

### Sell (unchanged)

Share price: MYR2.64  
Target price: MYR2.52 (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 Sep 2013, it has unbilled sales of MYR1.8b (1.1x of our 2014 property revenue forecast) and outstanding construction orderbook of MYR3.7b as at todate (2.3x of our construction revenue forecasts).

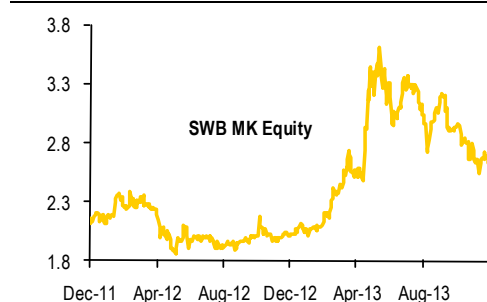
|                                    |          |
|------------------------------------|----------|
| Ticker:                            | SWB MK   |
| Shares Issued (m):                 | 1,723.5  |
| Market Cap (MYR m):                | 4,550.1  |
| 3-mth Avg Daily Turnover (US\$ m): | 0.82     |
| KLCI:                              | 1,850.90 |
| Free float (%):                    | 24.4     |

|                            |      |
|----------------------------|------|
| <b>Major Shareholders:</b> | %    |
| SUNGEI WAY CORP            | 46.4 |
| YEAN TIH CHEAH             | 13.5 |
| GIC PRIVATE LIMITED        | 8.7  |

#### Key Indicators

|                            |           |
|----------------------------|-----------|
| Net cash / (debt) (MYR m): | (1,287.1) |
| NTA/shr (MYR):             | 2.70      |
| Net Gearing (x):           | 0.28      |

#### Historical Chart



#### Performance:

|                  |                   |        |        |      |      |
|------------------|-------------------|--------|--------|------|------|
| 52-week High/Low | MYR3.614/MYR1.955 |        |        |      |      |
|                  | 1-mth             | 3-mth  | 6-mth  | 1-yr | YTD  |
| Absolute (%)     | (2.6)             | (14.8) | (19.4) | 31.0 | 27.7 |
| Relative (%)     | (6.0)             | (19.4) | (23.7) | 18.7 | 18.1 |

## Sunway Bhd

### Strengthening Foothold on Penang Island

**Maintain SELL.** We are neutral on Sunway's latest land deal in Paya Terubong, Penang Island, despite its relatively high pricing and the uncertain property market outlook followed by new property cooling measures announced by the federal and state governments. The 24.5 acres of freehold land, which has an est. GDV of MYR1.5b, is expected to deliver net profit of MYR29m (+1.7sen) p.a. from 2016 onwards and enhance our RNAV estimate by +4sen. We are reviewing our FY14-15 earnings forecasts and TP of MYR2.52 (0.58x P/RNAV).

**Land purchases on Penang Island.** Sunway successfully bid on four parcels of freehold land totalling 24.5 acres along Jalan Paya Terubong at MYR267.4m (MYR251psf) from Luxor Precision S/B (subsidiary of Lee Rubber) in an open tender. The final price is 26% above the minimum fixed price of MYR200psf. Sunway's net gearing is likely to increase to 0.33x from 0.28x at end-Sep 2013 after the land deal.

**More about the land.** The newly acquired pieces of land are located at the heart of Penang Island and are near Kek Lok Si Temple. The majority of the population in Paya Terubong are the working class wage earners. Jalan Paya Terubong, the main road, is only two lanes in most sections; thus, the area is rather congested during peak hours.

**We are neutral on the deal.** The land cost appears on the high side (18% of total GDV) compared to existing asking prices of MYR28-65psf, but that could be due to the lack of sizeable land bank on the island (>20 acres in mature area), its readily commercial and residential land statuses (previously it was industrial land) and plot ratio of 2.4.

**MYR1.5b worth mixed project.** Sunway plans to develop the land into a mixed development (70:30 residential: commercial) with a selling price of c.MYR700psf (for residential; vs existing asking prices of MYR370-MYR580psf) and MYR1,000psf (commercial) to be launched by mid-2015. The new project is expected to churn out annual net profit of MYR29m (+1.7sen) while enhancing our RNAV estimate by +4sen assuming a pretax margin of 18% and a 7-year development period.

#### Sunway Bhd– 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 | 4,677.9 |
| EBITDA                       | 397.7   | 535.1   | 531.2   | 634.8   | 723.8   |
| Recurring Net Profit         | 327.1   | 350.6   | 401.5   | 455.2   | 553.9   |
| Recurring Basic EPS (sen)    | 25.3    | 27.1    | 28.0    | 26.4    | 32.1    |
| EPS growth (%)               | 5.1     | 7.2     | 3.1     | (5.5)   | 21.7    |
| 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                          | 10.4    | 9.7     | 9.4     | 10.0    | 8.2     |
| EV/EBITDA (x)                | 9.5     | 6.8     | 6.1     | 6.0     | 5.0     |
| Div Yield (%)                | 0.0     | 2.3     | 2.1     | 2.0     | 2.4     |
| P/BV(x)                      | 1.1     | 1.0     | 0.8     | 0.9     | 0.8     |
| 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   |

**2013 sales target hit.** Full-year sales are expected to be slightly above its internal sales target of MYR1.3b (effective) for 2013 (flattish YoY) thanks to stronger sales in 2H13. Sunway now targets a similar sales level for 2014, supported by MYR1.7b new launches (effective; 26% in KV, 24% Johor, 27% Singapore, 13% China), including the maiden launches of Sunway Iskandar and Tianjin Eco City projects.

**Location of the new land bank on Penang Island**



Source: Company

The new project will involve the demolition of existing industrial buildings on the land



Source: Company

The new project will be launched by mid-2015



Source: Company

## INCOME STATEMENT (MYR m)

| FY Dec                      | 2012A        | 2013F        | 2014F        | 2015F        |
|-----------------------------|--------------|--------------|--------------|--------------|
| Revenue                     | 3,876.8      | 3,987.8      | 4,519.7      | 4,677.9      |
| EBITDA                      | 535.1        | 531.2        | 634.8        | 723.8        |
| 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>693.0</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        | 860.2        |
| Tax                         | (128.5)      | (150.6)      | (180.9)      | (215.1)      |
| Minority Interest           | (67.4)       | (50.3)       | (87.6)       | (91.3)       |
| <b>Net Profit</b>           | <b>532.3</b> | <b>401.5</b> | <b>455.2</b> | <b>553.9</b> |
| <b>Net Profit Ex. EI</b>    | <b>350.6</b> | <b>401.5</b> | <b>455.2</b> | <b>553.9</b> |
| Revenue Growth %            | 3.7          | 2.9          | 13.3         | 3.5          |
| EBITDA Growth (%)           | 34.5         | (0.7)        | 19.5         | 14.0         |
| EBIT Growth (%)             | 35.8         | 0.5          | 20.0         | 14.0         |
| Net Profit ex-EI Growth (%) | 7.2          | 14.5         | 13.4         | 21.7         |
| 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          | 860.2          |
| 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)        | (215.1)        |
| 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>646.5</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          | 244.2          |

Source: Company, Maybank KE

## 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         | 3,027.0         |
| Cash/ST Investments       | 1,140.2        | 1,949.3         | 2,087.7         | 2,331.9         |
| Other Current Assets      | 2,674.1        | 3,016.0         | 4,061.9         | 3,958.0         |
| <b>Total Assets</b>       | <b>8,744.9</b> | <b>10,111.0</b> | <b>11,359.0</b> | <b>11,454.0</b> |
| ST Debt                   | 782.7          | 782.7           | 782.7           | 782.7           |
| Other Current Liabilities | 1,636.1        | 1,682.1         | 1,902.3         | 1,967.8         |
| LT Debt                   | 1,964.2        | 1,964.2         | 1,964.2         | 1,964.2         |
| Other LT Liabilities      | 493.5          | 622.8           | 1,286.5         | 872.9           |
| Minority Interest         | 310.0          | 310.0           | 310.0           | 310.0           |
| Shareholders' Equity      | 3,558.4        | 4,749.2         | 5,113.3         | 5,556.4         |
| <b>Total Capital</b>      | <b>8,744.9</b> | <b>10,111.0</b> | <b>11,359.0</b> | <b>11,454.0</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           | 415.0           |
| Working Capital           | 1,395.5        | 2,500.5         | 3,464.6         | 3,539.3         |
| 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  | 24.0  |
| Asset Turnover (x)   | 2.3   | 2.5   | 2.5   | 2.4   |
| 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)        | 6.8   | 6.1   | 6.0   | 5.0   |

## 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

**DESMOND CH'NG, ACA**

(603) 2297 8680 desmond.chng@maybank-ib.com  

- Banking & Finance

**LIAW THONG JUNG**

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

- Oil & Gas – *Regional*
- Shipping

**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 & REITs

**LEE YEN LING**

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

- Building Materials
- Glove producers

**CHAI LI SHIN**

(603) 2297 8684 lishin.c@maybank-ib.com  

- Plantation
- Construction & Infrastructure

**KANG CHUN EE**

(603) 2297 8675 chunee@maybank-ib.com  

- Consumer

**IVAN YAP**

(603) 2297 8612 ivan.yap@maybank-ib.com  

- Automotive

**LEE Cheng Hooi, Regional Chartist**

(603) 2297 8694 chenghooi.lee@maybank-ib.com  
**Tee Sze Chiah, Head of Retail Research**

(603) 2297 8658 szechiah.t@maybank-ib.com

## HONG KONG CHINA

**Howard WONG** *Head of Research*

(852) 2268 0648 howardwong@kimeng.com.hk  

- Oil & Gas - *Regional*

**Alexander LATZER**

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

- Metals & Mining - *Regional*

**Jacqueline Ko, CFA**

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

- Consumer

**Karen KWAN**

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

- HK & China Property

**Osbert TANG, CFA**

(852) 2268 0800 osberttang@kimeng.com.hk  

- Transport & Industrials

**Philip TSE, CFA FRM**

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

- HK & China Property

**Simon QIAN, CFA**

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

- Telecom & Internet

**Steven CHAN**

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

- Banking & Financials

**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

**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  
(662) 658 1420 tim.l@maybank-ke.co.th

## 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

## S SINGAPORE

**Ng Wee Siang** *Head of Research*

(65) 6432 1467 ngweesiang@maybank-ke.com.sg  

- Banking & Finance

**Gregory YAP**

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

- SMID Caps – *Regional*
- Technology & Manufacturing
- Telcos

**Wilson LIEW**

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

- Property Developers

**ONG Kian Lin**

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

- S-REITs

**James KOH**

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

- Consumer - *Regional*

**YEAK Chee Keong, CFA**

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

- Offshore & Marine

**Derrick HENG**

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

- Transport (Land, Shipping & Aviation)

**Wei Bin**

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

- Commodity
- Logistics
- S-chips

**Alison FOK**

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

- Small & Mid Caps
- Construction

**John CHEONG**

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

- Small & Mid Caps
- Healthcare

## 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

**Rommel RODRIGO**

(63) 2 849 8839 rommel\_rodrigo@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

**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 TANTIVVAT**

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

- Property

**Woraphon WIROONSRI**

(66) 2658 6300 ext 1400 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

**Chatchai JINDARAT**

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

- Electronics

**Chatchai JINDARAT**

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

- Electronics

## Institutional Research

**Maria LAPIZ** *Head of Institutional Research*

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399  
Maria.L@maybank-ke.co.th

**Jesada TECHAHASDIN, CFA**

(66) 2658 6300 ext 1394 Jesada.T@maybank-ke.co.th  

- Consumer / Materials

**Jesada TECHAHASDIN, CFA**

(66) 2658 6300 ext 1394 Jesada.T@maybank-ke.co.th  

- Financial Services

**Kittisorn PRUITIPAT, CFA, FRM**

(66) 2658 6300 ext 1395 Kittisorn.P@maybank-ke.co.th  

- Real Estate

## VIETNAM

**Le Hong Lien, ACCA** *Head of Institutional Research*

(84) 844 55 58 88 x 8181 lien.le@maybank-kimeng.com.vn  

- Strategy
- Consumer
- Diversified
- Utilities

**Le Hong Lien, ACCA**

## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

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| BV = Book Value                              | FV = Fair Value          | PEG = PE Ratio To Growth                |
| CAGR = Compounded Annual Growth Rate         | FY = Financial Year      | PER = PE Ratio                          |
| Capex = Capital Expenditure                  | FYE = Financial Year End | QoQ = Quarter-On-Quarter                |
| CY = Calendar Year                           | MoM = Month-On-Month     | ROA = Return On Asset                   |
| DCF = Discounted Cashflow                    | NAV = Net Asset Value    | ROE = Return On Equity                  |
| DPS = Dividend Per Share                     | NTA = Net Tangible Asset | ROSF = Return On Shareholders' Funds    |
| EBIT = Earnings Before Interest And Tax      | P = Price                | WACC = Weighted Average Cost Of Capital |
| EBITDA = EBIT, Depreciation And Amortisation | P.A. = Per Annum         | YoY = Year-On-Year                      |
| EPS = Earnings Per Share                     | PAT = Profit After Tax   | YTD = Year-To-Date                      |
| EV = Enterprise Value                        | PBT = Profit Before Tax  |   |

 **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**

Alex TSUN  
alextsun@kimeng.com.hk  
Tel: (852) 2268 0228  
US Toll Free: 1 877 837 7635

 **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 Maybank 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*  
**Maybank Kim Eng Securities JSC**  
1st Floor, 255 Tran Hung Dao St.  
District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
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