

### Buy (unchanged)

Share price: MYR2.75  
Target price: MYR3.47 (unchanged)

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



#### Stock Information

**Description:** One of the leading property and construction groups in Malaysia. As at June 2013, it has unbilled sales of MYR1.8b (1.1x of our 2014 property revenue forecast) and outstanding construction orderbook of MYR4.2b as at todate (2.6x of our construction revenue forecasts). Foreign shareholdings stood at 5.9% as at July 2013.

Ticker:	SWB MK
Shares Issued (m):	1,723.5
Market Cap (MYR m):	4,739.6
3-mth Avg Daily Turnover (USD m):	1.26
KLCI:	1,703.78
Free float (%):	22.8

<b>Major Shareholders:</b>	%
SUNGEI WAY CORP SDN	44.5
YEAN TIH CHEAH	13.5
GOVERNMENT OF SINGAP	12.2

#### Key Indicators

Net cash / (debt) (MYR m):	(2,030.0)
NTA/shr (MYR):	2.90
Net Gearing (x):	0.54

#### Historical Chart



#### Performance:

52-week High/Low	MYR3.614/MYR1.849				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(15.9)	(20.9)	29.6	45.3	35.6
Relative (%)	(10.8)	(16.4)	25.6	41.8	34.7

## Sunway Earnings On Track

**Maintain BUY.** Sunway's 1H13 results were within expectations. 1H13 locked-in property sales of MYR492m are on track to meet its 2013 sales target. Given strong property product launches in the pipeline ( $\approx$ MYR1.5b new launches in 2H13), Sunway could exceed its internal sales target of MYR1.1b for 2013 (2012: MYR1.6b). No change to our earnings forecasts and MYR3.47 TP (on 20% discount to RNAV).

**Results tracking expectations.** 2Q13 core net profit of MYR111m (+23% QoQ, +43% YoY), lifted 1H13 earnings to MYR201m (+42% YoY), making up 50-53% of our and consensus full-year forecasts. Earnings growth was mainly driven by: 1) MYR1.6b in property sales achieved in 2012, 2) MYR4.2b outstanding construction orderbook as at today, and 3) strong net income growth for SunREIT (+15% YoY).

**Decent property sales recorded.** Despite the lack of new launches in 1H13, Sunway has managed to lock in MYR290m in property sales in 2Q13, lifting 1H13 sales to MYR492m, or 45% of its MYR1.1b sales target for 2013. We think there is a high chance for Sunway to exceed its internal target for 2013 given strong pipeline launches including Sunway Iskandar phase 1 and the Novena project in Singapore. Our earnings forecasts have impute MYR1.4b new sales in 2013.

**Bidding for MYR600m worth of building works.** We understand that Sunway is currently bidding for another MYR600m worth of building works. YTD, it has secured MYR1.76b of contracts, lifting total outstanding order book to MYR4.2b (2.6x of our construction revenue forecasts). This is close to our MYR1.8b job win target for 2013. Hence we make no change to our assumptions.

**Preferred pick for Iskandar Malaysia play.** We prefer Sunway to UEMS due to: 1) its relatively low foreign shareholdings of 5.9% (vs. UEMS' 20.4% as at July 2013), 2) cheaper valuations at 10.4x/0.9x PER/PBV (2014) vs. UEMS' 19.8x/2.0x, 3) support from the other businesses like construction, and 4) steady dividend income from SunREIT.

#### Sunway – Summary Earnings Table

*Source: Maybank KE*

FYE Dec (MYR m)	2011A	2012A	2013F	2014F	2015F
Revenue	3,738.9	3,876.8	3,987.8	4,519.7	4,669.8
EBITDA	397.7	535.1	531.2	634.8	722.2
Recurring Net Profit	327.1	350.6	401.5	455.2	553.2
Recurring Basic EPS (sen)	25.3	27.1	28.0	26.4	32.1
EPS growth (%)	5.1	7.2	3.1	(5.5)	21.5
DPS (sen)	0.0	6.0	5.6	5.3	6.4
BVPS (MYR)	2.33	2.75	3.30	2.96	3.22
PER	10.9	10.1	9.8	10.4	8.6
EV/EBITDA (x)	9.8	7.1	6.4	6.3	5.2
Div Yield (%)	0.0	2.2	2.0	1.9	2.3
P/BV(x)	1.2	1.0	0.8	0.9	0.9
Net Gearing (%)	49.6	45.2	16.8	12.9	7.5
ROE (%)	12.4	15.0	8.5	8.9	10.0
ROA (%)	4.7	6.1	4.0	4.0	4.8
Consensus Net Profit (MYR m)	-	-	386.9	446.2	498.6

Table 1: Quarterly summary table - Sunway

FY Dec (MYRm)	Quarterly					Cumulative			Comments
	2Q13	2Q12	% YoY	1Q13	% QoQ	1H13	1H12	%YoY	
<b>Revenue</b>	<b>1,118.0</b>	<b>996.1</b>	<b>12.2</b>	<b>1,021.0</b>	<b>9.5</b>	<b>2,139.1</b>	<b>1,810.9</b>	<b>18.1</b>	QoQ growth in 2Q revenue was due to improvement in all divisions except for the construction division.
- Property development	286.9	188.6	52.1	202.7	41.6	489.6	348.7	40.4	QoQ growth was due to stronger sales and progress billings. Sunway has locked in MYR492m in property sales in 1H13, meeting 45% of its sales target of MYR1.1b for 2013. Unbilled sales were 1.8b or 1.1x of our 2014 property revenue forecast.
- Property investment	141.8	143.7	(1.3)	133.5	6.2	275.3	274.2	0.4	QoQ growth was due to seasonal factors.
- Construction	372.8	388.3	(4.0)	429.4	(13.2)	802.2	647.3	23.9	QoQ decline was due to slight delays in LRT and MRT construction works.
- Trading	171.6	145.0	18.3	129.6	32.4	301.1	292.7	2.9	QoQ growth was due to better sales volume.
- Quarry	55.8	48.5	14.9	44.3	25.8	100.1	85.9	16.6	QoQ growth was due to stronger sales volume and higher average selling price.
- Investment Holdings	(2.2)	0.1	>-100	3.0	>-100	0.8	0.3	>+100	
- Others	91.4	81.7	11.9	78.5	16.5	169.9	161.8	5.0	QoQ growth driven by better performance from the healthcare and building material divisions.
<b>EBIT</b>	<b>116.6</b>	<b>104.2</b>	<b>11.9</b>	<b>86.1</b>	<b>35.5</b>	<b>202.6</b>	<b>164.6</b>	<b>23.1</b>	
- Property development	44.3	27.8	59.4	25.5	74.0	69.8	45.9	52.0	Better operating margin (+3ppt)
- Property investment	28.6	37.5	(23.8)	22.1	29.2	50.7	58.7	(13.6)	
- Construction	15.7	17.6	(11.0)	27.3	(42.5)	43.0	25.0	72.1	
- Trading	15.6	12.7	23.2	9.0	72.7	24.6	25.0	(1.5)	
- Quarry	6.9	2.9	>+100	4.8	43.7	11.6	3.8	>+100	
- Investment Holdings	(2.5)	(1.1)	>+100	(5.0)	(49.7)	(7.6)	(6.0)	26.1	
- Others	8.0	6.8	17.5	2.3	>+100	10.3	12.1	(14.9)	
Finance costs	(12.6)	(15.7)	(19.8)	(11.7)	8.1	(24.3)	(41.4)	(41.3)	Sunway's net gearing stood at 0.54x, from 0.47x in end-1Q13 due to upfront costs for the construction of its investment properties e.g office tower in Bandar Sunway.
Other income	168.2	(1.5)	>-100	48.2	>+100	216.4	154.4	40.1	
Profit before tax	212.5	193.1	10.0	122.5	73.4	335.0	278.0	20.5	
<b>Profit before tax-EI</b>	<b>152.9</b>	<b>107.9</b>	<b>41.7</b>	<b>122.2</b>	<b>25.1</b>	<b>275.1</b>	<b>192.6</b>	<b>42.8</b>	
Taxation	(32.5)	(30.3)	7.0	(26.3)	23.2	(58.8)	(48.8)	20.4	
Minority interest	(9.7)	(8.5)	14.5	(5.6)	72.6	(15.3)	(10.4)	47.0	
Net profit	170.3	154.3	10.4	90.6	88.1	260.9	218.8	19.3	
<b>Net profit ex-EI</b>	<b>110.7</b>	<b>77.6</b>	<b>42.6</b>	<b>90.3</b>	<b>22.6</b>	<b>201.0</b>	<b>141.8</b>	<b>41.7</b>	In line, accounting for 50% and 53% of our and consensus full-year estimates.
Exceptional item (pretax)	59.6	(76.7)	>-100	0.3	>+100	59.9	(76.9)	>-100	
	<b>2Q13</b>	<b>2Q12</b>	<b>+/- ppt</b>	<b>1Q13</b>	<b>+/- ppt</b>	<b>1H13</b>	<b>1H12</b>	<b>+/- ppt</b>	
EBIT margin (%)	10.4	10.5	(0.0)	8.4	2.0	9.5	9.1	0.4	
- Property development	15.5	14.7	0.7	12.6	2.9	14.3	13.2	1.1	
- Property investment	20.2	26.1	(6.0)	16.6	3.6	18.4	21.4	(3.0)	
- Construction	4.2	4.5	(0.3)	6.4	(2.2)	5.4	3.9	1.5	
- Trading	9.1	8.7	0.4	7.0	2.1	8.2	8.5	(0.4)	
- Quarry	12.3	5.9	6.4	10.8	1.5	11.6	4.4	7.2	
- Investment Holdings	NA	NA	NA	NA	NA	NA	NA	NA	
- Others	8.8	8.3	0.4	3.0	5.8	6.1	7.5	(1.4)	
PBT margin (%) - ex EI	13.7	10.8	2.8	12.0	1.7	12.9	10.6	2.2	
Tax rate (%)	15.3	15.7	(0.4)	21.5	(6.2)	17.6	17.6	(0.0)	

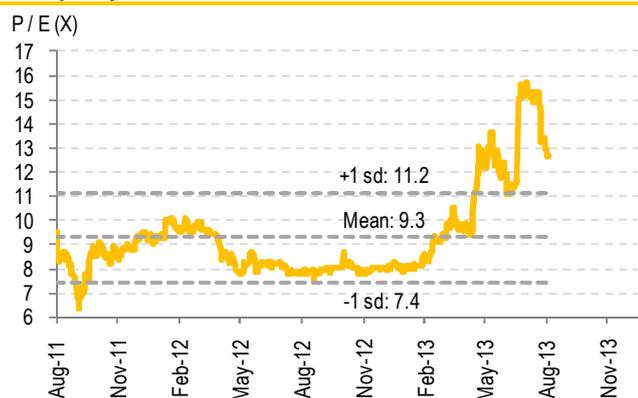
Sources: Company, Maybank KE

Table 2: New launches in 2H2013

Project	Location	Effective GDV (MYRm)	Product type	Remarks
1) Lenang Heights	Tmn Molek, Iskandar Malaysia (IM)	144 (Sunway's 80% stake)	Semi-D and bungalows	Launched in early Aug 2013; 50% booked
2) Sunway Geo - commercial	Bandar Sunway, Selangor	270 (60% stake)	SoFo and retail lots with similar concept as Sunway Giza	Launched in July 2013; 70% booked
3) Sunway Velocity	Cochrane, KL	170 (85% stake)	Service apartments (phase 2)	To be launched by Sep/Oct 2013
4) Novena	Singapore	473 (30% stake; excl. hotel)	Medical suites and retail units (excluding hotel block for enbloc sale)	To be launched by Oct 2013
5) Sembawang	Singapore	88	14 units of 3-storey terrace houses	To be launched by Oct/Nov 2013; built-then-sell concept
6) Sunway Geo Residences	Bandar Sunway, Selangor	120 (60% stake)	Condominium	To be launched by Sep 2013
7) Sunway Iskandar	Medini, IM	225 (Sunway's 45% stake)	High-rise mixed development (office, service apartments, retail lots)	To be soft-launched by Dec 2013
<b>Total:</b>		<b>1,490</b>		

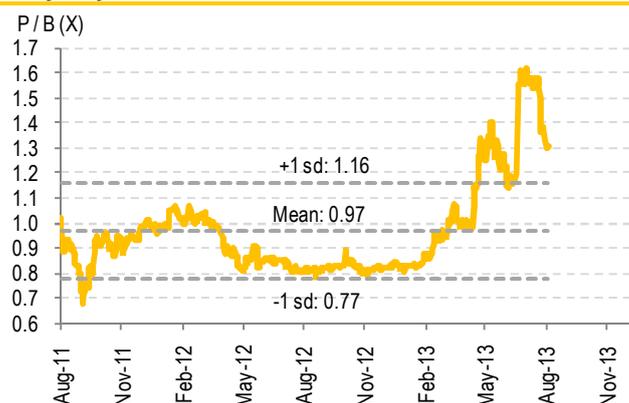
Source: Company

## Sunway: 1-year forward PER



Source: Maybank KE

## Sunway: 1-year forward PBV



Source: Maybank KE

Table 3: Sunway Bhd's RNAV estimates

<b>1. Landbank - MARKET VALUE</b>						
	<b>Stake</b>	<b>Acres</b>	<b>MV (MYR m)</b>	<b>BV (MYR m)</b>	<b>Surplus (MYR m)</b>	
Sunway Semenyih	70%	398.1	107.5	128.0	(14.3)	
Suncity Ipoh	65%	894.7	60.3	58.7	1.0	
Sunway Integrated Resort	100%	14.9	9.3	8.3	1.1	
Sunway Tower KL 1	100%	1.0	57.0	28.3	28.6	
Sunway JB, Bukit Lenang	80%	88.0	141.3	134.5	5.4	
Tmn Equine	100%	33.0	38.7	37.8	0.9	
Sg Long Balakong	80%	111	28.3	21.8	5.2	
Mont Putra Rawang	100%	163	37.5	35.1	2.4	
Medini Iskandar	45%	691	1204.0	745.3	206.4	
Pendas	60%	1079	1880.2	596.6	770.2	
<b>Sub-total:</b>						<b>1006.9</b>
<b>2. Development projects - DCF</b>						
<b>(WACC: 10.5-11.5%)</b>						
	<b>Stake</b>					<b>(MYR m)</b>
Casa Kiara 2	78%					0.7
South Quay	60%					244.3
Sunway Cheras	100%					1.9
Sunway Damansara	60%					71.1
Sunway D' Mont Kiara	88%					24.6
Sunway Kayangan	100%					3.6
Sunway Duta	100%					31.0
Bangi	100%					6.1
Sunway Melawati	100%					51.9
Casa Kiara III	80%					15.0
Sunway Alam Suria	50%					5.7
Sunway Velocity	85%					179.9
Penang projects	100%					125.6
Wonderland Business Park, Australia	31%					11.0
Singapore Yi Shun	30%					19.8
Singapore Tampines	30%					23.0
Singapore Yuan Ching Road	30%					19.6
Singapore Sembawang	100%					6.8
Vacanza @ East, Singapore	30%					14.8
Singapore The Peak @ Toa Payoh	30%					9.4
Singapore Pasir Ris	30%					19.5
Thomson/Irrawady	30%					39.9
<b>Sub-total:</b>						<b>925.0</b>
<b>3. Investment properties - MARKET VALUE</b>						
	<b>Stake</b>		<b>MV (MYR m)</b>	<b>BV (MYR m)</b>	<b>Surplus (MYR m)</b>	
Monash University Campus	100%		158.0	158.0	0.0	
Sunway University College	100%		150.0	150.0	0.0	
Sunway Giza (shopping mall)	60%		42.4	42.4	0.0	
Sunway Hotel Georgetown	100%		17.8	62.2	(44.4)	
Sunway Hotel Phnom Penh	52.5%		15.7	21.7	(3.1)	
Sunway Lagoon Theme Park	100%		165.0	59.1	105.9	
Lost World of Tambun	65%		38.7	36.0	1.8	
Sunway Hotel Hanoi	100%		14.1	45.8	(31.8)	
<b>Sub-total:</b>						<b>28.4</b>
<b>4. Other businesses or assets</b>						
34.3% stake in SunREIT based on Maybank IB's MYR1.42 TP						432.1
Construction (10x 2013PER)						718.4
Building material (10x 2013PER)						241.5
Trading (10x 2013PER)						368.7
<b>Grand total:</b>						<b>3,721.1</b>
Shareholders fund (MYR m) - Dec 2012						3,558.4
Warrants conversion (MYR2.50 exercise price; expiring Aug 2016)						724.0
Rights issue proceeds (MYR1.70 issue price)						732.5
<b>RNAV (MYR m)</b>						<b>8,736.0</b>
Number of shares (m shares) - post rights issue						1,723.5
Enlarged share capital post warrant						2,013.1
<b>FD RNAV/share (MYR) - post warrant</b>						<b>4.34</b>
<b>Target price (MYR) - 20% discount (post warrant)</b>						<b>3.47</b>

Source: Company, Maybank KE

## INCOME STATEMENT (MYR m)

FY Dec	2012A	2013F	2014F	2015F
Revenue	3,876.8	3,987.8	4,519.7	4,669.8
EBITDA	535.1	531.2	634.8	722.2
Depreciation & Amortisation	(31.0)	(24.7)	(27.0)	(30.8)
<b>Operating Profit</b>	<b>504.2</b>	<b>506.4</b>	<b>607.8</b>	<b>691.4</b>
Associate	152.3	73.1	80.5	87.1
JV companies	149.3	59.5	69.2	109.0
Interest (Exp)/Inc	(77.5)	(36.6)	(33.8)	(28.9)
Exceptional Items	0.0	0.0	0.0	0.0
Pre-Tax Profit	728.2	602.4	723.8	858.6
Tax	(128.5)	(150.6)	(180.9)	(214.7)
Minority Interest	(67.4)	(50.3)	(87.6)	(90.8)
<b>Net Profit</b>	<b>532.3</b>	<b>401.5</b>	<b>455.2</b>	<b>553.2</b>
<b>Net Profit Ex. EI</b>	<b>350.6</b>	<b>401.5</b>	<b>455.2</b>	<b>553.2</b>
Revenue Growth %	3.7	2.9	13.3	3.3
EBITDA Growth (%)	34.5	(0.7)	19.5	13.8
EBIT Growth (%)	35.8	0.5	20.0	13.8
Net Profit ex-EI Growth (%)	7.2	14.5	13.4	21.5
Tax Rate %	17.7	25.0	25.0	25.0

## CASH FLOW (MYR m)

FY Dec	2012A	2013F	2014F	2015F
Profit before taxation	355.8	602.4	723.8	858.6
Depreciation	0.0	24.2	26.5	30.3
Net interest receipts/(payments)	(71.8)	75.5	(33.8)	(28.9)
Working capital change	0.0	0.0	0.0	0.0
Cash tax paid	(92.8)	(150.6)	(180.9)	(214.7)
Others	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>191.2</b>	<b>551.6</b>	<b>535.5</b>	<b>645.3</b>
Capex	(465.5)	(400.0)	(400.0)	(400.0)
Disposal/(purchase)	317.4	0.0	0.0	0.0
Others	(130.5)	78.1	83.2	88.7
<b>Cash flow from investing</b>	<b>(278.5)</b>	<b>(321.9)</b>	<b>(316.8)</b>	<b>(311.3)</b>
Debt raised/(repaid)	401.5	0.0	0.0	0.0
Equity raised/(repaid)	0.0	732.5	0.0	0.0
Dividends (paid)	(38.9)	(77.6)	(80.3)	(91.0)
Others	0.0	(75.5)	0.0	0.0
<b>Cash flow from financing</b>	<b>362.5</b>	<b>579.4</b>	<b>(80.3)</b>	<b>(91.0)</b>
Change in cash	275.2	809.1	138.4	242.9

## BALANCE SHEET (MYR m)

FY Dec	2012A	2013F	2014F	2015F
Fixed Assets	1,965.3	1,880.5	2,007.0	2,137.3
Other LT Assets	2,965.2	3,265.2	3,202.4	3,027.6
Cash/ST Investments	1,140.2	1,949.3	2,087.7	2,330.7
Other Current Assets	2,674.1	3,016.0	4,061.9	3,950.2
<b>Total Assets</b>	<b>8,744.9</b>	<b>10,111.0</b>	<b>11,359.0</b>	<b>11,445.8</b>
ST Debt	782.7	782.7	782.7	782.7
Other Current Liabilities	1,636.1	1,682.1	1,902.3	1,964.4
LT Debt	1,964.2	1,964.2	1,964.2	1,964.2
Other LT Liabilities	493.5	622.8	1,286.5	868.5
Minority Interest	310.0	310.0	310.0	310.0
Shareholders' Equity	3,558.4	4,749.2	5,113.3	5,555.8
<b>Total Capital</b>	<b>8,744.9</b>	<b>10,111.0</b>	<b>11,359.0</b>	<b>11,445.8</b>
Share Capital (RM 'm)	1,292.5	1,723.4	1,723.4	1,723.4
Net Debt/ (Cash)	1,606.7	797.6	659.2	416.2
Working Capital	1,395.5	2,500.5	3,464.6	3,533.7
Gross Gearing %	77.2	57.8	53.7	49.4
Net Gearing %	45.2	16.8	12.9	7.5

## RATES &amp; RATIOS

FY Dec	2012A	2013F	2014F	2015F
EBITDA Margin %	13.8	13.3	14.0	15.5
Op. Profit Margin %	13.0	12.7	13.4	14.8
Net Profit Margin %	13.7	10.1	10.1	11.8
ROE %	15.0	8.5	8.9	10.0
ROA %	6.1	4.0	4.0	4.8
Net Margin Ex. EI %	9.0	10.1	10.1	11.8
Dividend Cover (x)	4.5	5.0	5.0	5.0
Interest Cover (x)	6.5	13.9	18.0	23.9
Asset Turnover (x)	2.3	2.5	2.5	2.5
Asset/Debt (x)	3.2	3.7	4.1	4.2
Debt/ EBITDA (x)	5.1	5.2	4.3	3.8
Debt/ Market Cap (x)	0.8	0.7	0.6	0.6
EV/EBITDA (x)	7.1	6.4	6.3	5.2

## RESEARCH OFFICES

## REGIONAL

## WONG Chew Hann, CA

*Regional Head, Institutional Research*  
(603) 2297 8686 wchewh@maybank-ib.com

## Alexander GARTHOFF

*Institutional Product Manager*  
(852) 2268 0638 agarthoff@maybank-ke.com.sg

## ONG Seng Yeow

*Regional Head, Retail Research*  
(65) 6432 1453 ongsengyeow@maybank-ke.com.sg

## MALAYSIA

WONG Chew Hann, CA *Head of Research*

(603) 2297 8686 wchewh@maybank-ib.com  
▪ Strategy

▪ Construction & Infrastructure

## Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com  
▪ Banking - *Regional*

## LIAW Thong Jung

(603) 2297 8688 tjliaw@maybank-ib.com

▪ Oil & Gas

▪ Automotive

▪ Shipping

## ONG Chee Ting, CA

(603) 2297 8678 ctong@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 & REITs

## LEE Yen Ling

(603) 2297 8691 lee.yl@maybank-ib.com

▪ Building Materials

▪ Manufacturing

▪ Technology

LEE Cheng Hooi *Head of Retail*

chenghooi.lee@maybank-ib.com

▪ Technicals

## HONG KONG / CHINA

Alexander GARTHOFF *Acting Head of Research*

(852) 2268 0638 agarthoff@maybank-ke.com.sg

## Alexander LATZER

(852) 2268 0647 alexanderlatzer@kimeng.com.hk

▪ Metals & Mining - *Regional*

## Alex YEUNG

(852) 2268 0636 alexyeung@kimeng.com.hk

▪ Industrial

## Andy POON

(852) 2268 0645 andypoon@kimeng.com.hk

▪ Telecom & equipment

## Ivan CHEUNG, CFA

(852) 2268 0634 ivancheung@kimeng.com.hk

▪ Industrial

## Jacqueline KO, CFA

(852) 2268 0633 jacquelineko@kimeng.com.hk

▪ Consumer

## Jeremy TAN

(852) 2268 0635 jeremytan@kimeng.com.hk

▪ Gaming

## Karen KWAN

(852) 2268 0640 karenkwana@kimeng.com.hk

▪ HK & China Property

## Philip TSE

(852) 2268 0643 philiptse@kimeng.com.hk

▪ HK & China Property

## Warren LAU

(852) 2268 0644 warrenlau@kimeng.com.hk

▪ Technology - *Regional*

## INDIA

Jigar SHAH *Head of Research*

(91) 22 6623 2601 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

## Urmil SHAH

(91) 22 6623 2606 urmil@maybank-ke.co.in

▪ Technology

▪ Media

## Varun VARMA

(91) 226623 2611 varun@maybank-ke.co.in

▪ Banking

## ECONOMICS

## JUNIMAN

*Chief Economist, BI*

▪ Indonesia

(62) 21 29228888 ext 29682 Juniman@bankbii.com

## Josua PARDEDE

*Economist / Industry Analyst, BI*

▪ Indonesia

(62) 21 29228888 ext 29695 JPardede@bankbii.com

## SINGAPORE

Gregory YAP *Head of Research*

(65) 6432 1450 gyap@maybank-ke.com.sg

▪ Technology & Manufacturing

▪ Telcos

## Wilson LIEW

(65) 6432 1454 wilsonliew@maybank-ke.com.sg

▪ Property & REITs

## James KOH

(65) 6432 1431 jameskoh@maybank-ke.com.sg

▪ Logistics

▪ Resources

▪ Consumer - *Regional*

▪ Small & Mid Caps

## YEAK Chee Keong, CFA

(65) 6432 1460 yeakcheekeong@maybank-ke.com.sg

▪ Offshore & Marine

## Alison FOK

(65) 6432 1447 alisonfok@maybank-ke.com.sg

▪ Services

▪ S-chips

## ONG Kian Lin

(65) 6432 1470 ongkianlin@maybank-ke.com.sg

▪ REITs / Property

## Wei Bin

(65) 6432 1455 weibin@maybank-ke.com.sg

▪ S-chips

▪ Small & Mid Caps

## Derrick HENG

(65) 6432 1446 derrickheng@maybank-ke.com.sg

▪ Transport (Land, Shipping & Aviation)

## John CHEONG

(65) 6432 1461 johncheong@maybank-ke.com.sg

▪ Small & Mid Caps

## INDONESIA

## Lucky ARIESANDI, CFA

(62) 21 2557 1127 lucky.ariesandi@maybank-ke.co.id

▪ Base metals

▪ Mining

▪ Oil & Gas

▪ Wholesale

## Pandu ANUGRAH

(62) 21 2557 1137 pandu.anugrah@maybank-ke.co.id

▪ Automotive

▪ Heavy equipment

▪ Plantation

▪ Toll road

## Rahmi MARINA

(62) 21 2557 1128 rahmi.marina@maybank-ke.co.id

▪ Banking

▪ Multifinance

## Adi N. WICAKSONO

(62) 21 2557 1128 adi.wicaksono@maybank-ke.co.id

▪ Generalist

## Anthony YUNUS

(62) 21 2557 1139 anthony.yunus@maybank-ke.co.id

▪ Cement

▪ Infrastructure

▪ Property

## PHILIPPINES

Luz LORENZO *Head of Research*

(63) 2 849 8836 luz\_lorenzo@maybank-atrke.com

▪ Strategy

## Laura DY-LIACCO

(63) 2 849 8840 laura\_dyliacco@maybank-atrke.com

▪ Utilities

▪ Conglomerates

▪ Telcos

## Lovell SARREAL

(63) 2 849 8841 lovell\_sarreal@maybank-atrke.com

▪ Consumer

▪ Media

▪ Cement

## Luz LORENZO

(63) 2 849 8836 luz\_lorenzo@maybank-atrke.com

▪ Conglomerates

▪ Property

▪ Ports/Logistics

▪ Gaming

## Katherine TAN

(63) 2 849 8843 kat\_tan@maybank-atrke.com

▪ Banks

▪ Construction

## Ramon ADVIENTO

(63) 2 849 8845 ramon\_adviento@maybank-atrke.com

▪ Mining

## THAILAND

Sukit UDOMSIRIKUL *Head of Research*

(66) 2658 6300 ext 5090

Sukit.u@maybank-ke.co.th

Maria LAPIZ *Head of Institutional Research*

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399

Maria.L@maybank-ke.co.th

▪ Consumer/ Big Caps

Andrew STROTZ *Strategist*

(66) 2658 6300 ext 5091

Andrew@maybank-ke.co.th

## Mayuree CHOWIKRAN

(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

## Woraphon WIROONSRI

(66) 2658 6300 ext 1560 woraphon.w@maybank-ke.co.th

▪ Banking & Finance

## Jaroontan WATTANAWONG

(66) 2658 6300 ext 1404 jaroontan.w@maybank-ke.co.th

▪ Transportation

▪ Small cap.

## Chatchai JINDARAT

(66) 2658 6300 ext 1401 chatchai.j@maybank-ke.co.th

▪ Electronics

## Pongrat RATANATAVANANANDA

(66) 2658 6300 ext 1398 pongrat.R@maybank-ke.co.th

▪ Services/ Small Caps

## VIETNAM

Michael KOKALARI, CFA *Head of Research*

(84) 838 38 66 47 michael.kokalari@maybank-kimeng.com.vn

▪ Strategy

## Nguyen Thi Ngan TUYEN

(84) 844 55 58 88 x 8081 tuyen.nguyen@maybank-kimeng.com.vn

▪ Food and Beverage

▪ Oil and Gas

## Hang Vu

(84) 844 55 58 88 x 8087 hang.vu@maybank-kimeng.com.vn

▪ Banking

## Trinh Thi Ngoc Diep

(84) 844 55 58 88 x 8242 diep.trinh@maybank-kimeng.com.vn

▪ Technology

▪ Utilities

▪ Construction

## Dang Thi Kim Thoa

(84) 844 55 58 88 x 8083 thoa.dang@maybank-kimeng.com.vn

▪ Consumer

## Nguyen Trung Hoa

+84 844 55 58 88 x 8088 hoa.nguyen@maybank-kimeng.com.vn

▪ Steel

▪ Sugar

▪ Resources

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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  
kevinfoy@maybank-ke.com.sg  
Tel: (65) 6336-5157  
US Toll Free: 1-866-406-7447

 **Singapore**

**Maybank Kim Eng Securities Pte Ltd  
Maybank Kim Eng Research Pte Ltd**  
9 Temasek Boulevard  
#39-00 Suntec Tower 2  
Singapore 038989

Tel: (65) 6336 9090  
Fax: (65) 6339 6003

 **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,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

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

 **North Asia Sales Trading**

Eddie LAU  
eddielau@kimeng.com.hk  
Tel: (852) 2268 0800  
US Toll Free: 1 866 598 2267

 **London**

**Maybank Kim Eng Securities  
(London) Ltd**  
6/F, 20 St. Dunstan's Hill  
London EC3R 8HY, UK

Tel: (44) 20 7621 9298  
Dealers' Tel: (44) 20 7626 2828  
Fax: (44) 20 7283 6674

 **Indonesia**

**PT Kim Eng Securities**  
Plaza Bapindo  
Citibank Tower 17<sup>th</sup> Floor  
Jl Jend. Sudirman Kav. 54-55  
Jakarta 12190, Indonesia

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

 **Vietnam**

*In association with*  
**Kim Eng Vietnam Securities  
Company**  
1st Floor, 255 Tran Hung Dao St.  
District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 838 38 66 36  
Fax : (84) 838 38 66 39

 **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