

Wing Tai (WINGT SP)

Share Price: SGD1.78

Target Price: SGD2.25 (+27%)

MCap (USD): 1.0B

ADTV (USD): 1M

Singapore

Real Estate

BUY

(Unchanged)

Soft quarter

- 1QFY16 net income of SGD2.0m was below expectations at only 2% of FY16E.
- Lacklustre performance could persist in the near term.
- Continue to see deep value in the stock. Maintain BUY and TP of SGD2.25, based on 35% RNAV discount.

Lacklustre earnings reflect near-term challenges

1QFY16 net income of SGD2.0m was below expectations at only 2% of FY16E. The quarter's SGD170m revenue (+6% YoY) was driven by progressive recognition from The Tembusu, Le Nouvel Ardmore in Singapore, The Lakeview in China and Jesselton Hills in Penang. Share of profits from associates and joint ventures fell to SGD7.4m (-45% YoY) due to lower contributions from Wing Tai Properties and its development projects in Singapore. We note that none of the units at Nouvel 18 had been sold and only 11 units at The Crest were sold in the quarter.

Continue to see deep value in stock

The lacklustre set of results reflects the challenging market conditions and near-term headwinds could persist. The Crest, its 40% JV project at Prince Charles Crescent, could be forced to lower asking prices given competition from the impending launch of Principal Garden, a nearby UOL project. That said, we had already built price reductions into our forecasts. We maintain our forecasts on expectations of higher recognition of project revenue in the next few quarters.

We reiterate our view that Wing Tai is well-positioned to ride out the residential down-cycle. Increasing its leverage to 0.5x (from 0.1x) will give it debt headroom of SGD1.4b, which will allow it to replenish land bank as prices correct. We continue to see deep value in the stock at 48% discount to our RNAV estimate of SGD3.44 and 0.43x P/BV. A possible roll-back of property cooling measures in the year ahead could revive interest in the stock. Maintain BUY and SGD2.25 TP, based on 35% RNAV discount.

FYE Jun (SGD m)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	803.4	676.7	460.2	835.2	250.6
EBITDA	188.2	97.7	119.3	263.4	36.2
Core net profit	254.4	150.3	108.5	250.6	73.2
Core EPS (cts)	32.2	19.0	13.8	31.9	9.3
Core EPS growth (%)	(52.2)	(41.0)	(27.5)	131.0	(70.8)
Net DPS (cts)	6.0	3.0	6.0	6.0	7.0
Core P/E (x)	5.5	9.3	12.9	5.6	19.1
P/BV (x)	0.5	0.4	0.4	0.4	0.4
Net dividend yield (%)	3.4	1.7	3.4	3.4	3.9
ROAE (%)	8.8	4.9	3.4	7.5	2.1
ROAA (%)	5.2	3.1	2.2	4.9	1.4
EV/EBITDA (x)	11.6	20.4	15.3	6.3	46.3
Net debt/equity (%)	15.7	9.8	7.5	2.4	2.9

Key Data

52w high/low (SGD)	2.11/1.57
3m avg turnover (USDm)	1.2
Free float (%)	46.0
Issued shares (m)	794
Market capitalization	SGD1.4B
Major shareholders:	
-CHENG FAMILY	39.6%
-CHENG WAI KEUNG	8.6%
-Wilma Enterprises Ltd.	2.0%

Share Price Performance



	1 Mth	3 Mth	12 Mth
Absolute(%)	6.3	(8.0)	1.1
Relative to index (%)	(2.8)	(1.1)	6.4

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	4	3	0
	Maybank Consensus		% +/-
Target Price (SGD)	2.25	2.15	4.7
'16 PATMI (SGDm)	108	86	26.8
'17 PATMI (SGDm)	251	106	135.8

Source: FactSet; Maybank

Derrick Heng, CFA
(65) 6231 5843
derrickheng@maybank-ke.com.sg

Figure 1: Quarterly profit and loss

FYE 30 Jun	1Q15	4Q15	1Q16	Change		YTD16	% of FY	FY16E
	(SGD m)	(SGD m)	(SGD m)	(QoQ %)	(YoY %)	(SGD m)		(SGD m)
Revenue	160.1	215.9	170.3	(21.1)	6.3	170.3	37.0	460.2
EBITDA	39.5	25.2	18.4	(27.1)	(53.5)	18.4	15.4	119.3
D&A	(3.6)	(3.7)	(3.0)	(17.4)	(16.6)	(3.0)	22.1	(13.7)
EBIT	35.9	21.6	15.4	(28.8)	(57.3)	15.4	14.5	105.6
Net interest income/(expense)	(9.6)	(10.4)	(8.4)	(19.1)	(12.3)	(8.4)	25.5	(32.9)
Other items (recurring)	0.0	12.5	0.0	n.m.	n.m.	0.0	n.m.	0.0
Other items (exceptional)	0.0	0.0	0.0	n.m.	n.m.	0.0	n.m.	0.0
Associates & JVs	13.4	96.2	7.4	(92.3)	(44.9)	7.4	13.9	53.1
PBT	39.7	119.8	14.3	(88.1)	(64.0)	14.3	11.4	125.7
Taxation	(9.6)	2.2	(8.4)	n.m.	(12.2)	(8.4)	48.6	(17.3)
MI	(6.0)	(6.1)	(3.9)	(36.7)	(35.1)	(3.9)	n.m.	0.0
Net income	24.2	115.9	2.0	(98.2)	(91.6)	2.0	1.9	108.5

Source: Company, Maybank KE

FYE 30 Jun	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
P/E (reported) (x)	5.5	9.3	12.8	5.5	18.9
Core P/E (x)	5.5	9.3	12.9	5.6	19.1
P/BV (x)	0.5	0.4	0.4	0.4	0.4
P/NTA (x)	0.5	0.4	0.4	0.4	0.4
Net dividend yield (%)	3.4	1.7	3.4	3.4	3.9
FCF yield (%)	3.6	20.7	8.8	17.5	4.1
EV/EBITDA (x)	11.6	20.4	15.3	6.3	46.3
EV/EBIT (x)	12.6	24.0	17.2	6.6	72.1
INCOME STATEMENT (SGD m)					
Revenue	803.4	676.7	460.2	835.2	250.6
Gross profit	0.0	0.0	0.0	0.0	0.0
EBITDA	188.2	97.7	119.3	263.4	36.2
Depreciation	(14.4)	(14.4)	(13.7)	(13.3)	(12.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	173.8	83.3	105.6	250.1	23.3
Net interest income / (exp)	(27.2)	(39.8)	(32.9)	(32.5)	(29.9)
Associates & JV	154.8	119.3	53.1	73.3	79.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	11.1	12.5	0.0	0.0	0.0
Pretax profit	312.5	175.3	125.7	290.9	73.2
Income tax	(36.1)	(9.4)	(17.3)	(40.3)	0.0
Minorities	(22.0)	(15.6)	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	254.4	150.3	108.5	250.6	73.2
Core net profit	254.4	150.3	108.5	250.6	73.2
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	834.8	880.6	946.2	1,110.0	1,089.4
Accounts receivable	80.0	28.6	28.6	28.6	28.6
Inventory	1,482.9	1,265.1	1,265.1	1,265.1	1,265.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	131.5	119.3	115.6	112.4	109.5
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	1,313.5	1,530.3	1,553.4	1,596.7	1,646.5
Other assets	1,040.8	1,063.6	1,063.6	1,063.6	1,063.6
Total assets	4,883.4	4,887.6	4,972.6	5,176.4	5,202.7
ST interest bearing debt	186.4	36.0	36.0	36.0	36.0
Accounts payable	260.4	176.9	176.9	176.9	176.9
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,115.9	1,155.4	1,155.4	1,155.4	1,155.4
Other liabilities	178.0	157.0	157.0	157.0	157.0
Total Liabilities	1,740.6	1,525.4	1,525.4	1,525.4	1,525.4
Shareholders Equity	2,969.7	3,173.2	3,258.2	3,462.0	3,488.3
Minority Interest	173.2	189.0	189.0	189.0	189.0
Total shareholder equity	3,142.8	3,362.2	3,447.3	3,651.0	3,677.4
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	4,883.4	4,887.6	4,972.6	5,176.4	5,202.7
CASH FLOW (SGD m)					
Pretax profit	312.5	175.3	125.7	290.9	73.2
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Adj net interest (income)/exp	27.2	39.8	32.9	32.5	29.9
Change in working capital	(93.7)	203.0	0.0	0.0	0.0
Cash taxes paid	(46.8)	(25.2)	(17.3)	(40.3)	0.0
Other operating cash flow	(128.9)	(106.1)	(35.8)	(33.0)	(79.8)
Cash flow from operations	37.9	266.6	102.0	223.1	36.2
Capex	(18.6)	(7.5)	(10.0)	(10.0)	(10.0)
Free cash flow	50.8	286.4	122.0	243.1	56.2
Dividends paid	(94.3)	(47.3)	(23.4)	(46.8)	(46.8)
Equity raised / (purchased)	(0.3)	(12.3)	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	(134.4)	(112.2)	0.0	0.0	0.0
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(92.2)	(66.3)	(32.9)	(32.5)	(29.9)
Effect of exch rate changes	(3.7)	(0.9)	0.0	0.0	0.0
Net cash flow	(186.1)	46.8	65.6	163.7	(20.6)

FYE 30 Jun	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Revenue growth	(39.7)	(15.8)	(32.0)	81.5	(70.0)
EBITDA growth	(51.1)	(48.1)	22.1	120.8	(86.3)
EBIT growth	(53.3)	(52.1)	26.8	136.9	(90.7)
Pretax growth	(54.8)	(43.9)	(28.3)	131.3	(74.8)
Reported net profit growth	(52.1)	(40.9)	(27.8)	131.0	(70.8)
Core net profit growth	(52.1)	(40.9)	(27.8)	131.0	(70.8)
Profitability ratios (%)					
EBITDA margin	23.4	14.4	25.9	31.5	14.4
EBIT margin	21.6	12.3	22.9	29.9	9.3
Pretax profit margin	38.9	25.9	27.3	34.8	29.2
Payout ratio	18.5	15.7	43.2	18.7	74.7
DuPont analysis					
Net profit margin (%)	31.7	22.2	23.6	30.0	29.2
Revenue/Assets (x)	0.2	0.1	0.1	0.2	0.0
Assets/Equity (x)	1.6	1.5	1.5	1.5	1.5
ROAE (%)	8.8	4.9	3.4	7.5	2.1
ROAA (%)	5.2	3.1	2.2	4.9	1.4
Liquidity & Efficiency					
Cash conversion cycle	nm	nm	nm	nm	nm
Days receivable outstanding	55.1	28.9	22.4	12.3	41.1
Days inventory outstanding	nm	nm	nm	nm	nm
Days payables outstanding	nm	nm	nm	nm	nm
Dividend cover (x)	5.4	6.4	2.3	5.4	1.3
Current ratio (x)	4.8	8.5	8.7	9.4	9.3
Leverage & Expense Analysis					
Asset/Liability (x)	2.8	3.2	3.3	3.4	3.4
Net debt/equity (%)	15.7	9.8	7.5	2.4	2.9
Net interest cover (x)	6.4	2.1	3.2	7.7	0.8
Debt/EBITDA (x)	6.9	12.2	10.0	4.5	nm
Capex/revenue (%)	2.3	1.1	2.2	1.2	4.0
Net debt/ (net cash)	467.5	310.7	245.1	81.4	102.0

Source: Company; Maybank

Research Offices

REGIONAL

Sadiq CURRIMBHOY
Regional Head, Research & Economics
(65) 6231 5836 sadiq@maybank-ke.com.sg

WONG Chew Hann, CA
Regional Head of Institutional Research
(603) 2297 8686 wchewh@maybank-ib.com

ONG Seng Yeow
Regional Head of Retail Research
(65) 6231 5839 ongsengyeow@maybank-ke.com.sg

TAN Sin Mui
Director of Research
(65) 6231 5849 sinmui@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS
Chief Economist
Singapore | Malaysia
(603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO
Philippines
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com

Tim LEELAHAPHAN
Thailand
(66) 2658 6300 ext 1420 tim.l@maybank-ke.co.th

JUNIMAN
Chief Economist, BII
Indonesia
(62) 21 29228888 ext 29682 Juniman@bankbii.com

STRATEGY

Sadiq CURRIMBHOY
Global Strategist
(65) 6231 5836 sadiq@maybank-ke.com.sg

Willie CHAN
Hong Kong / Regional
(852) 2268 0631 williechan@kimeng.com.hk

MALAYSIA

WONG Chew Hann, CA *Head of Research*
(603) 2297 8686 wchewh@maybank-ib.com
• Strategy

Desmond CH'NG, ACA
(603) 2297 8680 desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services - Regional

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional • Media

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Building Materials • Glove • Ports • Shipping

CHAI Li Shin, CFA
(603) 2297 8684 lishin.c@maybank-ib.com
• Plantation • Construction & Infrastructure

Ivan YAP
(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG
(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

LIEW Wei Han
(603) 2297 8676 weihan.l@maybank-ib.com
• Consumer Staples

LEE Cheng Hooi *Regional Chartist*
(603) 2297 8694 chenghooi.lee@maybank-ib.com

Tee Sze Chiah *Head of Retail Research*
(603) 2297 6858 szechiah.t@maybank-ib.com

Cheah Chong Ling
(603) 2297 8767 chongling.c@maybank-ib.com

HONG KONG / CHINA

Howard WONG *Head of Research*
(852) 2268 0648 howardwong@kimeng.com.hk
• Oil & Gas - Regional

Benjamin HO
(852) 2268 0632 benjaminho@kimeng.com.hk
• Consumer & Auto

Jacqueline KO, CFA
(852) 2268 0633 jacquelineko@kimeng.com.hk
• Consumer Staples & Durables

Ka Leong LO, CFA
(852) 2268 0630 kll@kimeng.com.hk
• Consumer Discretionary & Auto

Mitchell KIM
(852) 2268 0634 mitchellkim@kimeng.com.hk
• Internet & Telcos

Osbert TANG, CFA
(86) 21 5096 8370 osberttang@kimeng.com.hk
• Transport & Industrials

Stefan CHANG, CFA
(852) 2268 0675 stefanchang@kimeng.com.hk
• Technology

Steven ST CHAN
(852) 2268 0645 stevenchan@kimeng.com.hk
• Banking & Financials - Regional

Warren LAU
(852) 2268 0644 warrenlau@kimeng.com.hk
• Technology - Regional

INDIA

Jigar SHAH *Head of Research*
(91) 22 6623 2632 jigar@maybank-ke.co.in
• Oil & Gas • Automobile • Cement

Anubhav GUPTA
(91) 22 6623 2605 anubhav@maybank-ke.co.in
• Metal & Mining • Capital Goods • Property

Vishal MODI
(91) 22 6623 2607 vishal@maybank-ke.co.in
• Banking & Financials

Abhijeet KUNDU
(91) 22 6623 2628 abhijeet@maybank-ke.co.in
• Consumer

Neerav DALAL
(91) 22 6623 2606 neerav@maybank-ke.co.in
• Software Technology • Telcos

SINGAPORE

Gregory YAP
(65) 6231 5848 gyap@maybank-ke.com.sg
• SMID Caps
• Technology & Manufacturing • Telcos

YEAK Chee Keong, CFA
(65) 6231 5842 yeakcheekeong@maybank-ke.com.sg
• Offshore & Marine

Derrick HENG, CFA
(65) 6231 5843 derrickheng@maybank-ke.com.sg
• Transport • Property • REITs (Office)

Joshua TAN
(65) 6231 5850 joshuat@maybank-ke.com.sg
• REITs (Retail, Industrial)

John CHEONG
(65) 6231 5845 johncheong@maybank-ke.com.sg
• Small & Mid Caps • Healthcare

TRUONG Thanh Hang
(65) 6231 5847 hang.truong@maybank-ke.com.sg
• Small & Mid Caps

INDONESIA

Isnapura ISKANDAR *Head of Research*
(62) 21 2557 1129 isnapura.iskandar@maybank-ke.co.id
• Strategy • Metals & Mining • Cement

Rahmi MARINA
(62) 21 2557 1128 rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 2953 0785 aurellia.setiabudi@maybank-ke.co.id
• Property

Pandu ANUGRAH
(62) 21 2557 1137 pandu.anugrah@maybank-ke.co.id
• Infra • Construction • Transport • Telcos

Janni ASMAN
(62) 21 2953 0784 janni.asman@maybank-ke.co.id
• Cigarette • Healthcare • Retail

Adhi TASMIN
(62) 21 2557 1209 adhi.tasmin@maybank-ke.co.id
• Plantations

PHILIPPINES

Luz LORENZO *Head of Research*
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com
• Strategy
• Utilities • Conglomerates • Telcos

Lovell SARREAL
(63) 2 849 8841 lovell_sarreal@maybank-atrke.com
• Consumer • Media • Cement

Rommel RODRIGO
(63) 2 849 8839 rommel_rodriago@maybank-atrke.com
• Conglomerates • Property • Gaming
• Ports/ Logistics

Katherine TAN
(63) 2 849 8843 kat_tan@maybank-atrke.com
• Banks • Construction

Michael BENGSON
(63) 2 849 8840 michael_bengson@maybank-atrke.com
• Conglomerates

Jaclyn JIMENEZ
(63) 2 849 8842 jaclyn_jimenez@maybank-atrke.com
• Consumer

Arabelle MAGHIRANG
(63) 2 849 8838 arabelle_maghirang@maybank-atrke.com
• Banks

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399 Maria.L@maybank-ke.co.th
• Consumer • Materials • Ind. Estates

Sittichai DUANGRATTANACHAYA
(66) 2658 6300 ext 1393 Sittichai.D@maybank-ke.co.th
• Services Sector • Transport

Sukit UDOMSIRIKUL *Head of Retail Research*
(66) 2658 6300 ext 5090 Sukit.u@maybank-ke.co.th

Mayuree CHOWVIKRAN
(66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th
• Strategy

Padon VANNARAT
(66) 2658 6300 ext 1450 Padon.v@maybank-ke.co.th
• Strategy

Surachai PRAMUALCHAROENKIT
(66) 2658 6300 ext 1470 Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th
• Media • Commerce

Sutthichai KUMWORACHAI
(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th
• Energy • Petrochem

Termporn TANTIVIVAT
(66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th
• Property

Jaroonpan WATTANAWONG
(66) 2658 6300 ext 1404 jaroonpan.w@maybank-ke.co.th
• Transportation • Small cap

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84) 8 44 555 888 x 8181 lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified • Utilities

THAI Quang Trung, CFA, *Deputy Manager*,
Institutional Research
(84) 8 44 555 888 x 8180 trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

Le Nguyen Nhat Chuyen
(84) 8 44 555 888 x 8082 chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

NGUYEN Thi Ngan Tuyen, *Head of Retail Research*
(84) 8 44 555 888 x 8081 tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil&Gas • Banking

TRINH Thi Ngoc Diep
(84) 8 44 555 888 x 8208 diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

PHAM Nhat Bich
(84) 8 44 555 888 x 8083 bich.pham@maybank-kimeng.com.vn
• Consumer • Manufacturing • Fishery

NGUYEN Thi Sony Tra Mi
(84) 8 44 555 888 x 8084 mi.nguyen@maybank-kimeng.com.vn
• Port operation • Pharmaceutical
• Food & Beverage

TRUONG Quang Binh
(84) 4 44 555 888 x 8087 binh.truong@maybank-kimeng.com.vn
• Rubber plantation • Tyres and Tubes • Oil&Gas

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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136


Philippines

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738


South Asia Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6336-5157
US Toll Free: 1-866-406-7447

Malaysia

Rommel Jacob
rommeljacob@maybank-ib.com
Tel: (603) 2717 5152

Indonesia

Hariantio Liong
hariantio.liong@maybank-ke.co.id
Tel: (62) 21 2557 1177

New York

Andrew Dacey
adacey@maybank-keusa.com
Tel: (212) 688 2956

Vietnam

Tien Nguyen
thuytien.nguyen@maybank-kimeng.com.vn
Tel: (84) 44 555 888 x8079


Singapore

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090


Hong Kong

Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104


Thailand

Maybank Kim Eng Securities
(Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)


North Asia Sales Trading

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

Thailand

Tanasak Krishnasreni
Tanasak.K@maybank-ke.co.th
Tel: (66)2 658 6820

India

Manish Modi
manish@maybank-ke.co.in
Tel: (91)-22-6623-2601

Philippines

Keith Roy
keith_roy@maybank-atrke.com
Tel: (63) 2 848-5288


London

Maybank Kim Eng Securities
(London) Ltd
5th Floor, Aldermay House
10-15 Queen Street
London EC4N 1TX, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302


Indonesia

PT Maybank Kim Eng Securities
Plaza Bapindo
Citibank Tower 17th Floor
Jl Jend. Sudirman Kav. 54-55
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189


Vietnam

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030


New York

Maybank Kim Eng Securities USA
Inc
777 Third Avenue, 21st Floor
New York, NY 10017, U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500


India

Kim Eng Securities India Pvt Ltd
2nd Floor, The International 16,
Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604


Saudi Arabia

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787