)	8	6
Opg CFPS (\$ cts)	2.9	3.4	3.7	2.2	4.1	5.1
Free CFPS (\$ cts)	1.6	3.0	0.7	(2.1)	5.1	4.4

Capital Expenditure



Includes investment in CCBC CBs.

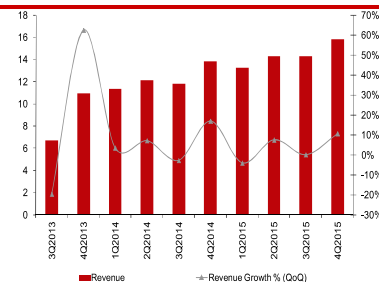
Includes S\$120m fixed rate note raised for CCBC CBs.

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S\$ m)

FY Jun	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Revenue	12	14	13	14	14	16
Cost of Goods Sold	(3)	(4)	(4)	(5)	(4)	(4)
Gross Profit	9	10	9	9	10	12
Other Oper. (Exp)/Inc	(6)	(7)	(8)	(6)	(8)	(13)
Operating Profit	2	3	1	3	2	(1)
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	0	0	0	0	0	0
Net Interest (Exp)/Inc	0	0	1	0	1	1
Exceptional Gain/(Loss)	0	14	(5)	(7)	16	21
Pre-tax Profit	2	17	(3)	(3)	19	21
Tax	0	(1)	0	0	0	0
Minority Interest	0	0	0	0	0	0
Net Profit	2	16	(5)	(5)	15	17
Net profit bef Except.	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA	3	3	1	4	2	(1)

Revenue Trend



Growth

Revenue Gth (%)	(2.7)	16.9	(4.0)	7.5	0.1	10.6
EBITDA Gth (%)	2.5	10.4	(54.5)	176.1	(33.8)	nm
Opg Profit Gth (%)	11.9	19.0	(65.5)	256.1	(36.1)	nm
Net Profit Gth (%)	(62.8)	911.1	nm	(17.0)	nm	8.1

Margins

Gross Margins (%)	74.0	71.9	68.3	65.9	68.6	74.5
Opg Profit Margins (%)	20.0	20.4	7.3	24.3	15.5	(6.0)
Net Profit Margins (%)	16.7	14.3	2.7	8.3	(3.2)	(28.6)

Source: Company, DBS Bank

VALUATIONS

Fair value of S\$1.30 using SOTP methodology. We value Cordlife using SOTP methodology. We account for the core business' cashflow nature using DCF, while taking into account Cordlife's investment value in both CCBC and Stemlife. Fair value works out to be S\$1.30 per share, at an implied PE of 30x, which is above Singapore listed peers.

Risk Assessment: Moderate

Category	Risk Rating 1 (Low) - 3 (High)	Wgt	Wgtd Score
Earnings	3	40%	1.2
Financials	1	20%	0.2
Shareholdings	1	40%	0.4
Overall			1.8

Expect steady earnings growth & strong balance sheet.

Cordlife runs a depository business which yields stable cashflows. Growth is slow and dependent on birth rates. Yet, the recurring payment element of cord blood banking plans offers stability but steady growth in terms of sales and earnings. Post successful sale of shares and convertible notes in CCBC, we expect its balance sheet to be in net cash once again.

Diluted shareholding structure, professionally managed.

Shareholding in Cordlife is thin, with the largest shareholder owning only 10% of the company. Its management team and board are professionals and does not hold any majority stake in the company.

Table 5: SOTP valuation

SOTP Valuation		
SOTP components	Valn S\$	Basis
Core business	366	DCF (t=4%, WACC=8.1%)
CCBC	61	Mkt value
Stemlife Bhd	10	Mkt value
Net debt	-101	FY15F net debt
Equity Value	336.3	
Shares	259.3	
Fair Value	1.30	

Table 6: Peer Comparison

Company	Country	Market Cap (\$m)	Px Last	PE (Act)	PE (Yr 1)	PE (Yr 2)	P/BV (x)	ROE (%)	Operating Margin (%)	Net Margin (%)	Dividend Yield (%)
Cordlife Group	Singapore	327	1.26	60.7x	49.9x	29.1x	2.0x	4%	9.9%	11.4%	1.6%
International cord blood banking peers											
Medipost	Korea, Republic	828.6	91,100	175.2	87.0	81.8	5.3	-2%	-4.3%	-4.5%	0.0%
Green Cross Cell	Korea, Republic	695.9	49,350	(473.4)	187.1	93.2	14.6	+5%	2.5%	-5.1%	0.0%
China Cord Blood	Cayman Islands	683.2	6.00	32.7	36.4	38.0	1.7	10%	40.5%	20.4%	N/A
Cordlife	United States of	399.2	9.89	86.6	(581.8)	45.7	1.9	6%	6.1%	5.1%	1.2%
HLB	Korea, Republic	1007.7	24,850	N/A	N/A	N/A	N/A	+9%	N/A	N/A	0.0%
Biomet Corp	Taiwan	62.2	28.90	60.4	28.9	N/A	1.3	3%	-1.0%	7.0%	2.4%
StemLife	Malaysia	30.4	0.38	(35.3)	N/A	N/A	3.9	+5%	-22.2%	-11.4%	0.0%
VITA 34	Germany	24.8	5.17	11.8	16.4	14.3	0.7	8%	2.5%	8.0%	2.9%
Life Corporation	Australia	5.8	0.1	(4.3)	N/A	N/A	-84.2	-78%	-120.6%	-118.6%	0.0%
Regional average				(18.3)	(37.6)	52.6	(6.9)	-8%	-12.1%	-12.4%	0.8%
Singapore listed medical peers											
Railfies Medical	Singapore	2552.5	4.44	36.7	34.8	31.1	4.4	16%	20.3%	18.1%	1.2%
Pacific Health	Singapore	4.0	0.01	(0.8)	0.2	N/A	17.5	-130%	-15.8%	-4.8%	0.0%
Health Mgmt Intl	Singapore	150.1	0.26	16.4	N/A	N/A	2.9	43%	14.1%	5.5%	N/A
Healthway	Singapore	81.4	0.04	6.0	11.7	N/A	0.4	5%	-11.4%	11.5%	0.0%
Intl Healthway	Singapore	141.0	0.08	N/A	N/A	N/A	N/A	25%	N/A	N/A	0.0%
Biosensors	Bermuda	1201.7	0.68	61.1	21.1	18.6	3.5	-20%	12.6%	-72.9%	0.0%
SG Medical Group	Singapore	38.6	0.14	N/A	N/A	N/A	N/A	8%	N/A	N/A	0.0%
Q & M Dental	Singapore	552.8	0.71	-41.2	-44.4	30.2	6.9	19%	11.4%	8.5%	1.0%
Regional average				26.8	22.4	26.6	5.9	-4%	5.2%	-5.7%	0.3%

Source: DBS Bank, Bloomberg Finance L.P.

DBS Bank Equity Explorer return ratings reflect return expectations based on an assumed earnings profile and valuation parameters:

- 1 (>20% potential returns over the next 12 months)
- 2 (0 - 20% potential returns over the next 12 months)
- 3 (negative potential return over the next 12 months)

The risk assessment is qualitative in nature and is rated as either high, low or moderate risk. (see section on risk assessment)

Note that these assessments are based on a preliminary review of factors deemed salient at the time of publication. DBSV does not commit to ongoing coverage and updated assessments of stocks covered under the Equity Explorer product suite. Such updates will only be made upon official initiation of regular coverage of the stock.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 31 Aug 2015
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 31 Aug 2015
3. **Compensation for investment banking services:**
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E