Real Estate

Neutral (Maintained)

Challenging Macroeconomic Outlook To Cap Recovery

Macro ◆◆◆
Risks ◆◆◆
Growth ◆
Value ◆

Company	Current discount to RNAV	RNAV/share (MYR)
E&O	-68%	4.49
Glomac	-60%	2.17
Hua Yang	-41%	3.21
IOI Properties	-54%	4.75
Mah Sing	-39%	2.29
MRCB	-44%	2.28
Matrix	-28%	3.41
Paramount	-45%	3.00
SP Setia	-27%	4.38
Sunway	-42%	5.15
Tambun	-47%	2.58
UEMS	-66%	3.15
UOAD	-48%	3.99

Source: RHB

We expect property sales growth to be flat next year, after an estimated 28% fall in 2015. The macroeconomic environment remains challenging while local banks continue to tighten mortgage lending. The key silver linings could be the news flow on the high-speed rail, MRT2 and the possible return of foreign/Chinese buyers into Malaysia's property scene. Current sector valuations are undemanding. Our stock picks are UOA Development, Tambun Indah and MRCB.

- **Another challenging year ahead.** Although the property market's weakening trend has largely stabilised after a slowdown in the past 1.5 years, the recovery could be mild and limited. Macroeconomic factors have yet to turn supportive, as: i) GDP growth is expected to slide to 4.5% in 2016 from 4.8% in 2015, ii) sluggish commodity prices should continue to exert pressure on the MYR, and iii) global interest rates are set to rise. Meanwhile, banks continue to tighten credit financing. The key upside risk would be a sharp strengthening of the MYR that may instill market confidence.

- **High-speed rail coming soon?** News flow on the Kuala Lumpur (KL)-Singapore high-speed rail could potentially garner investor interest on the sector. After the disposal of 1Malaysia Development Bhd's (1MDB) power assets to a China-based corporation, the Chinese party is also said to be keen on the rail project. In our view, the closer ties between Malaysia and China as well as the cheap MYR could help to attract more foreign/Chinese buyers to re-enter Malaysia's property scene.

- **Opportunity to accumulate value stocks.** Although we keep our NEUTRAL sector rating, we see value in some property stocks. The sector has rebounded slightly since September to a 48% discount to RNAV from 51%, and trading opportunities may arise especially for developers that are trading at undemanding valuations.

- **Stock picks.** Our stock picks are UOA Development, Tambun Indah Land (Tambun Indah) and Malaysian Resources Corp (MRCB). We believe UOA Development and Tambun Indah's property sales should rebound strongly this year, given the strong pipeline of projects that will be rolled out after a lacklustre 2015. We also continue to like MRCB's turnaround story. Management has thus far delivered what it has guided, and we think its efforts in re-strategising the company should help to keep the momentum of construction job flow and property development works in 2016.

			P/E (x)	P/B (x)	Yield (%)	
Company Name	Price	Target	Dec-16F	Dec-16F	Dec-16F	Rating
Eastern & Oriental	MYR1.44	MYR1.80	24.1	1.2	2.7	ADING BUY
Glomac	MYR0.87	MYR0.98	7.8	0.6	5.3	NEUTRAL
Hua Yang	MYR1.88	MYR2.25	4.7	0.8	7.0	BUY
IOI Properties Group	MYR2.20	MYR2.38	16.6	0.6	2.7	ADING BUY
Mah Sing	MYR1.40	MYR1.49	10.5	0.9	5.0	NEUTRAL
Malaysian Resources Corp	MYR1.27	MYR1.60	24.6	1.0	1.2	BUY
Matrix Concepts Holdings	MYR2.44	MYR2.73	6.0	1.3	7.0	BUY
Paramount Corp	MYR1.65	MYR2.40	8.8	0.7	5.2	BUY
SP Setia	MYR3.18	MYR3.50	14.3	1.3	3.1	NEUTRAL
Sunway	MYR3.00	MYR3.60	10.0	0.9	3.7	BUY
Tambun Indah Land	MYR1.37	MYR1.81	6.4	1.2	5.1	BUY
UEM Sunrise	MYR1.06	MYR1.26	20.9	0.8	2.8	NEUTRAL
UOA Development	MYR2.08	MYR2.40	9.2	1.1	6.7	BUY

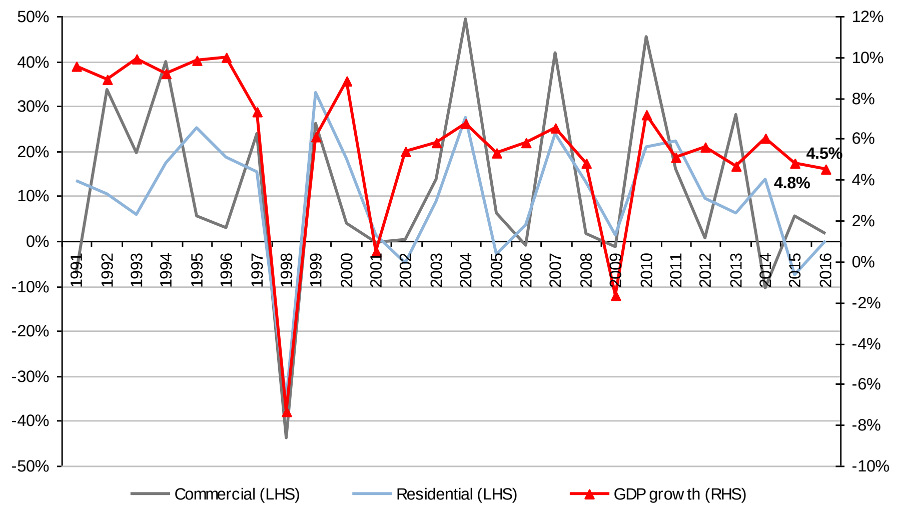
Loong Kok Wen, CFA +603 9207 7614
loong.kok.wen@rhbgroup.com

Opportunity To Accumulate Value Stocks

Another challenging year ahead

Malaysia's property sector has seen a slowdown in the past 1.5 years. Although the weakening property sales trend for the sector has largely stabilised, we believe the potential recovery next year could be mild and capped by the unexciting economic growth outlook, as shown in Figure 1. Macroeconomic factors have yet to turn supportive, as: i) RHB economists expect GDP growth to fall to 4.5% in 2016 from 4.8% in 2015, ii) sluggish commodity prices may continue to exert pressure on the MYR, and iii) global interest rates are set to rise next year. All these factors are unfavourable to the revival of market sentiment. Residential property sales value for the industry has contracted by 7.4% in 2015 on an annualised basis, and we forecast it to be +0.1% in 2016, largely flattish. In our view, the key upside risk could come from a sharp appreciation of the MYR if crude oil price rises, as this should help to instill market confidence.

Figure 1: YoY % change in quarterly house price index



Source: Bloomberg, RHB

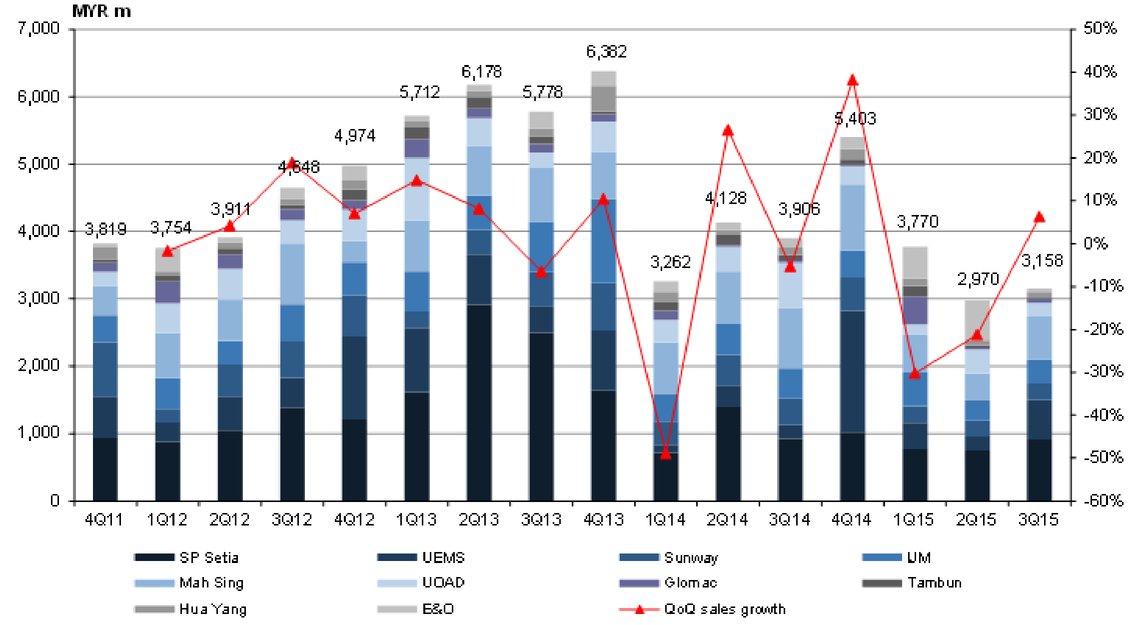
Expect flat property sales growth and slight margin contraction in 2016

2015 is largely the year for developers to unwind their inventories. Not many projects have been rolled out, given the weak market sentiment and negative news flow on the macro economy. The cautious sentiment will likely continue going into 2016, and we expect new launches to gradually come back and developers will likely launch the projects in batches to test the market.

After a record property sales growth of +41% in 2013 for key developers under our coverage, the numbers fell by 26% in 2014 and 28% (estimated) in 2015, largely led by the impact of cooling measures in 2014 and the challenging market conditions in 2015 (the implementation of the goods and services tax (GST), a plunge in crude oil price and a sharp weakening of the MYR). As economic growth is expected to be lethargic, we expect property sales growth to be flat next year.

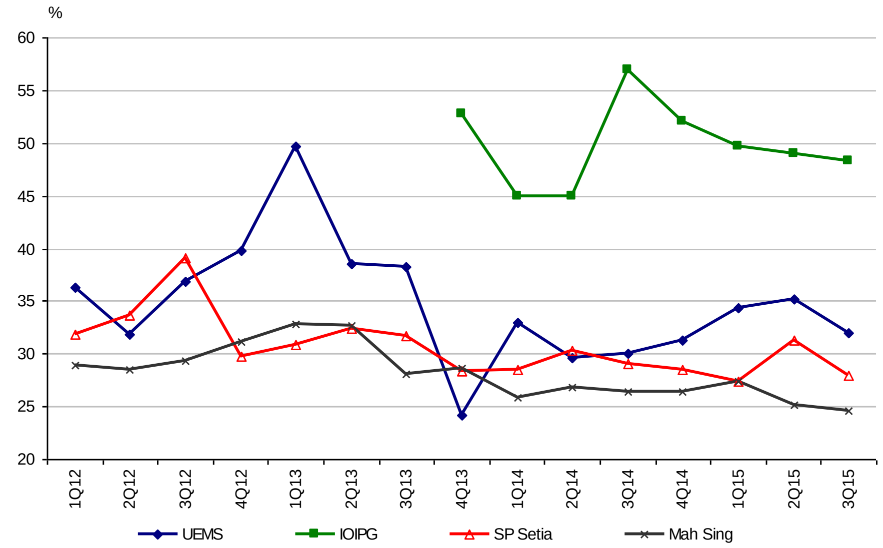
Property price growth and transaction volume should remain sluggish, as developers have limited power to mark up given the soft sentiment. In fact, we expect developers' margins to contract gradually over the medium term as they will likely offer more rebates or discounts, more interior furnishing, and furniture vouchers to draw buyers. Already, we saw gross margins of key developers in Malaysia declining to 25-30% this year from 30-35% in 2013.

Figure 2: New property sales by key developers under our coverage (including overseas sales)



Source: RHB

Figure 3: Declining trend in gross margin for key Malaysian developers



Note: IOIPG was only listed in Jan 2014

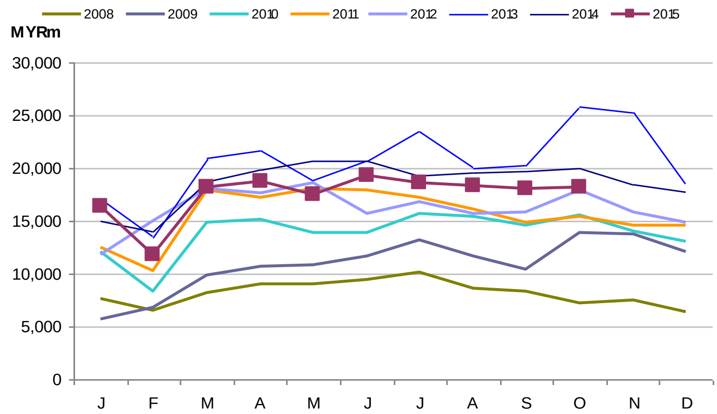
Source: BloombergRHB

Banks continue to curb lending

Commercial banks are expected to continue to tighten credit financing as there seems to be no plan for easing by the Central Bank any time soon, given the high household leverage. Since the Central Bank issued prudent lending guidelines in 2013, the banks have not aggressively grown their mortgage lending, and loan rejections have been the key reason for slow take-ups in many property projects. According to the Central Bank's monthly statistics, the number of loan applications and loan approvals for residential properties has dipped below 2013 and 2014 levels. We believe this trend should continue going into 2016, as banks emphasise more on improving asset quality. Furthermore, Malaysia's household debt-to-GDP currently stands at 88.1%, one of the highest in the region. As GDP growth slows, we believe the ratio will likely stay at high levels even though the growth in household debt moderates. According to many developers, the average loan rejection rate is as high as 50-60% currently.

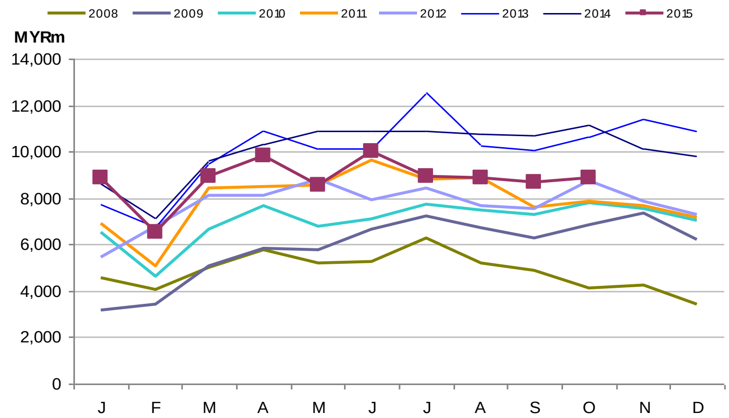
In the meantime, although house price growth has softened considerably to +5.6% in 2Q15 from +12.2% in late 2013, we do not expect the Government and the Central Bank to relax any of the macroeconomic prudential measures, including the developer interest bearing scheme (DIBS). Both authorities indicated that there is a mismatch between supply and demand, particularly for affordable houses. If DIBS is to be reinstated, we are concerned that this may drive up home prices again.

Figure 4: Loan applications for purchase of residential property



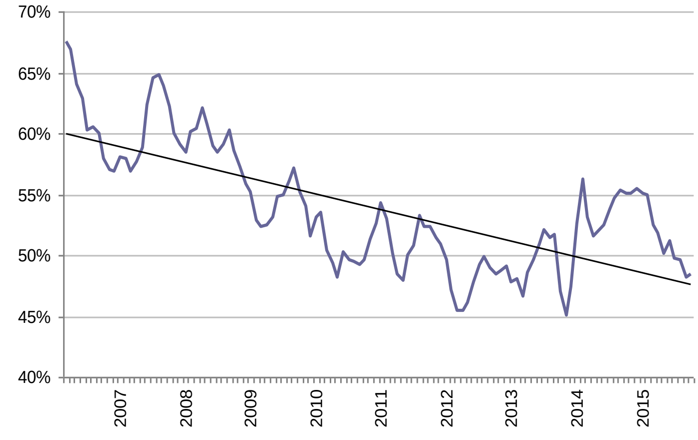
Source: Bank Negara Malaysia (BNM)

Figure 5: Loan approvals for purchase of residential property



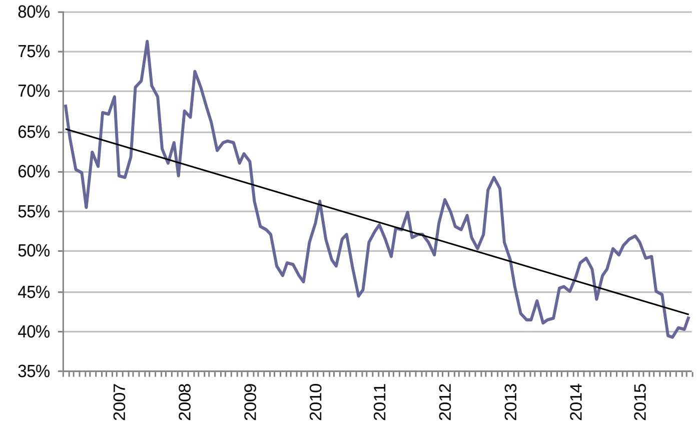
Source: BNM

Figure 6: Loan approval rates for the purchase of residential property



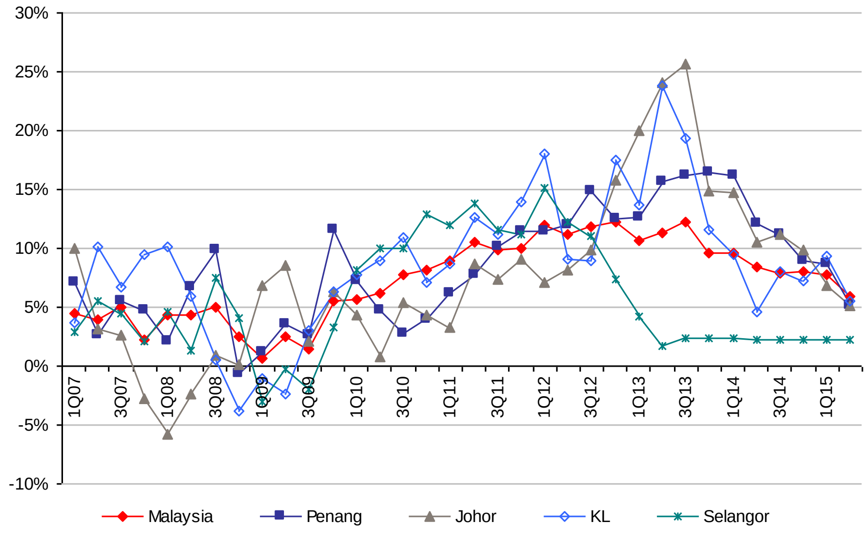
Source: BNM

Figure 7: Loan approval rates for purchase of non-residential property



Source: BNM

Figure 8: YoY % change in quarterly house price index



Source: Bloomberg, RHB

High-speed rail and potential China money flow

The upside potential for the sector could come from news flow on the KL-Singapore high-speed rail. After the recent disposal of 1MDB's power assets to China General Nuclear Power Corporation, the media reported that the Chinese party is also interested in the high-speed rail project that could be finalised this year. This may stir up investor interest in the property sector, as the infrastructure development should have a positive spillover effect on the Klang Valley property market, especially around the city centre area, as the connectivity between Kuala Lumpur and Singapore will be further enhanced.

Apart from the power asset transaction, we have witnessed greater involvement of Chinese corporations in Malaysia's construction, infrastructure and property development segments in 2015. Malaysian companies or government agencies have been joining hands with China-based corporations in projects across Malaysia, such as Eastern & Oriental's (E&O) reclamation work, the completed Penang Second Bridge, the ongoing construction of many high-rise projects in KL city centre, as well as massive property projects in Iskandar, Johor. Recently, according to some media reports, some Chinese corporations are also among the bidders for the Bandar Malaysia development. Hence, given the cheap MYR and closer ties between Malaysia and China, we think the link would help to attract more foreign/Chinese buyers to re-enter Malaysia's property scene.

Figure 9: Some recent links between Malaysian developers and Chinese corporations

Company	Project	Value (MYRm)
E&O	Award of reclamation of Seri Tanjung Pinang 2 contract to China Communications Construction Company Limited	1,035 (for Package 1)
Ewein Bhd (indirect exposure)	Consortium Zenith BUCG, formed by Beijing Urban Construction Group, Zenith Construction SB, and Juteras SB, was appointed by the Penang state government as the contractor to undertake three major road and undersea tunnel projects in Penang. The consortium subsequently entered into a joint venture (JV) with Ewein to develop a property project on a parcel of land that the consortium received from the state government, for the feasibility study works that have been carried out for the undersea tunnel/road infrastructure projects on Penang Island. China Railway Construction Corporation (CRCC) is involved in the engineering, procurement, construction (EPC) and design consultation of the state's infrastructure project.	6,300

Source: RHB

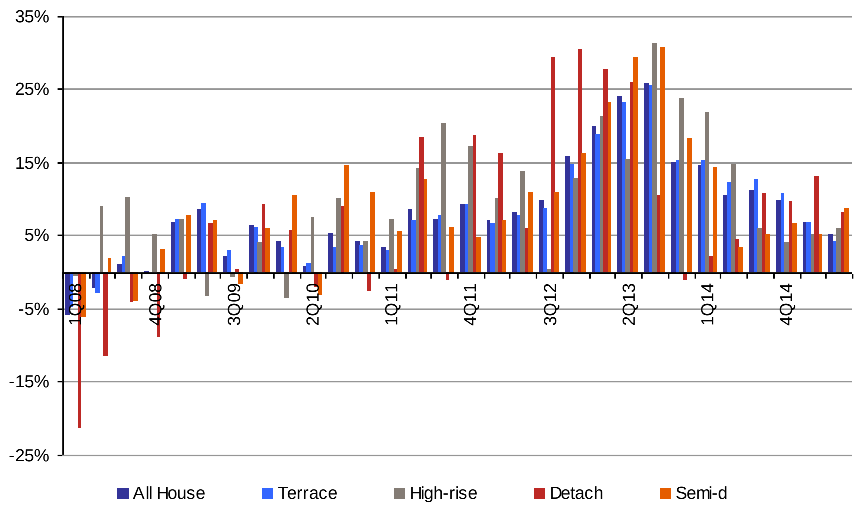
Prefer Klang Valley and Mainland Penang developers

Apart from the high-speed rail project, the tender of the Mass Rapid Transit 2 (MRT2) project connecting Sungai Buloh and Putrajaya as well as the Light Rail Transit 3 (LRT3) project linking Bandar Utama and Johan Setia (Klang) will start next year. Hence, we believe that Klang Valley developers could fare better, given the support of infrastructure developments. The key player that focuses on this area is UOA Development, as most of its projects are located within 20km from the city centre.

In northern Peninsular Malaysia, we remain positive on Mainland Penang's property market, as it captures the young population shift from Penang Island due to home affordability issues while catalytic investment projects in Batu Kawan are still moving ahead. These include the IKEA store, the Design Village premium outlet, and other education institutions. Unlike elsewhere in Malaysia, where demand for properties is sluggish coupled with a moderate oversupply issue, the Penang mainland market remains healthy. This is because many developers have not been able to release new projects due to the delay in approvals. Tambun Indah is the prime beneficiary of the influx of investments in that area, as its flagship township development, Pearl City, is 15 minutes away from Batu Kawan, where the Penang Second Bridge ends. In addition, after numerous delays, the company finally obtained the advertising permit and developer licence (APDL) in early December to roll out new projects that were initially slated for launch in 1Q15. We expect good take-ups for these projects.

In the southern region, we keep our negative view on the physical market in Iskandar, Johor, as the fundamentals remain weak and ongoing concerns on the oversupply issue will likely persist over the near term. Among all the states in Malaysia, Johor saw the steepest decline in house price growth (YoY) to +5.2% in 2Q15 from +25.7% in 3Q13. Newly-launched projects have seen sluggish take-ups since 2014. However, given the prevailing negative sentiment, any positive news flow on Iskandar, such as sizeable foreign industrial investments, may lead to some trading opportunities on UEM Sunrise.

Figure 10: YoY growth of house prices in Johor



Source: Bloomberg, RHB

Valuations

We maintain our NEUTRAL sector rating. The sector still lacks re-rating catalysts and many macroeconomic factors remain unexciting. Valuations have rebounded somewhat since September to a 48% discount to RNAV (about the mean level) from a 51% discount to RNAV (near to -1SD from the mean). We believe there are trading opportunities on selective stocks, given the current undemanding valuations. Our stock picks are UOA Development, Tambun Indah and MRCB. For bigger-cap stocks, we like IOI Properties.

Stock picks

UOA Development

The company has a solid balance sheet with MYR748m net cash or 50 sen net cash per share. We expect its property sales to rebound strongly to about MYR1.5bn in 2016 from MYR1bn in 2015, given the strong pipeline of projects that will be rolled out after a lacklustre 2015. These include Desa Sentul Phase II (GDV: MYR1.5bn), Kepong V (GDV: MYR1.5bn) and Danau Kota Suite Apartment in Setapak (GDV: MYR230m). The good location of these projects should ensure encouraging take-ups. Meanwhile, the progressive completion of Scenaria, Desa Green and Kencana Square shops and offices should underpin earnings momentum from 4Q15-1H16.

Tambun Indah

The company's financial position is healthy at only 15% net gearing. Similarly, we expect its property sales to also rebound strongly going into 2016 to about MYR350m-400m from an estimated MYR220m in 2015. Tambun Indah has recently obtained its APDL to launch two projects – Avenue Garden and Raintree Park 2 with a combined GDV of MYR300m. The APDL was delayed for almost one year as both projects were initially slated for launch in 1Q15. We expect these two projects to receive positive demand, especially after the opening of GEMS International School in September that has provided good visibility on the growth prospects of Pearl City township. Unlike elsewhere in Malaysia, where demand for properties is sluggish coupled with a moderate oversupply issue, the Penang mainland market remains healthy.

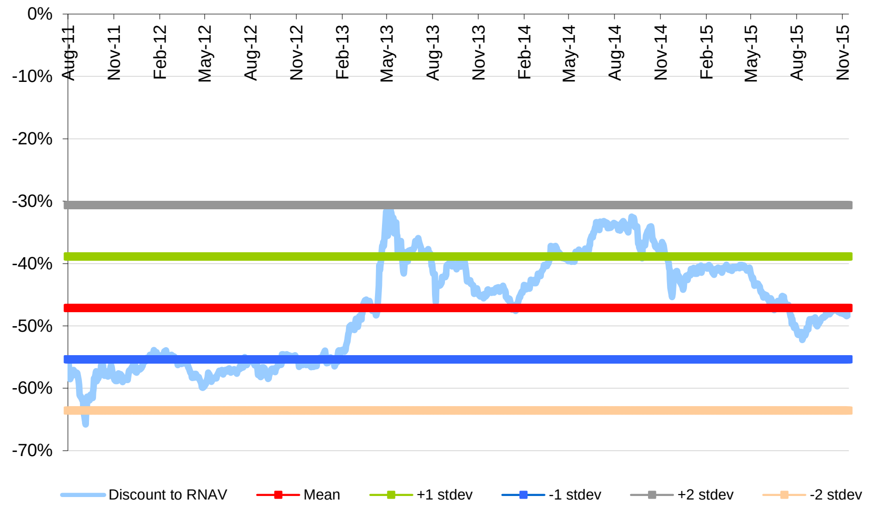
MRCB

We like the company's turnaround story. Its recent appointment as the LRT3 project delivery partner (PDP) and its winning of the Bukit Jalil land swap contract are a good indication of management's ability to secure strategic deals. Earnings should see better growth from 2016 as LRT3 PDP fees kick in and margins for the newer batch of construction contracts are higher. Efforts in enhancing its balance sheet are ongoing, given that management is recycling its property asset (Menara Shell) into 31%-owned MRCB-Quill REIT (MQREIT MK, BUY, TP: MYR1.23). Management has thus far delivered what it has guided, and we think its efforts in re-strategising the company should help to keep the momentum of construction job flow and property development works going into 2016.

IOI Properties

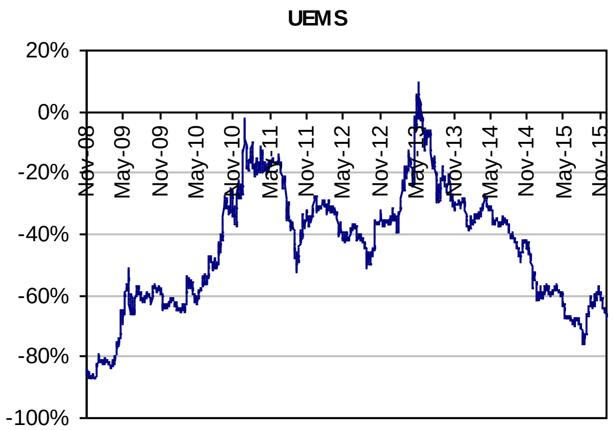
We like IOI Properties for bigger-cap exposure. IOI Properties is backed by a solid pool of investment properties that contribute about 15-20% of EBIT, and this is expected to grow stronger over the medium term given that the construction of some property assets in Putrajaya, Singapore and Xiamen will be completed over the next five years. The company has high exposure to township development, which is a more resilient segment given market preference for landed properties. We are also positive on the recent land injection from its chairman, Tan Sri Lee Shin Cheng, as this should strengthen the company's foothold in Putrajaya. Tan Sri Lee's higher shareholding in the company is a positive indication of his long-term confidence and commitment to IOI Properties.

Figure 11: Sector's discount to RNAV (big caps only)



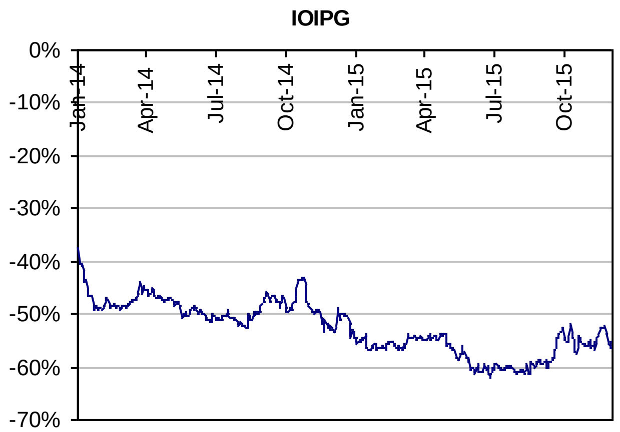
Source: Bloomberg, RHB

Figure 12: Discount to RNAV for UEM Sunrise



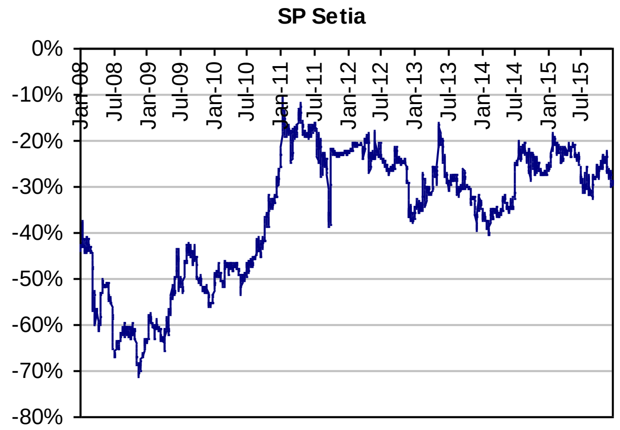
Source: Bloomberg, RHB

Figure 13: Discount to RNAV for IOI Properties



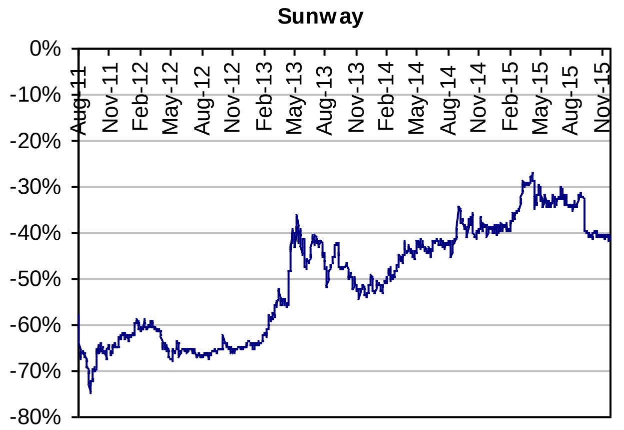
Source: Bloomberg, RHB

Figure 14: Discount to RNAV for SP Setia



Source: Bloomberg, RHB

Figure 15: Discount to RNAV for Sunway

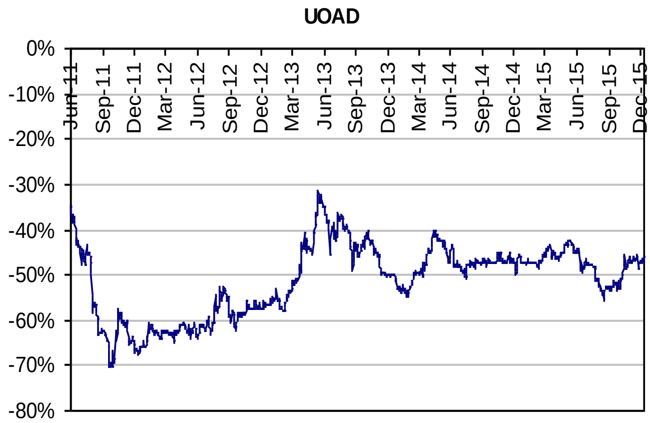


Source: Bloomberg, RHB

Figure 16: Discount to RNAV for Mah Sing

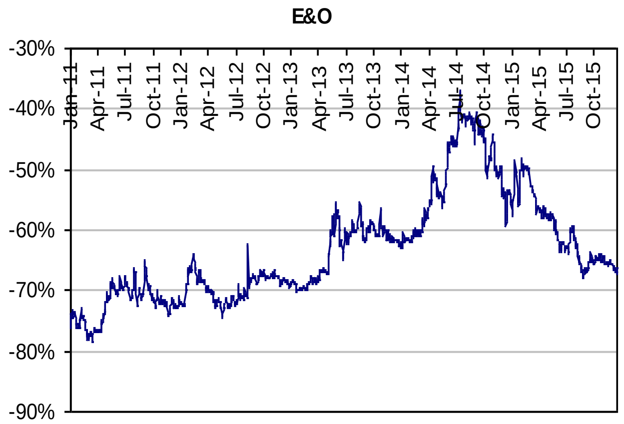
Source: Bloomberg, RHB

Figure 17: Discount to RNAV for UOA Development



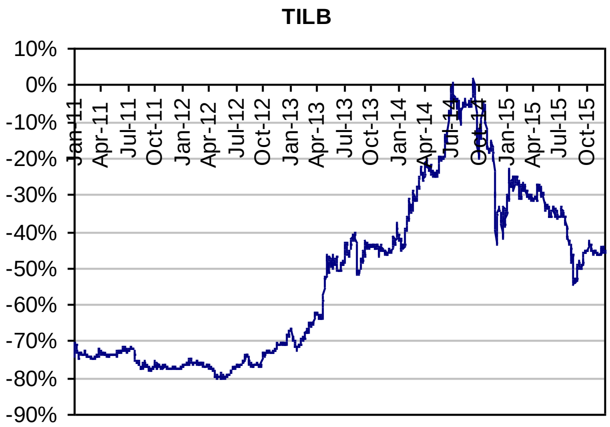
Source: Bloomberg, RHB

Figure 18: Discount to RNAV for E&O



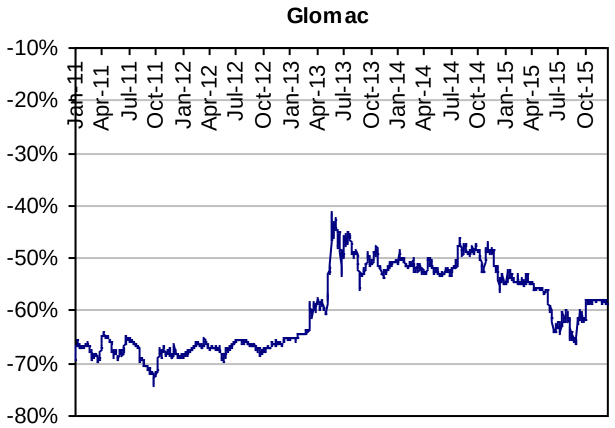
Source: Bloomberg, RHB

Figure 19: Discount to RNAV for Tambun Indah



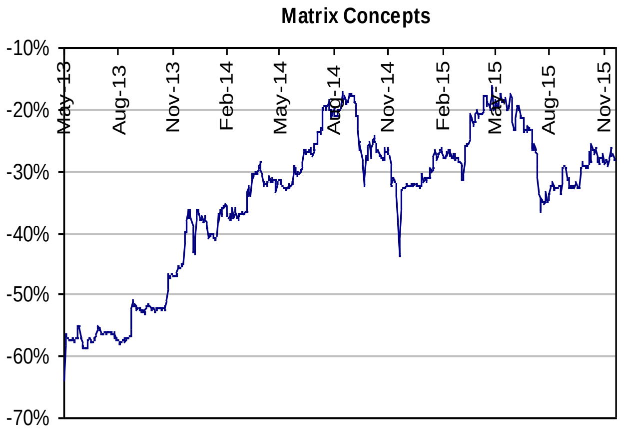
Source: Bloomberg, RHB

Figure 20: Discount to RNAV for Glomac



Source: Bloomberg, RHB

Figure 21: Discount to RNAV for Matrix Concepts



Source: Bloomberg, RHB

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

RHB and/or its affiliates and/or their directors, officers, associates, connected parties and/or employees, may have, or have had, interests in the securities or qualified holdings, in subject company(ies) mentioned in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, RHB and/or its affiliates may have, or have had, business relationships with the subject company(ies) mentioned in this report and may from time to time seek to provide investment banking or other services to the subject company(ies) referred to in this research report. As a result, investors should be aware that a conflict of interest may exist.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

RESTRICTIONS ON DISTRIBUTION

Malaysia
This report is issued and distributed in Malaysia by RHB Research Institute Sdn Bhd. The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHB Research Institute Sdn Bhd has no obligation to update its opinion or the information in this report.

Thailand
This report is issued and distributed in the Kingdom of Thailand by RHB OSK Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB OSK Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia
This report is issued and distributed in Indonesia by PT RHB OSK Securities Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Research Institute Singapore Pte Ltd and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these categories of investors, RHB Research Institute Singapore Pte Ltd and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of RHB Research Institute Singapore Pte Ltd 's interest and/or its representative's interest in securities). Recipients of this report in Singapore may contact RHB Research Institute Singapore Pte Ltd in respect of any matter arising from or in connection with the report.

Hong Kong

This report is issued and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited (興業僑豐證券有限公司) (CE No.: ADU220) ("RHBSHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact RHB OSK Securities Hong Kong Limited.

United States

This report was prepared by RHB and is being distributed solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act"). RHB is not registered as a broker-dealer in the United States and does not offer brokerage services to U.S. persons. Any order for the purchase or sale of the securities discussed herein that are listed on Bursa Malaysia Securities Berhad must be placed with and through Auerbach Grayson ("AG"). Any order for the purchase or sale of all other securities discussed herein must be placed with and through such other registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6.

This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable.

Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of Auerbach Grayson AG or such other registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading.

Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States.
The financial instruments discussed in this report may not be suitable for all investors.

Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

OWNERSHIP AND MATERIAL CONFLICTS OF INTEREST

Malaysia

RHB does not have qualified shareholding (1% or more) in the subject company (ies) covered in this report except for:
a) -

RHB and/or its subsidiaries are not liquidity providers or market makers for the subject company (ies) covered in this report except for:
a) -

RHB and/or its subsidiaries have not participated as a syndicate member in share offerings and/or bond issues in securities covered in this report in the last 12 months except for:
a) -

RHB has not provided investment banking services to the company/companies covered in this report in the last 12 months except for:
a) -

Thailand

RHB OSK Securities (Thailand) PCL and/or its directors, officers, associates, connected parties and/or employees, may have, or have had, interests and/or commitments in the securities in subject company(ies) mentioned in this report or any securities related thereto. Further, RHB OSK Securities (Thailand) PCL may have, or have had, business relationships with the subject company(ies) mentioned in this report. As a result, investors should exercise their own judgment carefully before making any investment decisions.

Indonesia

PT RHB OSK Securities Indonesia is not affiliated with the subject company(ies) covered in this report both directly or indirectly as per the definitions of affiliation above.

Pursuant to the Capital Market Law (Law Number 8 Year 1995) and the supporting regulations thereof, what constitutes as affiliated parties are as follows:

1. Familial relationship due to marriage or blood up to the second degree, both horizontally or vertically;

2. Affiliation between parties to the employees, Directors or Commissioners of the parties concerned;

3. Affiliation between 2 companies whereby one or more member of the Board of Directors or the Commissioners are the same;

4. Affiliation between the Company and the parties, both directly or indirectly, controlling or being controlled by the Company;

5. Affiliation between 2 companies which are controlled, directly or indirectly, by the same party; or

6. Affiliation between the Company and the main Shareholders.

PT RHB OSK Securities Indonesia is not an insider as defined in the Capital Market Law and the information contained in this report is not considered as insider information prohibited by law.

Insider means:

a. a commissioner, director or employee of an Issuer or Public Company;

b. a substantial shareholder of an Issuer or Public Company;

c. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and

d. an individual who within the last six months was a Person defined in letters a, b or c, above.

Singapore

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or associated companies do not make a market in any securities covered in this report, except for:

(a) -

The staff of RHB Research Institute Singapore Pte Ltd and its subsidiaries and/or its associated companies do not serve on any board or trustee positions of any issuer whose securities are covered in this report, except for:

(a) -

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer of the securities covered in this report or any other relationship (including a shareholding of 1% or more in the securities covered in this report) that may create a potential conflict of interest, except for:

(a) -

Hong Kong

RHBSHK or any of its group companies may have financial interests in in relation to an issuer or a new listing applicant (as the case may be) the securities in respect of which are reviewed in the report, and such interests aggregate to an amount equal to or more than (a) 1% of the subject company's market capitalization (in the case of an issuer as defined under paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code of Conduct"); and/or (b) an amount equal to or more than 1% of the subject company's issued share capital, or issued units, as applicable (in the case of a new listing applicant as defined in the Code of Conduct). Further, the analysts named in this report or their associates may have financial interests in relation to an issuer or a new listing applicant (as the case may be) in the securities which are reviewed in the report.

RHBSHK or any of its group companies may make a market in the securities covered by this report.

RHBSHK or any of its group companies may have analysts or their associates, individual(s) employed by or associated with RHBSHK or any of its group companies serving as an officer of the company or any of the companies covered by this report.

RHBSHK or any of its group companies may have received compensation or a mandate for investment banking services to the company or any of the companies covered by this report within the past 12 months.

Note: The reference to "group companies" above refers to a group company of RHBSHK that carries on a business in Hong Kong in (a) investment banking; (b) proprietary trading or market making; or (c) agency broking, in relation to securities listed or traded on The Stock Exchange of Hong Kong Limited.

Kuala Lumpur	Hong Kong	Singapore
RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693	**RHB OSK Securities Hong Kong Ltd.** 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	**RHB Research Institute Singapore Pte Ltd (formerly known as DMG & Partners Research Pte Ltd)** 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	**Shanghai**	**Phnom Penh**
PT RHB OSK Securities Indonesia Wisma Mulia, 20th Floor Jl. Jend. Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	**RHB OSK (China) Investment Advisory Co. Ltd.** Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	**RHB OSK Indochina Securities Limited** No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171

Bangkok
RHB OSK Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax : +(66) 2 862 9799