

# Company Guide

## MRCB-Quill REIT

Version 4 | Bloomberg: MQREIT MK | Reuters: MQRE.KL

Refer to important disclosures at the end of this report

### Malaysia Equity Research

01 July 2016

## HOLD

Last Traded Price: RM1.16 (KLCI : 1,654.08)

Price Target : RM1.26 (9% upside) (Prev RM1.30)

Shariah Compliant: No

Potential Catalyst: Yield-accretive asset injection

Where we differ: Earnings inline

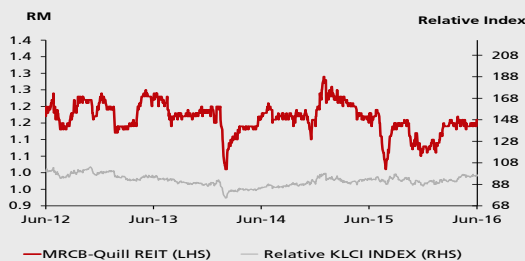
### Analyst

Inani ROZIDIN +603 2604 3905 inanirozidin@alliancedbs.com

### What's New

- Earnings from proposed acquisition of Menara Shell to be accretive in 1QFY17
- DPU dilution from equity fund raising moderated by higher distribution payout
- Maintain HOLD, lower TP to RM1.26

### Price Relative



### Forecasts and Valuation

FY Dec (RMm)	2015A	2016F	2017F	2018F
Gross Revenue	115	124	178	182
Net Property Inc	90.3	97.8	140	145
Total Return	54.0	55.8	82.0	86.6
Distribution Inc	50.9	55.8	82.0	86.6
EPU (sen)	10.2	8.44	7.68	8.09
EPU Gth (%)	(1)	(17)	(9)	5
DPU (sen)	8.47	8.44	7.68	8.09
DPU Gth (%)	1	0	(9)	5
NAV per shr (sen)	137	137	125	125
PE (X)	11.4	13.7	15.1	14.3
Distribution Yield (%)	7.3	7.3	6.6	7.0
P/NAV (x)	0.8	0.8	0.9	0.9
Aggregate Leverage (%)	43.6	43.8	41.5	41.7
ROAE (%)	8.4	6.2	7.3	6.5

Distn. Inc Chng (%): - 40 42  
 Consensus DPU (sen): 8.40 N/A N/A  
 Other Broker Recs: B: 4 S: 0 H: 1

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

## LONGER TERM GROWTH PROSPECTS

**Sizeable asset acquisition from MRCB.** MQREIT has signed a conditional sale and purchase agreement (SPA) to acquire Menara Shell located at Kuala Lumpur Sentral for RM640m from its major shareholder Malaysian Resources Corporation Berhad (MRCB). The proposed acquisition is expected to be completed by Dec 2016 and will be earnings accretive from 1QFY17. Upon completion, this asset will expand MQREIT's portfolio size from RM1.6bn in FY15 to c.RM2.3bn in FY17. While we increased our FY17/18F earnings by c.40%, we forecast a massive 61% equity dilution arising from its proposed private placement. Management will mitigate the near term DPU dilution by increasing payout ratio to 100% until DPU reaches back to current levels. Taking into account the higher payout ratio and our FY17 NPI yield forecast of 6.1% for Menara Shell, we expect a more moderate 9% DPU dilution in FY17. We maintain our HOLD recommendation as we expect the massive equity fund raising will lead to share overhang in the near term.

**Revamped profile with new injections.** MQREIT's asset portfolio has undergone a drastic shift with the acquisition of the RM740m Platinum Sentral (PS) asset in FY15. Moving forward, we expect the overall portfolio to improve further with the proposed acquisition of Menara Shell. We have assumed that PS and Menara Shell will increase overall occupancy levels for its portfolio from 91% in FY15 to 96% in FY17, and raise average rent psf from RM4.80 in FY15 to RM5.60 in FY17.

**MRCB connection.** MQREIT has the right of first refusal to MRCB's stable of investment properties, which is worth up to RM1.5bn in aggregate. However, MQREIT's current gearing of c.43% indicates that new equity issuance will likely be necessary for sizeable acquisitions in the near term.

### Valuation:

Our DDM-derived TP is lowered to RM1.26 (from RM1.30 previously), with 7.7% cost of equity and 1% TG. This takes into account the near term DPU dilution and the change in our risk-free rate assumption to 4.0% from 4.3%.

### Key Risks to Our View:

**Earnings stability.** Our earnings forecast assumes vacancies will not increase and there is immediate renewal of expiring leases. Delayed leasing of released spaces will be negative to earnings and may de-rate the stock.

### At A Glance

Issued Capital (m shrs)	661
Mkt. Cap (RMm/US\$m)	767 / 192
Major Shareholders (%)	
Malaysian Resources Corp	31.2
Quill group of companies	17.7
Capitaland Financial Ltd	17.7
Free Float (%)	33.5
3m Avg. Daily Val (US\$m)	0.05
ICB Industry : Real Estate / Real Estate Investment Trusts	

**WHAT'S NEW****Exciting progress****Sizeable acquisition from MRCB**

- MQREIT has signed a conditional sale and purchase agreement (SPA) to acquire a 33-storey office tower known as Menara Shell together with a 5-storey podium and a 4-storey basement car park (915 car park lots and 110 motorcycle lots) located at Kuala Lumpur Sentral for RM640m from 348 Sentral Sdn Bhd ("348 Sentral"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad (MRCB).
- The proposed acquisition should complete by Dec 2016. Upon completion, the proposed acquisition is expected to expand MQREIT's asset portfolio size from RM1.6bn in FY15 to c.RM2.3bn in FY17. This will move MQREIT's standing among local REITs from 8<sup>th</sup> place to 7<sup>th</sup> place in terms of asset size.

**Massive equity fund raising to finance acquisition**

- The purchase will be fully settled through a proposed 35:65 debt:equity funding structure to fund the proposed acquisition of RM640m and estimated expenses of RM16m. The equity funding exercise will entail a proposed placement involving the issuance of up to 406.7m units, which represents a 61% increase of its current share base (see Exhibit 1 and 2). 155.2m units will be placed out to institutional investors by way of a book building exercise at an issue price to be determined later.
- The actual breakdown of funding has not been finalised at this juncture and will be dependent upon the actual placement size and the issue price of the placement units. Based on an assumed issue price of RM1.05 per unit and a maximum of 406.7k units, the expected gross proceeds from the proposed placement is RM427m. In the event of lower proceeds from the placement, the difference will be funded via borrowings, subject to the total borrowings of MQREIT not exceeding a gearing level of 50% (FY16 gearing: c.43%).

**Exhibit 1: Proposed placement**

Shareholders	Proposed placement (m units)	Direct shareholdings	
		Current (%)	After placement (%)
MRCB	144.8m	31.2	32.9
Quill group of company	-	17.7	11.0
Capitaland Financial Ltd	-	17.7	11.0
EPF	74.8m	-	7.0
Institutional investors	155.2m		

Source: Company, AllianceDBS Research

**Exhibit 2: Gearing analysis**

Units in circulation (m)	661.4
Current gearing	43%
Debt-equity structure	35:65
Equity raised (RM'm)	427
Additional debt (RM'm) <sup>^</sup>	229
Unit issuance (m) #	406.7
Adjusted final gearing	42%
<b>Equity dilution</b>	<b>61%</b>

<sup>^</sup> assumed taken post-equity raising

# assumed issue price of RM1.05 per unit

Source: Company, AllianceDBS Research

**DPU dilution partly mitigated by higher payout in the near term**

- Menara Shell is well-located and occupancy is almost full, with established tenants such as Shell People Services Asia Sdn Bhd, AmlInsurance General Bhd and Tradewinds Corporation. The total NLA of 557,053 sq ft implies a price of RM1,148psf. At pre-financing injection yield of 5.33% (based on FY2015 results), this asset is earnings dilutive when compared to MQREIT FY15 yield of 7.3%.
- While we increased our FY17/18F earnings by c.40% after imputing the proposed acquisition into our forecast, we forecast a massive 61% equity dilution arising from its proposed private placement.
- Management indicates that it plans to mitigate the near term DPU dilution by increasing payout ratio to 100% from the minimum payout of 90% until DPU reaches back to current levels.
- Taking into account the higher payout ratio and our FY17 NPI yield forecast of 6.1% for Menara Shell, we expect a more moderate 9% DPU dilution in FY17. DPU will resume its upward trajectory in FY18 with a forecasted growth of 5%.

**Maintain HOLD**

- We maintain our HOLD recommendation as we expect the massive equity fund raising will lead to share overhang in the near term. Our DDM-derived TP is lowered to RM1.26 (from RM1.30 previously), with 7.7% cost of equity and 1% TG. This takes into account the near term DPU dilution and the change in our risk-free rate assumption to 4.0% from 4.3%.

## CRITICAL DATA POINTS TO WATCH

### Earnings Drivers:

**Revamped profile with new injections.** Revamped profile with new injections. MQREIT's asset portfolio has undergone a drastic shift with the acquisition of the RM740m Platinum Sentral (PS) asset in FY15. We expect overall portfolio to improve further with the proposed acquisition of Menara Shell. We forecasted a conservative FY17 NPI yield of 6.1% for Menara Shell, which will result in a 9% dilution in DPU due to the equity fund raising exercise. The injection of PS and Menara Shell is expected to increase the overall occupancy levels from 91% in FY15 to 96% in FY17 and our forecast average rent psf from RM4.80 in FY15 to RM5.60 in FY17. We are positive of MQREIT's DPU growth from FY17 onwards as the recent developments will improve the quality of MQREIT's overall asset portfolio.

**Minimal rent escalation on office spaces.** MQREIT has nine other assets which are primarily office spaces with valuations generally below the RM150m level for each asset. They are mostly located in the suburban Cyberjaya and Petaling Jaya areas. Rental reversions have been mild or flat as competition is rife within those areas. We expect these assets to contribute c.60%/43%/43% of MQREIT's overall topline in FY16F/FY17F/FY18F.

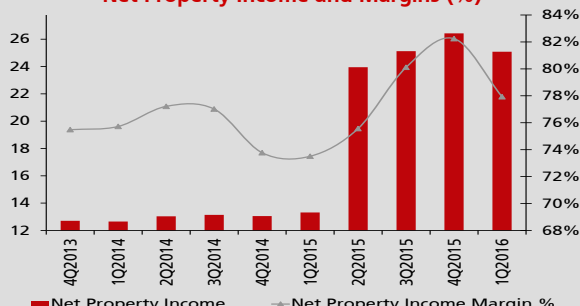
**Expect to maintain healthy occupancy.** Portfolio occupancy has generally been fairly decent at above the 90% level, but has been dragged by the complete vacancy of the Quill Building 10 (QB10) from early 2013. However, the completion of the disposal of QB10 in early Sep 15 and the acquisition of the fully-occupied PS will have a net effect of raising overall occupancy to 95%. Going forward, there is only 7% and 10% of NLA expiring in FY16 and FY17 respectively and as such, vacancy risk will generally be contained in the near term.

**Possible acquisition of major shareholder's assets in the long term.** As developer MRCB has become a major shareholder with a 31% stake following the injection of PS, MQREIT has obtained the right of first refusal to the former's stable of investment properties. Notable assets include Ascott Sentral (serviced apartments), Plaza Alam Sentral (retail), Sooka Sentral (lifestyle/retail) and Kompleks Sentral (industrial). Collectively, they carry a book value of c.RM340m, and could see injection values of up to RM860m. The REIT also may acquire office assets from the Quill Group, the original sponsor of MQREIT with a remaining stake of c.17.7%. Nonetheless, we highlight that gearing is currently at c.43%, implying limited debt headroom – additional unit issuance would be necessary to fund any big-ticket purchase, and thus earnings accretion from future acquisitions will likely be negated by dilution from equity issuance.

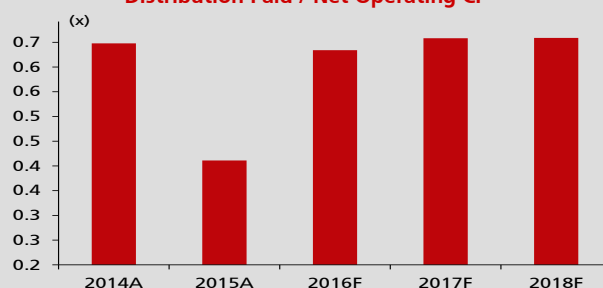
Net Property Income and Margins (%)



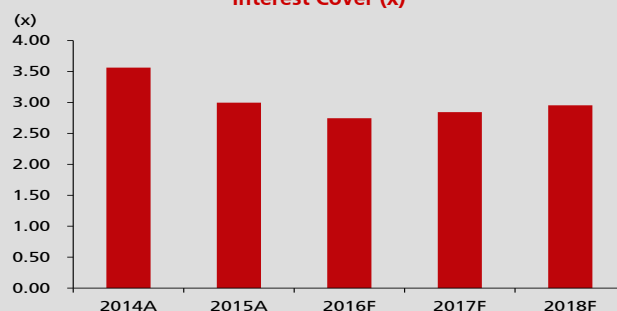
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, AllianceDBS Research

**Balance Sheet:**

**Gearing is near the limit, though manageable for now.** With borrowings taken up to part-fund the PS acquisition and proposed acquisition of Menara Shell, MQREIT has a gearing level of c.42-43%. Note that this is near the cap of 50% as per REIT guidelines, and implies additional debt headroom of c.RM180m in FY17F. However, the average cost of debt of 4.4-4.6% is manageable, as interest payments are still adequately covered by its cash inflows. Interest rate risk is contained as all of its debts are on fixed interest rates. Debt maturity is staggered with 26% maturing in 2016, 16% in 2018, and the remaining 58% in 2020.

**Share Price Drivers:**

**Acquisition newsflow.** One of MQREIT's appeals is the availability of an asset acquisition pipeline of completed investment properties from sponsor MRCB. Confirmation of injections at accretive yields will be key re-rating catalysts for the stock.

**Forward yield spread.** A REIT's attractiveness depends on its distribution yield relative to other fixed-income assets. A common benchmark is the REIT's yield spread over the indicative 10-year Malaysian Government Securities yield, which is currently near the c.4.0% level.

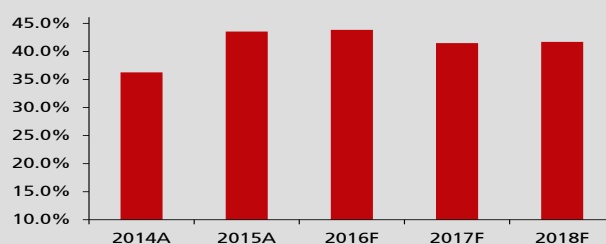
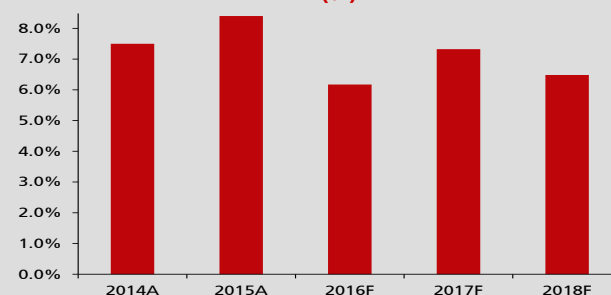
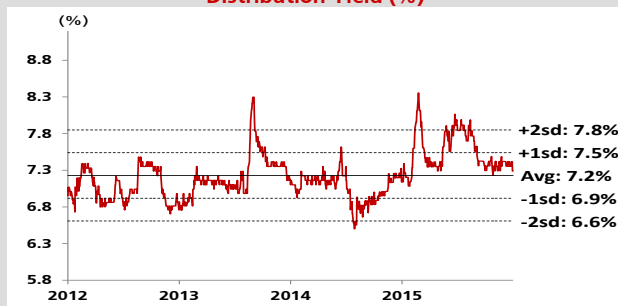
**Key Risks:**

**Soft office rental market.** The office sector outlook remains tepid due to excess supply, especially in Kuala Lumpur and Cyberjaya, where the REIT has exposure. Rental reversion potential is relatively weak and occupancies could be a risk factor.

**Significant equity funding needed.** MQREIT's relatively high gearing of c.43% implies debt headroom of only c.RM180m in FY17, given the 50% cap as per REIT regulations. As such, additional unit issuance would be necessary to fund any big-ticket purchase, and thus earnings accretion from future acquisitions will likely be negated by dilution from equity issuance.

**Company Background**

MRCB-Quill REIT is a real estate investment trust that focuses on office properties. Its largest asset is Platinum Sentral with 445k-sq-ft NLA in the Kuala Lumpur Sentral transport hub. Its other assets include five office assets in Cyberjaya, one retail/commercial asset, one industrial asset and one hypermarket.

**Aggregate Leverage (%)****ROE (%)****Distribution Yield (%)****PB Band (x)**

Source: Company, AllianceDBS Research

**Key Assumptions**

FY Dec	2014A	2015A	2016F	2017F	2018F
Portfolio NLA (k sq ft)	1,289.8	1,289.8	1,289.8	1,723.0	1,723.0
Agg. occupancy rate (%)	92.1%	90.6%	95.3%	95.5%	96.7%
Average Menara Shell rents (RM psf/mth)				6.9	7.3
Average total rents (RM psf/mth)	4.8	4.8	5.0	5.6	6.3

Overall occupancy and average rent to improve further after the expected inclusion of Menara Shell (FY17)

**Income Statement (RMm)**

FY Dec	2014A	2015A	2016F	2017F	2018F
Gross revenue	70.3	115	124	178	182
Property expenses	(16.9)	(24.9)	(26.5)	(37.1)	(37.4)
<b>Net Property Income</b>	<b>53.3</b>	<b>90.3</b>	<b>97.8</b>	<b>140</b>	<b>145</b>
Other Operating expenses	(5.8)	(9.2)	(10.0)	(14.0)	(14.1)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(13.3)	(27.1)	(32.0)	(44.5)	(44.3)
Exceptional Gain/(Loss)	6.12	6.68	0.0	0.0	0.0
<b>Net Income</b>	<b>40.3</b>	<b>60.7</b>	<b>55.8</b>	<b>82.0</b>	<b>86.6</b>
Tax	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Income After Tax</b>	<b>40.3</b>	<b>60.7</b>	<b>55.8</b>	<b>82.0</b>	<b>86.6</b>
Total Return	40.3	54.0	55.8	82.0	86.6
Non-tax deductible Items	7.59	9.78	0.0	0.0	0.0
Net Inc available for Dist.	32.7	50.9	55.8	82.0	86.6
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	1.9	64.0	7.9	42.9	2.7
N Property Inc Gth (%)	0.2	69.3	8.3	43.7	3.2
Net Inc Gth (%)	9.9	50.7	(8.0)	46.9	5.6
Dist. Payout Ratio (%)	95.7	94.3	100.0	100.0	100.0
Net Prop Inc Margins (%)	75.9	78.4	78.7	79.1	79.5
Net Income Margins (%)	57.3	52.7	44.9	46.2	47.5
Dist to revenue (%)	46.5	44.2	44.9	46.2	47.5
Managers & Trustee's fees	8.3	8.0	8.0	7.9	7.7
ROAE (%)	7.5	8.4	6.2	7.3	6.5
ROA (%)	4.7	4.9	3.4	4.2	3.7
ROCE (%)	5.6	6.6	5.4	6.5	5.7
Int. Cover (x)	3.6	3.0	2.7	2.8	3.0

Proposed acquisition of Menara Shell to be accretive in FY17

Assume a ramp-up to full payout

Source: Company, AllianceDBS Research

## Quarterly / Interim Income Statement (RMm)

FY Dec	1Q2015	2Q2015	3Q2015	4Q2015	1Q2016
Gross revenue	18.6	32.2	31.8	32.6	32.7
Property expenses	(4.9)	(7.9)	(6.3)	(5.8)	(7.2)
Net Property Income	13.7	24.3	25.5	26.8	25.5
Other Operating expenses	(2.0)	(2.6)	(2.4)	(2.8)	(2.7)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(3.4)	(8.1)	(8.0)	(7.6)	(7.5)
Exceptional Gain/(Loss)	0.0	0.0	0.59	6.68	0.0
<b>Net Income</b>	<b>8.28</b>	<b>13.6</b>	<b>15.7</b>	<b>23.1</b>	<b>15.2</b>
Tax	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Income after Tax</b>	<b>8.28</b>	<b>13.6</b>	<b>15.7</b>	<b>23.1</b>	<b>15.2</b>
Net Inc available for Dist.	8.28	13.6	15.1	16.4	15.2
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	2	73	(1)	2	0
N Property Inc Gth (%)	2	78	5	5	(5)
Net Inc Gth (%)	(43)	65	15	47	(34)
Net Prop Inc Margin (%)	73.5	75.6	80.1	82.2	77.9
Dist. Payout Ratio (%)	88.6	107.7	0.0	176.5	0.0

## Balance Sheet (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Investment Properties	838	1,572	1,582	2,222	2,232
Other LT Assets	1.24	1.83	1.83	1.83	1.83
Cash & ST Invt	23.3	46.0	47.6	73.7	76.2
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	6.14	5.65	6.09	8.71	8.94
Other Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>868</b>	<b>1,625</b>	<b>1,637</b>	<b>2,306</b>	<b>2,319</b>
ST Debt	2.26	191	201	440	450
Creditor	12.2	13.6	14.3	15.0	15.7
Other Current Liab	0.0	0.0	0.0	0.0	0.0
LT Debt	313	516	516	516	516
Other LT Liabilities	0.0	0.0	0.0	0.0	0.0
Unit holders' funds	541	904	905	1,334	1,336
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Funds &amp; Liabilities</b>	<b>868</b>	<b>1,625</b>	<b>1,637</b>	<b>2,306</b>	<b>2,319</b>
Non-Cash Wkg. Capital	(6.1)	(7.9)	(8.2)	(6.3)	(6.8)
Net Cash/(Debt)	(292)	(662)	(670)	(883)	(891)
<b>Ratio</b>					
Current Ratio (x)	2.0	0.3	0.2	0.2	0.2
Quick Ratio (x)	2.0	0.3	0.2	0.2	0.2
Aggregate Leverage (%)	36.3	43.6	43.8	41.5	41.7
Z-Score (X)	1.3	0.7	0.8	0.8	0.8

Source: Company, AllianceDBS Research

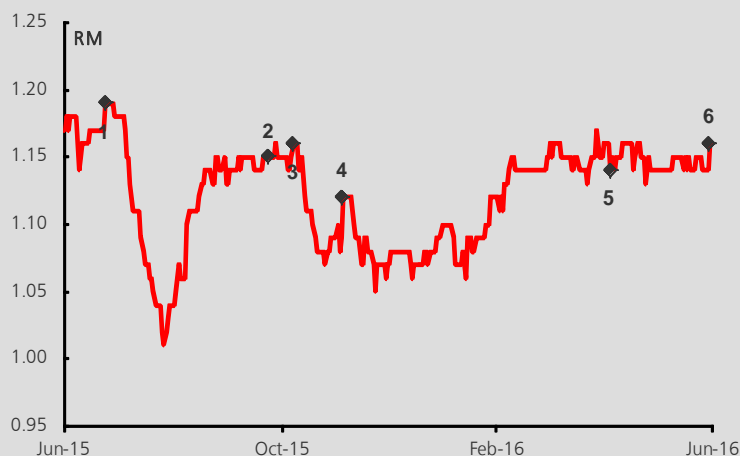
Gearing to improve slightly  
due to private placement

### Cash Flow Statement (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Pre-Tax Income	40.3	60.7	55.8	82.0	86.6
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(3.2)	6.43	0.23	(1.9)	0.51
Other Operating CF	13.3	27.1	32.0	44.5	44.3
<b>Net Operating CF</b>	<b>50.5</b>	<b>94.2</b>	<b>88.0</b>	<b>125</b>	<b>131</b>
Net Invnt in Properties	(6.0)	(752)	(10.0)	(640)	(10.0)
Other Invts (net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.73	0.89	1.12	1.19	1.84
<b>Net Investing CF</b>	<b>(5.3)</b>	<b>(751)</b>	<b>(8.9)</b>	<b>(639)</b>	<b>(8.2)</b>
Distribution Paid	(32.7)	(38.7)	(55.8)	(82.0)	(86.6)
Chg in Gross Debt	0.0	389	10.0	239	10.0
New units issued	0.0	342	0.0	427	0.0
Other Financing CF	(14.0)	(28.9)	(33.1)	(45.7)	(46.1)
<b>Net Financing CF</b>	<b>(46.7)</b>	<b>663</b>	<b>(78.9)</b>	<b>538</b>	<b>(123)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(1.5)	6.55	0.23	24.1	0.51
Operating CFPS (sen)	13.7	14.7	13.3	11.8	12.2
Free CFPS (sen)	11.4	(110)	11.8	(48.3)	11.3

Source: Company, AllianceDBS Research

### Target Price & Ratings History



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

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](mailto:general@alliancedbs.com)