

CapitaLand (CAPL SP)

Property - Real Estate

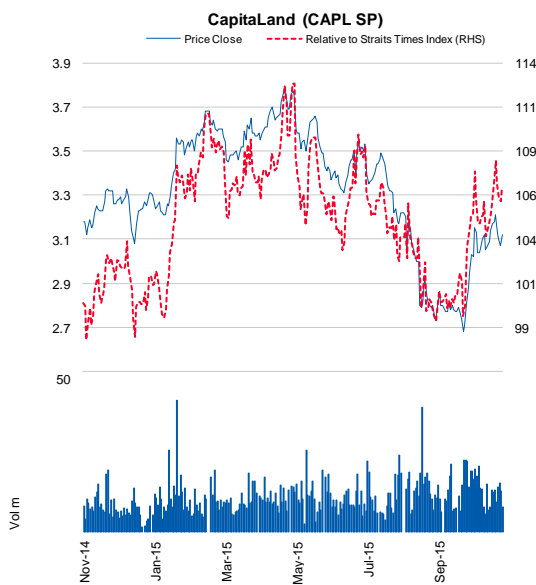
Market Cap: USD9,469m

Buy (Maintained)

 Target Price: **SGD4.22**

 Price: **SGD3.12**

The Great Home Sale Of China

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (SGD/USD)	40.3m/28.7m
Cons. Upside (%)	27.9
Upside (%)	35.3
52-wk Price low/high (SGD)	2.68 - 3.79
Free float (%)	60
Share outstanding (m)	4,248
Shareholders (%)	
Temasek Holdings Pte Ltd	39.5
Blackrock	6.0
Vanguard Plc	1.0
Share Performance (%)	
	YTD 1m 3m 6m 12m
Absolute	(5.8) 11.0 (3.7) (15.5) (2.2)
Relative	5.1 3.6 2.4 (1.5) 6.7

Ong Kian Lin +65 6232 3896

ong.kian.lin@rhbgroup.com

Ivan Looi +65 6232 3841

ivan.looi@rhbgroup.com

3Q15 results were in line with our estimates. Maintain BUY and RNAV-derived SGD4.22 TP (35% upside). China residential sales remained robust as CapitaLand sold c.2x more units than a year before. In addition, we like that it has ceased negotiations over its acquisition of Asia Square Tower 1. At a 44.7% discount to RNAV, we think valuations are still undemanding at this level.

- ◆ **Results in line.** CapitaLand registered 3Q15/9M15 operating PATMI of SGD163.0m/SGD574.3m respectively. This translated to a growth of 36.2% (3Q15) and 14.2% (9M15) YoY, underpinned by the performance across all of its business units. Likewise, 3Q15 revenue and EBIT were up c.17% and c.31% YoY respectively. This was mainly driven by the higher number of units handed over to home buyers. There was also the increased contributions from development projects in China, namely Dolce Vita and The Paragon. CapitaLand's balance sheet remains robust, with net gearing ratio standing at 0.51.
- ◆ **Stellar residential sales in China.** China's residential market proved to be robust as CapitaLand received c.2x more residential sales in the East Asian nation vis-à-vis a year ago. The company sold 2,422 residential units vs 1,057 units a year ago. This represents sales volumes of CNY3,750m and CNY1,594m respectively. Sales were mostly from Summit Era in Ningbo, Vermont Hills in Beijing, and One iPark in Shenzhen. In Singapore, meanwhile, the residential market has remained challenging, given that CapitaLand sold 45 units in 3Q15, accumulating to 237 units YTD. This equates to a decline of c.36% YoY.
- ◆ **Acquisition for Asia Square Tower 1 has been called off.** CapitaLand has also announced that it has ceased negotiations with regards to the acquisition of Asia Square Tower 1. The cessation of this acquisition is a good signal to shareholders, as the reported price tag of SGD3.5bn-4.2bn was lofty, in our opinion.
- ◆ **Maintain BUY with an unchanged TP of SGD4.22.** We think that the counter remains compelling as it is trading at a 44.7% discount to its RNAV. In addition, we are confident of its "One CapitaLand" strategy – with a single listed developer integrated across asset classes, delivering a sustainable ROE of 8-12%. Maintain BUY with TP of SGD4.22.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (SGDm)	3,511	3,925	3,879	4,098	4,024
Reported net profit (SGDm)	806	1,132	810	955	1,108
Recurring net profit (SGDm)	806	1,132	810	955	1,108
Recurring net profit growth (%)	(13.3)	40.3	(28.4)	17.9	16.0
Recurring EPS (SGD)	0.19	0.27	0.19	0.22	0.26
Recurring P/E (x)	16.5	11.7	16.4	13.9	12.0
P/B (x)	0.82	0.79	0.77	0.73	0.70
Return on average equity (%)	5.2	6.9	4.8	5.4	6.0
Return on average assets (%)	1.9	2.5	1.9	2.3	2.7
Net debt to equity (%)	39.4	57.0	41.6	27.0	25.9

Source: Company data, RHB

Figure 1: Summary of CapitaLand's 3Q15 results

(SGDm)	3Q14	2Q15	3Q15	%QoQ	%YoY	Comments
Turnover	918.9	1,031.3	1,076.0	4.3	17.1	Revenue increased by 17.1% YoY in 315 on the back of higher contribution from development projects in China, partially offset by lower revenue recognition from development projects in Singapore and Vietnam.
(a) CapitaLand Singapore	358.8	318.8	261.3	(18.0)	(27.2)	Revenue for 3Q15 was lower against same period last year as contributions from Sky Habitat and Bedok Residences tapered off after the projects obtained Temporary Occupation Permit ("TOP") in 2Q15.
(b) CapitaLand China	170.0	342.7	437.3	27.6	157.3	Revenue for CL China in 3Q15 was higher than the previous corresponding period mainly due to higher number of residential units being handed over to buyers as well as the consolidation of CL Township as it became a subsidiary of the Group in Mar 15.
(c) CapitaMalls Asia	173.6	167.8	155.1	(7.6)	(10.7)	Revenue for 3Q 2015 was 10.7% YoY lower than the corresponding periods last year due to lower progressive revenue recognition from Bedok Residences.
(d) Ascott	179.0	182.6	196.3	7.5	9.6	Revenue for 3Q 2015 was higher mainly due to contribution from properties acquired in 2014 and 2015.
(e) Corporate & Others	37.5	19.3	26.0	34.7	(30.7)	
(1) Singapore	465.1	406.4	333.1	(18.0)	(28.4)	
(2) China & HK	230.2	414.3	509.8	23.0	121.4	
(3) Other Asia	129.3	116.7	128.3	10.0	(0.8)	
(4) Europe & Others	94.3	93.9	104.7	11.5	11.1	
Gross profit	309.3	394.5	338.1	(14.3)	9.3	
Profit from continuing operations	226.6	638.9	318.9	(50.1)	40.7	
Share of results of associates & JVs	123.9	236.2	140.1	(40.7)	13.1	
EBIT	350.5	875.1	459.1	(47.5)	31.0	The improvement in 3Q15 EBIT was mainly due to the higher contribution from development projects in China, namely Dolce Vita and The Paragon, and project cost savings from development projects in Singapore,
(a) CapitaLand Singapore	99.5	202.0	118.4	(41.4)	19.0	EBIT for 3Q15 was higher mainly due to project cost savings and lower operating expenses.
(b) CapitaLand China	69.2	265.7	104.6	(60.6)	51.3	EBIT for 3Q15 was higher mainly due to higher number of units being handed over and gain from the realisation of foreign currency translation reserve arising from the acquisition of the remaining 62.5% stake in CCDF in July 15.
(c) CapitaMalls Asia	123.9	289.2	140.4	(51.5)	13.3	CMA registered EBIT growth of 13.3% YoY which was largely due to improved contributions from Bedok Mall and Westgate, better performance from the portfolio of malls in China and lower staff costs compared to the corresponding periods.
(d) Ascott	42.9	98.0	82.9	(15.4)	93.1	EBIT for 3Q15 was higher mainly due to contribution from properties acquired in 2014 and 2015, the fair value gain recognised upon the acquisition of Element New York Times Square in the United States of America as well as higher portfolio gains.
(e) Corporate & Others	15.0	20.2	12.8	(36.3)	(14.6)	
(1) Singapore	184.1	356.5	188.7	(47.1)	2.4	
(2) China & HK	96.9	360.4	156.7	(56.5)	61.8	
(3) Other Asia	47.6	99.7	68.9	(30.9)	44.7	
(4) Europe & Others	21.9	58.5	44.8	(23.4)	104.7	
Finance costs	(105.4)	(121.7)	(116.4)	(4.4)	10.4	
PBT	245.1	753.3	342.7	(54.5)	39.8	
Net profit	197.6	609.5	278.3	(54.3)	40.8	
PATMI	130.0	464.0	192.7	(58.5)	48.3	The higher PATMI was mainly attributable to the higher operating PATMI as well as higher portfolio and evaluation gains.
Operating PATMI	129.5	256.1	163.0	(36.4)	25.9	
EPS (cents)	3.1	10.9	4.5	(58.7)	45.2	
NAV (SGD)	3.72	4.04	4.14	2.5	11.3	
Annualised ROE (%)	3.38	10.94	4.41	(6.5)	1.0	
Net Debt/Equity (x)	0.60	0.53	0.51	(0.02)	(0.09)	
Gross margin: (%)	33.7	38.2	31.4	(6.8)	(2.2)	
Profit (Cont. operations) margin: (%)	24.7	61.9	29.6	(32.3)	5.0	
PBR (x)	0.84	0.77	0.75			
Price-Book Discont (%)	(16.1)	(22.8)	(24.6)			
Price-RNAV Discont (%)		(44.7)	(44.7)			
EBIT margin: (%)	38.1	84.9	42.7	(42.2)	4.5	
(a) CapitaLand Singapore	27.7	63.4	45.3	(18.1)	17.6	
(b) CapitaLand China	40.7	77.5	23.9	(53.6)	(16.8)	
(c) CapitaMalls Asia	71.3	172.4	90.5	(81.9)	19.1	
(d) Ascott	24.0	53.6	42.2	(11.4)	18.2	
(e) Corporate & Others	40.1	104.5	49.4	(55.1)	9.3	

Source: RHB, Company data

Figure 2: Summary of CapitaLand's 9M15 results

(SGDm)	9M14	9M15	%QoQ	%YoY	RHB 2015F	% RHB 2015F	Comments
Turnover	2,406.8	3,022.3	193.1	25.6	3,878.7	77.9	YTD 2015's revenue increased by 25.6% YoY, driven mainly by fair value gains of SGD208.0m.
(a) CapitaLand Singapore	872.7	924.0	189.8	5.9	1,274.7	72.5	The higher revenue was attributable to higher sales from Urban Resort Condominium and progressive revenue recognition from Sky Vue, higher rental income from CapitaLand Commercial Trust (CCT) and CapitaGreen which obtained TOP in Dec 14.
(b) CapitaLand China	405.7	983.7	187.0	142.5	1,237.6	79.5	Revenue for YTD 15 was higher due to higher handover of units and gains recognised from the change in use of development projects to investment properties in respect of The Paragon and Ascott Heng Shan.
(c) CapitaMalls Asia	521.2	504.4	200.6	(3.2)	606.7	83.1	Revenue for YTD 15 was 3.2% YoY lower due to lower progressive revenue recognition from Bedok Residences.
(d) Ascott	506.3	546.1	199.0	7.9	684.0	79.8	Revenue for YTD 15 was higher mainly due to contribution from properties acquired in 2015. It was also due to higher fee income.
(e) Corporate & Others	100.8	64.1	231.7	(36.5)	75.7	84.6	
(1) Singapore	465.1	333.1	(18.0)	(28.4)			
(2) China & HK	230.2	509.8	23.0	121.4			
(3) Other Asia	129.3	128.3	10.0	(0.8)			
(4) Europe & Others	94.3	104.7	11.5	11.1			
Gross profit	943.9	1,094.3	177.4	15.9	1,366.6	80.1	
Profit from continuing operations	930.6	1,213.8	90.0	30.4			
Share of results of associates & JVs	639.0	501.9	112.5	(21.5)	283.9	176.8	
EBIT	1,569.7	1,715.7	96.1	9.3	1,576.6	108.8	CapitaLand achieved an EBIT of SGD1,715.7m, which was 9.3% YoY higher than YTD Sep 14, on account of the fair value gains in respect of The Paragon, Ascott Heng Shan and Raffles City Changning, improved operating performance from malls in Singapore and China.
(a) CapitaLand Singapore	458.4	420.4	108.1	(8.3)	398.9	105.4	The higher EBIT from operations was however offset by lower net revaluation gain from investment properties, and dilution loss from CCT's interest in MQREIT in Malaysia, resulting in lower overall EBIT against last year.
(b) CapitaLand China	314.3	458.8	72.7	45.9	258.7	177.4	EBIT for YTD 15 was further boosted by the gains recognised from change in use in respect of The Paragon, Ascott Heng Shan and Raffles City Changning.
(c) CapitaMalls Asia	565.1	566.3	95.8	0.2	605.8	93.5	CMA registered EBIT growth of 0.2% YoY which was largely due to improved contributions from Bedok Mall and Westgate, better performance from the portfolio of malls in China and lower staff costs compared to the corresponding periods.
(d) Ascott	201.3	227.3	132.0	12.9	273.2	83.2	EBIT for YTD 15 was higher mainly due to contribution from properties acquired in 2014 and 2015, higher fee income as well as higher portfolio gains.
(e) Corporate & Others	30.5	43.0	113.2	41.0	40.0	107.5	
(1) Singapore	757.6	744.0	108.7	(1.8)			
(2) China & HK	502.8	640.1	77.6	27.3			
(3) Other Asia	224.1	211.2	111.8	(5.7)			
(4) Europe & Others	85.3	120.4	105.9	41.1			
Finance costs	(325.0)	(356.3)	192.6	9.6	(449.6)	79.2	Finance costs increased mainly due to the increase in the level of borrowings in YTD 2015 as compared last year.
PBT	1,244.7	1,359.5	80.5	9.2	1,461.7	93.0	
Net profit	1,117.2	1,100.7	80.6	(1.5)	1,213.9	90.7	
PATMI	751.5	818.0	76.3	8.8	885.3	92.4	
Operating PATMI	421.8	574.3	124.2	36.2			The higher PATMI was mainly attributable to gains on change in use of development properties for sale to investment properties.
EPS (cents)	17.6	19.2	76.1	9.1	20.8	92.4	
NAV (SGD)	3.72	4.14	2.5	11.3	4.48	92.4	
Annualised ROE (%)	6.35	6.22	(4.7)	(0.1)	5.81	107.1	
Net Debt/Equity (x)	0.60	0.51	(0.02)	(0.09)	0.26	199.5	
Gross margin: (%)	39.2	36.2	(2.0)	(3.0)	35.2		
Profit (Cont. operations) margin: (%)	38.7	40.2	(21.8)	1.5	31.3		
PBR (x)	0.84	0.75					
Price-Book Discnt (%)	(16.1)	(24.6)					
Price-RNAV Discnt (%)		(44.7)					
EBIT margin: (%)	65.2	56.8	(28.1)	(8.5)			
(a) CapitaLand Singapore	52.5	45.5	(17.9)	(7.0)			
(b) CapitaLand China	77.5	46.6	(30.9)	(30.8)			
(c) CapitaMalls Asia	108.4	112.3	(60.1)	3.8			
(d) Ascott	39.8	41.6	(12.0)	1.9			
(e) Corporate & Others	30.3	67.1	(37.3)	36.9			

Source: RHB, Company

Figure 3: CapitaLand's RNAV breakdown

<u>Properties</u>		RNAV (SGD m)
Market value of Singapore investment properties		1,187.7
Market value of China/HK investment properties		1,638.6
GDV of CMA		17,184.8
GDV of TAL		3,914.4
NPV of development profits		
Singapore		2,900.2
China		3,079.2
Others		187.6
	<u>Stake</u>	
CCT	31.6%	1,810.8
ART	45.6%	879.6
Lai Fung	20.0%	45.6
Fund management business (15x FY15F PER)		641.0
Other net assets (incl. net equity of devt properties and net debt)		(9,435.6)
RNAV (S\$m)		24,033.8
No. of shares outstanding (m)		4,258.5
RNAV per share		\$5.64
Premium/(Discount)		-25%
Fair Value		\$4.22
Last Price:		\$3.12
Upside:		35.3%

Source: RHB, Company data

Financial Exhibits

Profit & Loss (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	3,511	3,925	3,879	4,098	4,024
Cost of sales	(2,274)	(2,543)	(2,512)	(2,654)	(2,606)
Gross profit	1,237	1,382	1,367	1,444	1,418
Other operating costs	119	85	129	259	538
Operating profit	1,356	1,467	1,496	1,703	1,956
Operating EBITDA	1,419	1,532	1,597	1,806	2,060
Depreciation of fixed assets	(63)	(65)	(102)	(103)	(104)
Operating EBIT	1,356	1,467	1,496	1,703	1,956
Net income from investments	903	970	284	302	258
Interest income	-	-	50	46	42
Interest expense	(482)	(439)	(450)	(403)	(341)
Pre-tax profit	1,777	1,997	1,381	1,649	1,916
Taxation	(205)	(267)	(242)	(215)	(253)
Minority interests	(765)	(599)	(329)	(479)	(555)
Profit after tax & minorities	806	1,132	810	955	1,108
Reported net profit	806	1,132	810	955	1,108
Recurring net profit	806	1,132	810	955	1,108

Source: Company data, RHB

Cash flow (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	1,356	1,467	1,496	1,703	1,956
Depreciation & amortisation	63	65	102	103	104
Change in working capital	(54)	52	3	2,443	(1,058)
Other operating cash flow	(409)	(585)	(228)	(193)	(227)
Operating cash flow	956	999	1,373	4,056	774
Cash flow from operations	956	999	1,373	4,056	774
Capex	(475)	(1,046)	483	(11)	(11)
Other new investments	423	1,072	-	-	-
Other investing cash flow	422	(366)	564	593	509
Cash flow from investing activities	370	(339)	1,047	582	498
Dividends paid	(688)	(705)	(539)	(575)	(575)
Proceeds from issue of shares	2	1	-	-	-
Increase in debt	(183)	(3,568)	(3,906)	(2,851)	(2,760)
Other financing cash flow	(0)	0	-	-	-
Cash flow from financing activities	(869)	(4,272)	(4,445)	(3,426)	(3,335)
Cash at beginning of period	5,498	6,306	2,749	4,025	5,237
Total cash generated	457	(3,612)	(2,025)	1,212	(2,063)
Forex effects	352	55	3,300	-	(3,174)
Implied cash at end of period	6,306	2,749	4,025	5,237	-

Source: Company data, RHB

Financial Exhibits

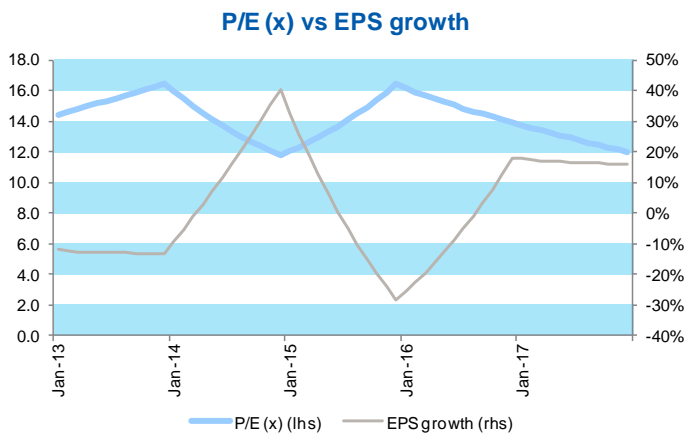
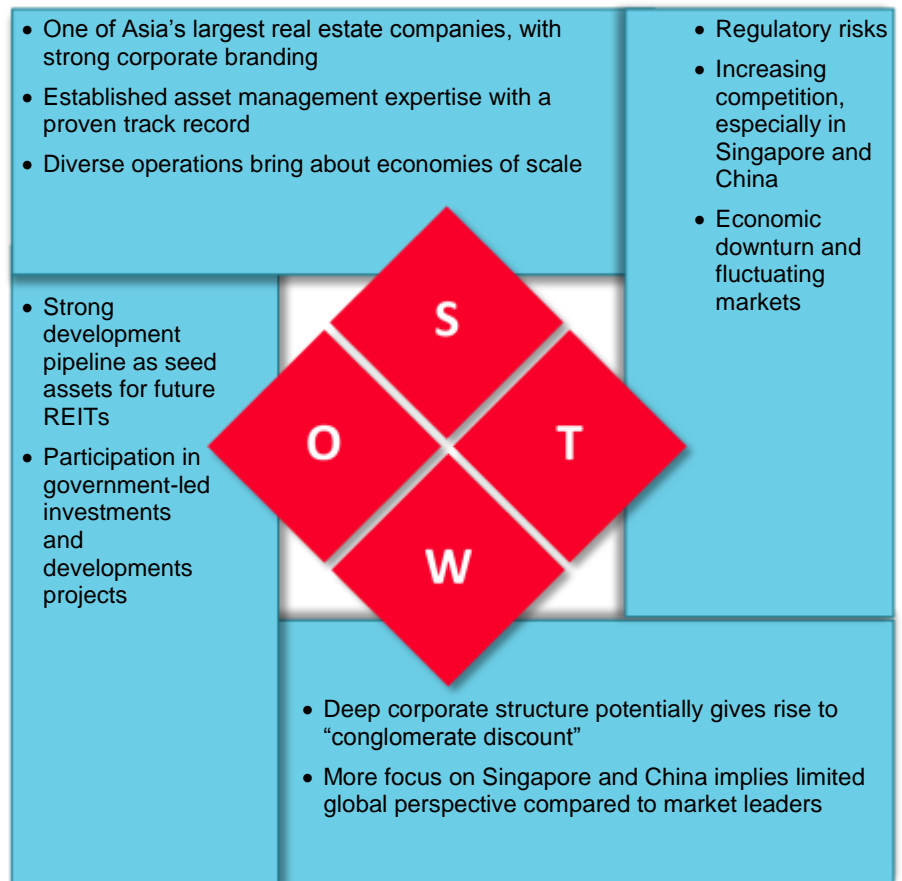
Balance Sheet (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	6,306	2,749	4,025	5,237	3,174
Inventories	1,451	1,157	2,162	1,327	2,110
Other current assets	7,382	7,674	4,390	3,453	2,950
Total current assets	15,140	11,580	10,576	10,016	8,234
Total investments	28,169	29,930	29,336	29,603	29,873
Tangible fixed assets	666	1,047	1,058	1,068	1,079
Total other assets	1,088	1,556	1,571	1,587	1,603
Total non-current assets	29,923	32,533	31,965	32,259	32,556
Total assets	45,063	44,113	42,542	42,275	40,790
Short-term debt	1,280	3,469	3,469	3,469	3,469
Accounts payable	2,889	3,070	2,729	3,397	2,619
Other current liabilities	478	463	463	463	463
Total current liabilities	4,647	7,002	6,661	7,330	6,551
Total long-term debt	14,656	12,517	10,517	8,517	6,517
Other liabilities	1,305	1,386	1,400	1,414	1,428
Total non-current liabilities	15,961	13,903	11,917	9,931	7,945
Total liabilities	20,608	20,905	18,578	17,260	14,496
Share capital	16,109	16,758	17,340	18,104	19,021
Shareholders' equity	16,109	16,758	17,340	18,104	19,021
Minority interests	8,346	6,451	6,624	6,910	7,273
Total equity	24,455	23,209	23,964	25,015	26,294
Total liabilities & equity	45,063	44,113	42,542	42,275	40,790

Source: Company data, RHB

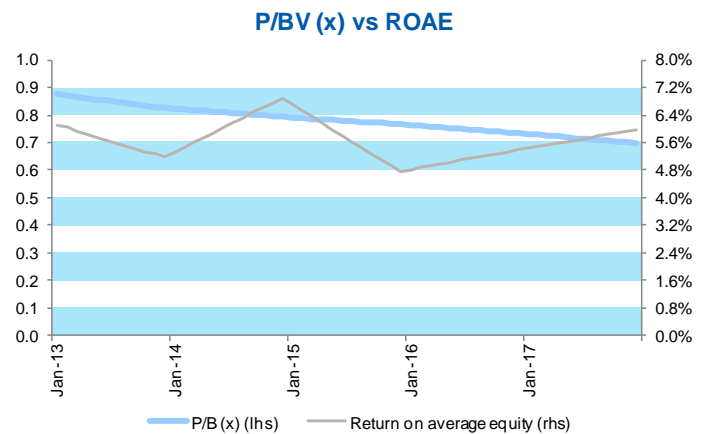
Key Ratios (SGD)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	6.4	11.8	(1.2)	5.6	(1.8)
Operating profit growth (%)	14.7	8.2	2.0	13.9	14.9
Net profit growth (%)	(13.3)	40.3	(28.4)	17.9	16.0
EPS growth (%)	(13.3)	40.3	(28.4)	17.9	16.0
BVPS growth (%)	6.8	4.0	3.5	4.4	5.1
Operating margin (%)	38.6	37.4	38.6	41.6	48.6
Net profit margin (%)	23.0	28.8	20.9	23.3	27.5
Return on average assets (%)	1.9	2.5	1.9	2.3	2.7
Return on average equity (%)	5.2	6.9	4.8	5.4	6.0
Net debt to equity (%)	39.4	57.0	41.6	27.0	25.9
Recurrent cash flow per share	0.22	0.23	0.32	0.95	0.18

Source: Company data, RHB

SWOT Analysis



Source: Company data, RHB



Source: Company data, RHB

Company Profile

CapitaLand and its subsidiaries operate in the residential and commercial properties, property fund management, and serviced residences segments. The company also manages other properties.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-07-15	Buy	4.22	3.40
2015-05-04	Buy	4.20	3.76
2015-02-17	Buy	3.96	3.63
2014-11-10	Buy	3.54	3.19

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

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 the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information 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.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

RHB and/or its affiliates and/or their directors, officers, associates, connected parties and/or employees, may have, or have had, interests in the securities or qualified holdings, in subject company(ies) mentioned in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, RHB and/or its affiliates may have, or have had, business relationships with the subject company(ies) mentioned in this report and may from time to time seek to provide investment banking or other services to the subject company(ies) referred to in this research report. As a result, investors should be aware that a conflict of interest may exist.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

RESTRICTIONS ON DISTRIBUTION

Malaysia

This report is issued and distributed in Malaysia by RHB Research Institute Sdn Bhd. The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHB Research Institute Sdn Bhd has no obligation to update its opinion or the information in this report.

Thailand

This report is issued and distributed in the Kingdom of Thailand by RHB OSK Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB OSK Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia

This report is issued and distributed in Indonesia by PT RHB OSK Securities Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Research Institute Singapore Pte Ltd and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these categories of investors, RHB Research Institute Singapore Pte Ltd and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of RHB Research Institute Singapore Pte Ltd 's interest and/or its representative's interest in securities). Recipients of this report in Singapore may contact RHB Research Institute Singapore Pte Ltd in respect of any matter arising from or in connection with the report.

Hong Kong

This report is issued and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited (興業僑豐證券有限公司) (CE No.: ADU220) ("RHBSHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact RHB OSK Securities Hong Kong Limited.

United States

This report was prepared by RHB and is being distributed solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act"). RHB is not registered as a broker-dealer in the United States and does not offer brokerage services to U.S. persons. Any order for the purchase or sale of the securities discussed herein that are listed on Bursa Malaysia Securities Berhad must be placed with and through Auerbach Grayson ("AG"). Any order for the purchase or sale of all other securities discussed herein must be placed with and through such other registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6.

This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable.

Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of Auerbach Grayson AG or such other registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading.

Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States.

The financial instruments discussed in this report may not be suitable for all investors.

Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

OWNERSHIP AND MATERIAL CONFLICTS OF INTEREST

Malaysia

RHB does not have qualified shareholding (1% or more) in the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries are not liquidity providers or market makers for the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries have not participated as a syndicate member in share offerings and/or bond issues in securities covered in this report in the last 12 months except for:

a) -

RHB has not provided investment banking services to the company/companies covered in this report in the last 12 months except for:

a) -

Thailand

RHB OSK Securities (Thailand) PCL and/or its directors, officers, associates, connected parties and/or employees, may have, or have had, interests and/or commitments in the securities in subject company(ies) mentioned in this report or any securities related thereto. Further, RHB OSK Securities (Thailand) PCL may have, or have had, business relationships with the subject company(ies) mentioned in this report. As a result, investors should exercise their own judgment carefully before making any investment decisions.

Indonesia

PT RHB OSK Securities Indonesia is not affiliated with the subject company(ies) covered in this report both directly or indirectly as per the definitions of affiliation above.

Pursuant to the Capital Market Law (Law Number 8 Year 1995) and the supporting regulations thereof, what constitutes as affiliated parties are as follows:

1. Familial relationship due to marriage or blood up to the second degree, both horizontally or vertically;
2. Affiliation between parties to the employees, Directors or Commissioners of the parties concerned;
3. Affiliation between 2 companies whereby one or more member of the Board of Directors or the Commissioners are the same;
4. Affiliation between the Company and the parties, both directly or indirectly, controlling or being controlled by the Company;
5. Affiliation between 2 companies which are controlled, directly or indirectly, by the same party; or
6. Affiliation between the Company and the main Shareholders.

PT RHB OSK Securities Indonesia is not an insider as defined in the Capital Market Law and the information contained in this report is not considered as insider information prohibited by law.

Insider means:

- a. a commissioner, director or employee of an Issuer or Public Company;
- b. a substantial shareholder of an Issuer or Public Company;
- c. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and
- d. an individual who within the last six months was a Person defined in letters a, b or c, above.

Singapore

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or associated companies do not make a market in any securities covered in this report, except for:

- (a) -

The staff of RHB Research Institute Singapore Pte Ltd and its subsidiaries and/or its associated companies do not serve on any board or trustee positions of any issuer whose securities are covered in this report, except for:

- (a) -

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer of the securities covered in this report or any other relationship (including a shareholding of 1% or more in the securities covered in this report) that may create a potential conflict of interest, except for:

- (a) -

Hong Kong

RHBSHK or any of its group companies may have financial interests in in relation to an issuer or a new listing applicant (as the case may be) the securities in respect of which are reviewed in the report, and such interests aggregate to an amount equal to or more than (a) 1% of the subject company's market capitalization (in the case of an issuer as defined under paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code of Conduct"); and/or (b) an amount equal to or more than 1% of the subject company's issued share capital, or issued units, as applicable (in the case of a new listing applicant as defined in the Code of Conduct). Further, the analysts named in this report or their associates may have financial interests in relation to an issuer or a new listing applicant (as the case may be) in the securities which are reviewed in the report.

RHBSHK or any of its group companies may make a market in the securities covered by this report.

RHBSHK or any of its group companies may have analysts or their associates, individual(s) employed by or associated with RHBSHK or any of its group companies serving as an officer of the company or any of the companies covered by this report.

RHBSHK or any of its group companies may have received compensation or a mandate for investment banking services to the company or any of the companies covered by this report within the past 12 months.

Note: The reference to "group companies" above refers to a group company of RHBSHK that carries on a business in Hong Kong in (a) investment banking; (b) proprietary trading or market making; or (c) agency broking, in relation to securities listed or traded on The Stock Exchange of Hong Kong Limited.

Kuala Lumpur

RHB Research Institute Sdn Bhd
Level 11, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur
Malaysia
Tel : +(60) 3 9280 2185
Fax : +(60) 3 9284 8693

Hong Kong

RHB OSK Securities Hong Kong Ltd.
12th Floor
World-Wide House
19 Des Voeux Road
Central, Hong Kong
Tel : +(852) 2525 1118
Fax : +(852) 2810 0908

Singapore

**RHB Research Institute Singapore
Pte Ltd (formerly known as DMG & Partners Research
Pte Ltd)**
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315
Tel : +(65) 6533 1818
Fax : +(65) 6532 6211

Jakarta

PT RHB OSK Securities Indonesia
Wisma Mulia, 20th Floor
Jl. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
Tel : +(6221) 2783 0888
Fax : +(6221) 2783 0777

Shanghai

RHB OSK (China) Investment Advisory Co. Ltd.
Suite 4005, CITIC Square
1168 Nanjing West Road
Shanghai 20041
China
Tel : +(8621) 6288 9611
Fax : +(8621) 6288 9633

Phnom Penh

RHB OSK Indochina Securities Limited
No. 1-3, Street 271
Sangkat Toeuk Thla, Khan Sen Sok
Phnom Penh
Cambodia
Tel: +(855) 23 969 161
Fax: +(855) 23 969 171

Bangkok

RHB OSK Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +(66) 2 862 9999
Fax : +(66) 2 862 9799