

Company Guide

Sunway

Version 3 | Bloomberg: SWB MK | Reuters: SWAY.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

30 May 2016

HOLD

Last Traded Price: RM3.03 (KLCI : 1,637.19)

Price Target : RM2.90 (-4% downside) (Prev RM3.00)

Shariah Compliant: Yes

Potential Catalyst: Stronger-than-expected property sales

Where we differ: One of the lowest TP

Analyst

QUAH He Wei, CFA +603 2604 3966 hewei@alliancedbs.com

What's New

- **1Q16 results missed expectations**
- **Negative impact on integrated business model due to weaker economic environment**
- **Cut FY16-18F earnings by 11%/6%/5%**

Price Relative



Forecasts and Valuation

FY Dec (RM m)	2015A	2016F	2017F	2018F
Revenue	4,451	5,085	4,777	5,013
EBITDA	929	946	907	962
Pre-tax Profit	929	737	699	743
Net Profit	732	497	490	538
Net Pft (Pre Ex.)	591	497	490	538
Net Pft Gth (Pre-ex) (%)	(0.2)	(15.9)	(1.5)	9.9
EPS (sen)	41.1	27.9	27.5	30.2
EPS Pre Ex. (sen)	33.2	27.9	27.5	30.2
EPS Gth Pre Ex (%)	(3)	(16)	(1)	10
Diluted EPS (sen)	35.6	24.1	23.8	26.1
Net DPS (sen)	49.0	8.37	8.25	9.07
BV Per Share (sen)	368	388	407	428
PE (X)	7.4	10.9	11.0	10.0
PE Pre Ex. (X)	9.1	10.9	11.0	10.0
P/Cash Flow (X)	6.3	62.5	8.5	9.9
EV/EBITDA (X)	10.0	10.4	10.9	10.4
Net Div Yield (%)	16.2	2.8	2.7	3.0
P/Book Value (X)	0.8	0.8	0.7	0.7
Net Debt/Equity (X)	0.5	0.5	0.4	0.4
ROAE (%)	11.7	7.4	6.9	7.2
Earnings Rev (%):		(11)	(6)	(5)
Consensus EPS (sen):		29.8	31.7	34.4
Other Broker Recs:		B: 8	S: 0	H: 6

Source of all data: Company, AllianceDBS Research, Bloomberg Finance L.P

CAUTIOUS OUTLOOK

Challenging property market to limit stock re-rating potential.

Sunway's focus on sustainable township developments has resulted in stable property sales (RM1.7bn-1.8bn in FY12-14). However, weak sentiment in the property markets in Malaysia and Singapore makes it challenging for Sunway to sustain its high sales momentum as property sales dipped 29% to RM1.2bn in FY15. In view of the persistent headwinds in the property market, especially in high-end developments, we believe property sales may remain lacklustre in FY16. However, Sunway's unbilled property sales remain healthy at RM2.1bn (~1.2x FY16 property revenue) to support near-term earnings visibility.

Long gestation period for land bank in Iskandar Malaysia.

Sunway has 1,830 acres of landbank (RM30bn GDV) in Iskandar Malaysia, which accounts for ~50% of its total land bank. However, near-term prospects may be clouded by concerns of excess supply of properties in Iskandar Malaysia.

Supported by non-property segment. Apart from the property development segment, Sunway continues to register stable growth from other business divisions, especially construction and property investment segments. Construction order book is at all-time high of RM5bn after securing several major jobs over the past 12 months. Meanwhile, property investments are expected to stay resilient, contributing ~20% of Sunway's earnings.

Valuation:

We cut our FY16-18F earnings by 11%/6%/5% after imputing weaker contribution from property development, trading, quarry businesses. Sequentially, our TP is cut to RM2.90, based on 10% discount to our revised SOP valuation of RM3.20. While we continue to like Sunway for its superior and unrivalled 'build-own-operate' model, there is no re-rating catalyst in the near term given the challenging property market outlook.

Key Risks to Our View:

Weak property sales. Weak sentiment in the property market could drag its property sales.

At A Glance

Issued Capital (m shrs)	1,969
Mkt. Cap (RMm/US\$m)	5,966 / 1,459
Major Shareholders (%)	
Sungei Way Corp	58.3
Amanah Saham Bumiputera	5.1
Free Float (%)	36.6
3m Avg. Daily Val (US\$m)	0.67
ICB Industry : Real Estate / Real Estate Investment & Services	

WHAT'S NEW**Challenging environment**

1Q16 below expectations. Sunway reported 1Q16 core profit of RM104.5m (-42% q-o-q, -20% y-o-y) which only comprises 19% of our initial full-year projection. The poorer-than-expected performance is due to weaker contributions from property development, construction, trading & manufacturing, and quarry, arising from the overall challenging economy condition.

Property investment outperformed. Property investment is the only division that still registered strong growth as its EBIT grew 70% y-o-y, thanks to: i) rental contribution from Sunway University New Academic Block (completed in mid-2015), ii) higher occupancy in Sunway Pinnacle, iii) completion of Sunway Putra Hotel refurbishment at the end of 2015.

Property development is the largest contributor. Property development EBIT grew 39% y-o-y but dipped 42% q-o-q, accounting for 37% of Sunway's 1Q16 EBIT. 1Q16 property contribution is typically slower due to shorter working period, but it is slightly below our expectation as we had anticipated higher progressive billings from its on-going projects.

Subdued property market. Sunway has secured RM263m property sales in 1Q16, compared to RM476m in 4Q15 and RM247m in 1Q15. The Group is targeting RM1.4bn sales in FY16, though we only assume RM1.1bn property sales as we believe the market sentiment will remain soft in the near-to-medium term.

Relatively healthy earnings visibility. Unbilled sales remain healthy at RM2bn (1.2x FY16 property development revenue), although it is the lowest in recent years due to slower sales reflecting the much weaker sentiment for high-end developments. Meanwhile, its construction order book is at all-time high of RM5bn, thanks to the strong replenishment over the past 12 months.

Cut FY16-18F earnings by 11%/6%/5% after imputing weaker contribution from property development, trading, quarry businesses.

Quarterly / Interim Income Statement (RMm)

FY Dec	1Q2015	4Q2015	1Q2016	% chg yoy	% chg qoq
Revenue	1,060	1,399	1,069	0.8	(23.6)
Cost of Goods Sold	(940)	(1,245)	(944)	0.5	(24.1)
Gross Profit	120	154	125	3.7	(19.1)
Other Oper. (Exp)/Inc	30.9	67.5	27.5	(10.9)	(59.3)
Operating Profit	151	221	152	0.7	(31.3)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	38.1	49.6	42.6	11.6	(14.2)
Net Interest (Exp)/Inc	(11.4)	(21.8)	(16.1)	(41.6)	25.9
Exceptional Gain/(Loss)	15.8	34.6	(2.4)	nm	nm
Pre-tax Profit	194	284	176	(9.0)	(38.0)
Tax	(36.1)	(29.2)	(32.8)	(9.0)	12.5
Minority Interest	(10.9)	(40.0)	(41.1)	278.1	2.9
Net Profit	147	215	102	(30.3)	(52.4)
Net profit bef Except.	131	180	105	(20.0)	(41.9)
EBITDA	218	301	224	2.5	(25.7)
Margins (%)					
Gross Margins	11.3	11.0	11.7		
Opg Profit Margins	14.2	15.8	14.2		
Net Profit Margins	13.8	15.3	9.6		

Source of all data: Company, AllianceDBS Research

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Integrated property developer. Sunway boasts an integrated real estate business model which includes property development, property investment, construction, trading & manufacturing, quarry & building materials as well as healthcare. Property development and construction are the two largest EBIT contributors at ~40% and ~25% share, respectively. We are projecting relatively subdued earnings growth in FY16F-18F after impressive 3-year core earnings CAGR of 19% over FY12-15.

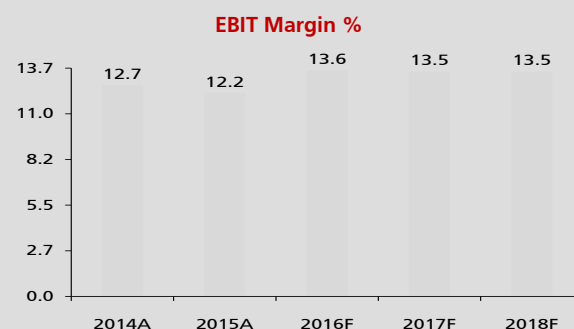
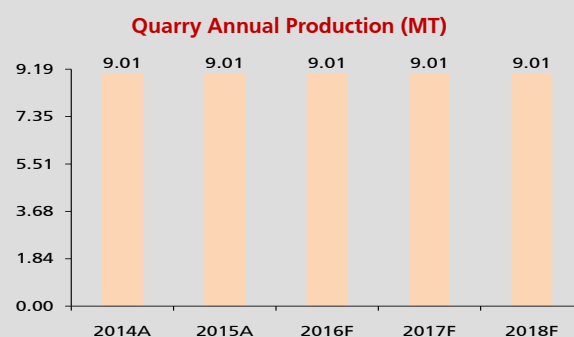
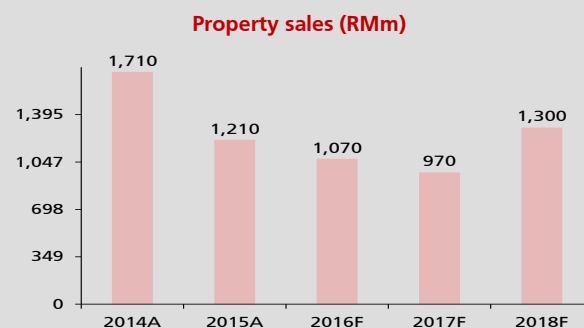
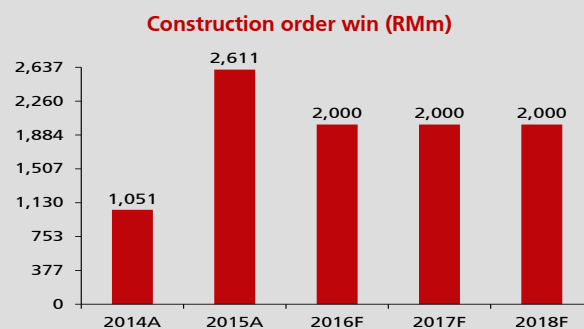
High-end projects may see weak sales. Supported by an established brand name that is synonymous with resort lifestyle integrated townships, Sunway's properties are generally priced at a premium. Sales had been stable in the past few years, but the impact of weak sentiment of property market has already been felt in FY15 with property sales dropping 29% y-o-y to RM1.2bn, compared to its usual sales of RM1.7-1.8bn during FY12-14. Sunway is targeting RM1.4bn sales in FY16 but weak demand for high-end properties may continue to pressure its sales momentum.

Construction arm benefits from infrastructure spending.

Sunway Construction is set to benefit from mega infrastructure projects such as MRT Line 2 and LRT 3 given its good reputation and track record in the construction sector. It also gets internal jobs from Sunway's property arm which awards them through competitive bidding. While its FY15 order replenishment of RM2.6bn was higher-than-expected, huge order wins may be hard to come by in view of relatively weaker economic outlook. Nevertheless, its outstanding RM5bn order book could underpin near-term earnings visibility.

Resilient contribution from investment properties. Sunway derives about 20% of Group's earnings from a portfolio of investment properties in the retail, office, education, and hospitality sectors, because of its integrated business model for township development. Currently, Sunway has several investment properties under development: Sunway Pyramid 3, Sunway Medical phase 3, Office Tower@Sunway South Quay and Sunway Velocity Shopping Mall. These properties are scheduled for completion progressively by end-2017.

Recycling assets through Sunway REIT. Its 37%-owned associate, Sunway REIT, continues to do well as the owner of prime asset, Sunway Pyramid Shopping Center. Sunway REIT offers an avenue for Sunway Group to unlock the value of its mature investment properties, and this has proven to be synergistic for both entities.



Source: Company, AllianceDBS Research

Sunway

Balance Sheet:

Expanding recurring income stream. Sunway's net gearing stood at 40% as at Mar16 due to its aggressive expansion on investment property division to boost recurring income. Sunway could always recycle mature investment properties through Sunway REIT to lock in development gains.

Share Price Drivers:

Higher-than-expected property sales. We have conservatively assumed RM1.1bn property sales in FY16, which is lower than the management's target of RM1.4bn, given the current soft market conditions. It will be a pleasant surprise if the Group is able to achieve this. Sunway's product mix comprises of mainly relatively higher-end properties, which may be challenging to sell buyers increasingly go for affordable homes. Nevertheless, its unique offering of a resort lifestyle township could help to sustain sales.

Strong replenishment of construction order book. Sunway's order wins in FY13-15 was RM2.2bn/ RM1.1bn/RM2.6bn, respectively. While the current order book of RM5bn could still last until FY18, strong replenishment is critical to re-rate the share price. The right of first refusal granted by the Group for internal construction jobs might address part of the replenishment concern.

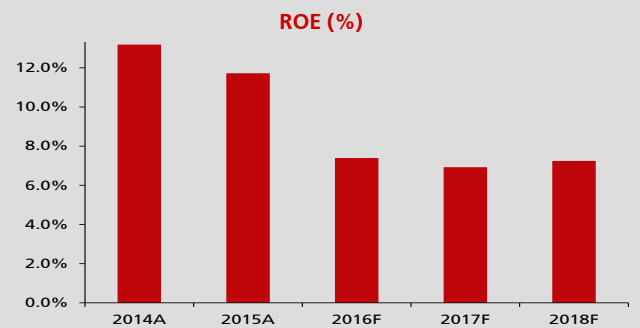
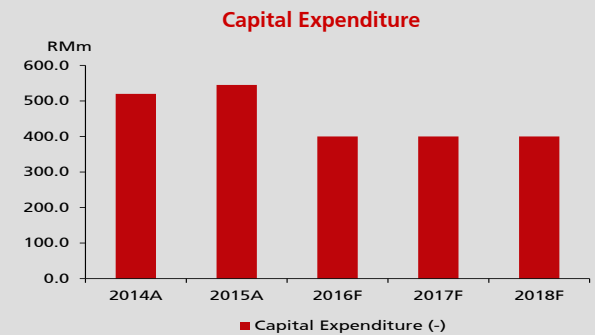
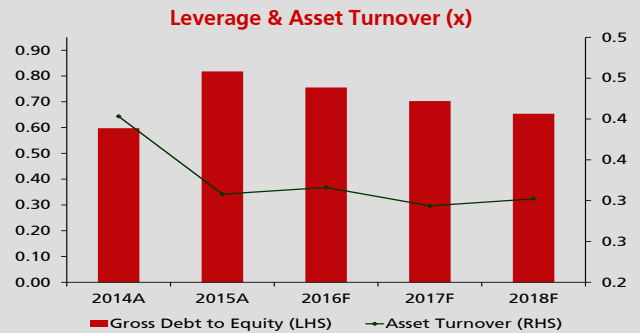
Key Risks:

Delay in contract awards. Construction contract awards could be delayed by weaker-than-expected economic outlook.

Slowdown in property sales. Given several tightening policies aimed at Malaysia's property sector, demand for property (residential and commercial) could weaken in the near future.

Company Background

Sunway is a property and construction group which also has interests in quarrying, building materials manufacturing and trading.



Source: Company, AllianceDBS Research

Key Assumptions

FY Dec	2014A	2015A	2016F	2017F	2018F
Construction order win	1,051	2,611	2,000	2,000	2,000
Property sales (RMm)	1,710	1,210	1,070	970	1,300

Segmental Breakdown

FY Dec	2014A	2015A	2016F	2017F	2018F
Revenues (RMm)					
Property Development	1,198	1,196	1,307	919	1,186
Property Investment	594	642	634	648	661
Construction	1,751	1,222	1,748	1,770	1,680
Trading & Manufacturing	639	650	683	717	752
Others	237	242	194	203	214
Total	4,842	4,451	5,085	4,777	5,013
EBIT (RMm)					
Property Development	287	208	272	225	273
Property Investment	128	135	154	162	165
Construction	139	159	168	156	133
Trading & Manufacturing	40.0	31.9	27.3	28.7	30.1
Others	36.7	39.5	31.0	32.5	34.2
Total	615	544	691	645	677
EBIT Margins (%)					
Property Development	24.0	17.4	20.8	24.5	23.0
Property Investment	21.6	21.0	24.3	25.0	25.0
Construction	7.9	13.0	9.6	8.8	7.9
Trading & Manufacturing	6.3	4.9	4.0	4.0	4.0
Total	12.7	12.2	13.6	13.5	13.5

Driven by unbilled sales

Income Statement (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Revenue	4,842	4,451	5,085	4,777	5,013
Cost of Goods Sold	(4,338)	(4,024)	(3,577)	(3,364)	(3,530)
Gross Profit	504	428	1,508	1,412	1,482
Other Opng (Exp)/Inc	110	116	(817)	(767)	(805)
Operating Profit	615	544	691	645	677
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	233	270	151	140	146
Net Interest (Exp)/Inc	(30.4)	(26.6)	(104)	(86.6)	(79.9)
Exceptional Gain/(Loss)	152	142	0.0	0.0	0.0
Pre-tax Profit	969	929	737	699	743
Tax	(148)	(130)	(125)	(119)	(126)
Minority Interest	(77.6)	(67.0)	(115)	(90.5)	(78.5)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	743	732	497	490	538
Net Profit before Except.	592	591	497	490	538
EBITDA	962	929	946	907	962
Growth					
Revenue Gth (%)	2.6	(8.1)	14.2	(6.1)	4.9
EBITDA Gth (%)	(15.0)	(3.4)	1.8	(4.1)	6.0
Opg Profit Gth (%)	(23.5)	(11.4)	26.9	(6.6)	4.9
Net Profit Gth (Pre-ex) (%)	22.3	(0.2)	(15.9)	(1.5)	9.9
Margins & Ratio					
Gross Margins (%)	10.4	9.6	29.6	29.6	29.6
Opg Profit Margin (%)	12.7	12.2	13.6	13.5	13.5
Net Profit Margin (%)	15.4	16.5	9.8	10.2	10.7
ROAE (%)	13.2	11.7	7.4	6.9	7.2
ROA (%)	6.2	5.1	3.1	3.0	3.2
ROCE (%)	5.3	3.9	4.2	3.8	3.9
Div Payout Ratio (%)	28.4	119.1	30.0	30.0	30.0
Net Interest Cover (x)	20.2	20.4	6.6	7.5	8.5

Subdued growth prospects

Source: Company, AllianceDBS Research

Sunway

Quarterly / Interim Income Statement (RMm)

FY Dec	1Q2015	2Q2015	3Q2015	4Q2015	1Q2016
Revenue	1,060	1,042	951	1,399	1,069
Cost of Goods Sold	(940)	(936)	(902)	(1,245)	(944)
Gross Profit	120	105	48.7	154	125
Other Oper. (Exp)/Inc	30.9	43.9	88.6	67.5	27.5
Operating Profit	151	149	137	221	152
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	38.1	39.9	31.5	49.6	42.6
Net Interest (Exp)/Inc	(11.4)	(9.3)	15.8	(21.8)	(16.1)
Exceptional Gain/(Loss)	15.8	101	(13.7)	34.6	(2.4)
Pre-tax Profit	194	281	171	284	176
Tax	(36.1)	(33.1)	(31.5)	(29.2)	(32.8)
Minority Interest	(10.9)	(9.9)	(6.2)	(40.0)	(41.1)
Net Profit	147	238	133	215	102
Net profit bef Except.	131	137	147	180	105
EBITDA	218	219	194	301	224

Weak 1Q16

Growth

Revenue Gth (%)	(28.3)	(1.7)	(8.7)	47.1	(23.6)
EBITDA Gth (%)	(36.1)	0.5	(11.4)	54.8	(25.7)
Opg Profit Gth (%)	(42.7)	(1.2)	(7.9)	61.3	(31.3)
Net Profit Gth (Pre-ex) (%)	(36.6)	4.6	7.5	22.5	(41.9)

Margins

Gross Margins (%)	11.3	10.1	5.1	11.0	11.7
Opg Profit Margins (%)	14.2	14.3	14.4	15.8	14.2
Net Profit Margins (%)	13.8	22.8	14.0	15.3	9.6

Balance Sheet (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Net Fixed Assets	3,245	1,364	1,660	1,938	2,199
Invt in Associates & JVs	2,481	2,890	3,041	3,182	3,328
Other LT Assets	1,012	4,675	4,675	4,675	4,675
Cash & ST Invt	1,978	2,627	2,064	2,052	1,935
Inventory	598	693	616	575	601
Debtors	1,720	2,640	3,015	2,832	2,972
Other Current Assets	1,883	1,105	1,105	1,105	1,105
Total Assets	12,916	15,994	16,176	16,359	16,815
ST Debt	2,283	3,304	3,304	3,304	3,304
Creditor	2,172	2,446	2,173	2,029	2,122
Other Current Liab	20.8	43.0	135	129	136
LT Debt	1,502	2,585	2,485	2,385	2,285
Other LT Liabilities	605	416	416	416	416
Shareholder's Equity	5,945	6,550	6,898	7,240	7,617
Minority Interests	389	651	765	856	934
Total Cap. & Liab.	12,916	15,994	16,176	16,359	16,815
Non-Cash Wkg. Capital	2,008	1,948	2,427	2,354	2,420
Net Cash/(Debt)	(1,806)	(3,262)	(3,725)	(3,637)	(3,655)
Debtors Turn (avg days)	111.3	178.7	203.0	223.4	211.3
Creditors Turn (avg days)	179.0	215.6	242.8	236.6	223.4
Inventory Turn (avg days)	52.4	60.3	68.8	67.0	63.3
Asset Turnover (x)	0.4	0.3	0.3	0.3	0.3
Current Ratio (x)	1.4	1.2	1.2	1.2	1.2
Quick Ratio (x)	0.8	0.9	0.9	0.9	0.9
Net Debt/Equity (X)	0.3	0.5	0.5	0.4	0.4
Net Debt/Equity ex MI (X)	0.3	0.5	0.5	0.5	0.5
Capex to Debt (%)	13.7	9.3	6.9	7.0	7.2
Z-Score (X)	1.4	1.4	1.4	1.4	1.4

Healthy balance sheet

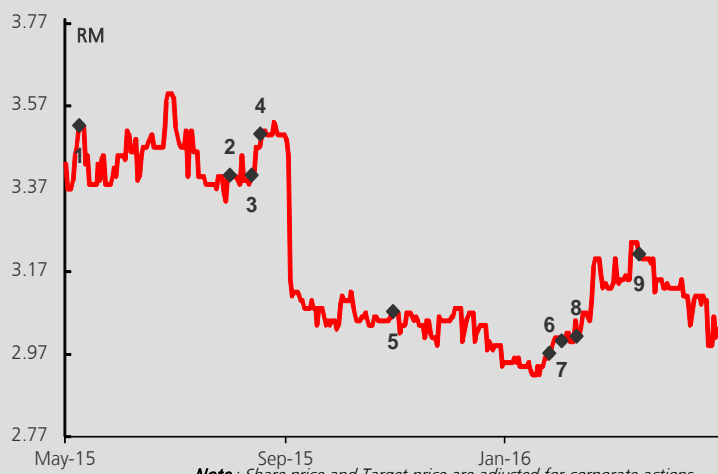
Source: Company, AllianceDBS Research

Cash Flow Statement (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Pre-Tax Profit	969	929	737	699	743
Dep. & Amort.	114	115	104	122	139
Tax Paid	(167)	(170)	(33.1)	(125)	(119)
Assoc. & JV Inc/(loss)	(233)	(270)	(151)	(140)	(146)
Chg in Wkg.Cap.	(91.4)	87.6	(571)	79.3	(73.1)
Other Operating CF	177	171	0.0	0.0	0.0
Net Operating CF	769	862	86.2	634	544
Capital Exp.(net)	(520)	(545)	(400)	(400)	(400)
Other Invt.(net)	(257)	(555)	0.0	0.0	0.0
Invt in Assoc. & JV	(63.7)	(159)	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(3.4)	(1,015)	0.0	0.0	0.0
Net Investing CF	(844)	(2,274)	(400)	(400)	(400)
Div Paid	(213)	(657)	(149)	(147)	(161)
Chg in Gross Debt	873	1,752	(100.0)	(100.0)	(100.0)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(64.8)	11.3	0.0	0.0	0.0
Net Financing CF	595	1,107	(249)	(247)	(261)
Currency Adjustments	9.19	955	0.0	0.0	0.0
Chg in Cash	529	649	(563)	(12.5)	(117)
Opg CFPS (sen)	49.9	43.5	36.9	31.2	34.7
Free CFPS (sen)	14.5	17.8	(17.6)	13.2	8.10

Source: Company, AllianceDBS Research

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	05 Jun 15	3.52	3.80	HOLD
2:	28 Aug 15	3.40	3.20	HOLD
3:	09 Sep 15	3.40	3.20	HOLD
4:	14 Sep 15	3.50	3.20	HOLD
5:	27 Nov 15	3.07	3.20	HOLD
6:	22 Feb 16	2.97	3.20	HOLD
7:	29 Feb 16	3.00	3.00	HOLD
8:	08 Mar 16	3.01	3.00	HOLD
9:	12 Apr 16	3.21	3.00	HOLD

Source: AllianceDBS Research

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

DISCLAIMER

This report has been prepared for information purposes only by AllianceDBS Research Sdn Bhd ("ADBSR"), a subsidiary of Alliance Investment Bank Berhad ("AIBB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). DBSVH is a wholly-owned subsidiary of DBS Bank Ltd. This report is strictly confidential and is meant for circulation to clients of ADBSR, AIBB and DBSVH only or such persons as may be deemed eligible to receive such research report, information or opinion contained herein. Receipt and review of this report indicate your agreement not to distribute, reproduce or disclose in any other form or medium (whether electronic or otherwise) the contents, views, information or opinions contained herein without the prior written consent of ADBSR.

This report is based on data and information obtained from various sources believed to be reliable at the time of issuance of this report and any opinion expressed herein is subject to change without prior notice and may differ or be contrary to opinions expressed by ADBSR's affiliates and/or related parties. ADBSR does not make any guarantee, representation or warranty (whether express or implied) as to the accuracy, completeness, reliability or fairness of the data and information obtained from such sources as may be contained in this report. As such, neither ADBSR nor its affiliates and/or related parties shall be held liable or responsible in any manner whatsoever arising out of or in connection with the reliance and usage of such data and information or third party references as may be made in this report (including, but not limited to any direct, indirect or consequential losses, loss of profits and damages).

The views expressed in this report reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendation(s) or view(s) in this report. ADBSR prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or providing a specific recommendation for, or view of, a particular company.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation to buy or sell any securities or other investments or any options, futures, derivatives or other instruments related to such securities or investments. In particular, it is highlighted that this report is not intended for nor does it have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. Investors are therefore advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situations and particular needs and consult their own professional advisers (including but not limited to financial, legal and tax advisers) regarding the appropriateness of investing in any securities or investments that may be featured in this report.

ADBSR, AIBB, DBSVH and DBS Bank Ltd, their directors, representatives and employees or any of their affiliates or their related parties may, from time to time, have an interest in the securities mentioned in this report. AIBB, DBSVH and DBS Bank Ltd, their affiliates and/or their related persons may do and/or seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell or buy such securities from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

AIBB, DBSVH, DBS Bank Ltd (which carries on, inter alia, corporate finance activities) and their activities are separate from ADBSR. AIBB, DBSVH and DBS Bank Ltd may have no input into company-specific coverage decisions (i.e. whether or not to initiate or terminate coverage of a particular company or securities in reports produced by ADBSR) and ADBSR does not take into account investment banking revenues or potential revenues when making company-specific coverage decisions.

ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the subject company mentioned in this report. ADBSR, AIBB, DBSVH, DBS Bank Ltd and/or other affiliates of DBSVUSA may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this report should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.

In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the overriding issue of confidentiality, available upon request to enable an investor to make their own independent evaluation of the information contained herein.



Wong Ming Tek, Executive Director

Published by

AllianceDBS Research Sdn Bhd (128540 U)

19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com