

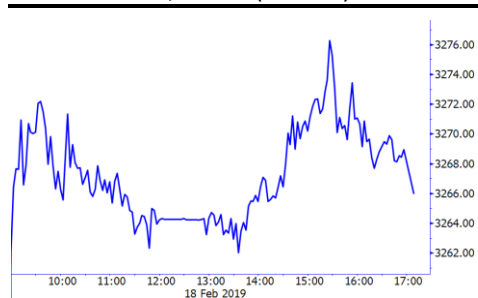
## Market Indicators

	14-Feb	15-Feb	18-Feb
Mkt. T/O (S\$ mil)	991.9	1,099.5	917.1
Stock Advances	191	167	216
Stock Declines	197	249	174

## Major Indices

	14-Feb	15-Feb	18-Feb
DJ Ind Avg	25,439.4	25,883.3	Close
S & P 500	2,745.7	2,775.6	Close
Nasdaq Comp	7,427.0	7,472.4	Close
Hang Seng	28,432.1	27,900.8	28,347.0

**STI Index** 3,265.97 (+0.81%)

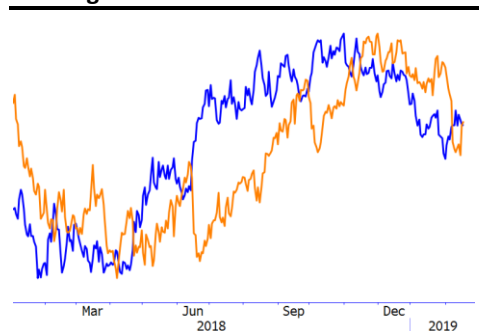


Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,326.00	0.23%
Oil (NYMEX CWT1) US\$ / bbl	55.86	-0.59%
Baltic Dry Index	639	1.75%

## Exchange Rates



USD : SGD 1.3566 / MYR : SGD 3.0102

Source: Bloomberg

## Interest Rates

3-mth Sibor	1.946%
SGS (10 yr)	2.104%

## KGI Market Ideas

**2018 full year earnings season wraps up for most companies this week and upcoming results to watch out for include City Developments (Thu), Genting Singapore (Thu), Sembcorp Industries (Thu), ST Engineering (Thu), OCBC (Fri) and UOB (Fri).**

**Singapore Budget 2019 did not offer many surprises and continued on the theme of economic restructuring, while offering more social and healthcare assistance. Given that the budget is only slightly expansionary, the impact on our stock coverage is expected to be minimal.**

**ComfortDelGro (CD SP):** FY2018 earnings was in line with our expectations, where performance was driven mainly by its public transport business in Australia and Singapore. In addition, its S\$0.5bn in acquisitions in 2018 contributed more than 50% of the growth in revenues for the year. CD's profits have increased 5-13% QoQ every quarter in 2018. Although CD's taxi fleet declined 6.7% YoY to 12,360 as at end-December 2018, 4Q18 operating profit under its taxi business increased 38% YoY. It was also announced in January 2019 that Singapore's transport regulators may be imposing tighter rules on the private-hire sector, thus levelling the playing field for taxi and private-hire operators. CD stands to gain with its 12,360 taxis and 60% Singapore market share. While we favour CD as a stable high dividend defensive play, investors will have to take note as we approach the Brexit deadline on 29 March 2019. A hard Brexit would impact the pound where CD has a 23% revenue exposure to.

**Accordia Golf Trust (AGT SP):** We upgrade our recommendation on AGT to BUY. AGT's fundamental performance is in a much better position compared to the same period last year while most of the key overhangs that we cited in previous reports are behind it. We believe that FY20F will be a pivotal year for AGT as Japan's golf industry consolidates, thus leading to increased market share for the largest players, improved economies of scale and possibly better valuations. AGT's parent company, MBK Partners, is now the largest golf course operator in Japan and we think it is only a matter of time for AGT to re-rate higher as the industry consolidates. Despite the 20% recovery of its unit price in the past two months, AGT's 0.65x P/B is still cheap, trading below its long-term historical average. AGT currently offers a forward dividend yield of 7-9%.

## Credit Note, Results Update & Company Update

- **ANZ 3.75% 03/23/27 (ANZ):** Intermediate Term Carry (SGD) - Page 4
- **Accordia Golf Trust (AGT SP; BUY; S\$0.61):** Tee time; consolidation in the industry likely to benefit the largest players - Page 5
- **ComfortDelGro Corporation (CD SP; BUY; S\$2.77):** Acquisition-fuelled year; taxi business stabilising - Page 6
- **DISA (DISA SP; Cease Coverage):** Cease Coverage - Page 7
- **Thai Beverage (THBEV SP; HOLD; S\$ 0.75):** Downgrade to Hold - Page 8

**Recent In depth Regional Reports**

18/2	<b>SG</b> ComfortDelGro Corporation (CD SP; BUY; TP: S\$2.770): Acquisition-fuelled year; taxi business stabilising
18/2	<b>SG</b> Thai Beverage PCL (THBEV SP; HOLD; TP: S\$ 0.75): Downgrade to Hold
18/2	<b>TH</b> Major Cineplex Group (MAJOR TB; Under Review; TP: NA): 4Q18 earnings review: Beat expectations
18/2	<b>TH</b> RS (RS TB; Outperform; TP: Bt 20.70): 4Q18 earnings review: Growth driven by greater revenue
18/2	<b>TH</b> Thai Oil (TOP TB; Outperform; TP: Bt 85.00): 4Q18 earnings review: Lower than expected
15/2	<b>SG</b> Accordia Golf Trust (AGT SP; BUY; TP: S\$0.610): Tee time; consolidation in the industry likely to benefit the largest players
15/2	<b>SG</b> Manulife US REIT (MUST SP; BUY; TP: US\$0.950): FY18 results update; Dividend yield remains attractive amongst office peers
15/2	<b>TW</b> Financial Sector (Neutral): January earnings – Banking-centric FHCs outperform insurer & brokerage peers
15/2	<b>TW</b> Cathay FHC (2882 TT; Neutral; TP: NT\$ 48.00): Capital gains & hedging costs remain the main challenges to 2019F earnings
15/2	<b>TW</b> Fubon FHC (2881 TT; Neutral; TP: NT\$ 48.00): Insurance profitability still a major challenge; 2018F cash dividend likely higher than peers
15/2	<b>TW</b> Gourmet Master (2723 TT; Outperform; NT\$ 260.00): China SSSG recovery to drive margin & share upside
15/2	<b>TW</b> Innolux (3481 TT; Neutral; TP: NT\$ 9.20): Net loss in 4Q18; oversupply a major challenge for 2019F
15/2	<b>TW</b> TSMC (2330 TT; Outperform; TP: NT\$ 263.00): 1Q19F guidance updated on defective chemicals incident
15/2	<b>HK</b> SMIC Group (981 HK; Neutral; TP: HK\$ 5.80): Margin downside to be a nightmare in 2019F
15/2	<b>CN/HK</b> Economy: Exports unlikely to remain strong, but current A-share rebound to continue
15/2	<b>CN/HK</b> Economy: PPI slowdown to continue weighing on industrial mid & upstream; investors to favor tech & consumer
15/2	<b>TH</b> Economics: 4Q18 GDP: Should speed up to 4.0%YoY
15/2	<b>TH</b> Media Sector (Neutral): Adex fell 2% YoY in January 2019
15/2	<b>TH</b> BTS Group Holdings (BTS TB; Outperform; TP: Bt 11.29): 3Q19 earnings review: Significantly above forecasts
15/2	<b>TH</b> Chememan (CMAN TB; Outperform; TP: Bt 3.56): 4Q18 earnings preview: Strong recovery QoQ
15/2	<b>TH</b> Fraser Property (Thailand) PCL (FPT TB; Neutral; TP: Bt 16.70): 1QFY18/19 earnings review: Beat forecast
15/2	<b>TH</b> KCE Electronics (KCE TB; Underperform; TP: Bt 26.00): Into the shadow
15/2	<b>TH</b> L.P.N. Development (LPN TB; Outperform; TP: Bt 8.60): 4Q18 earnings review: Solid, but weaker than expected
15/2	<b>TH</b> MBK PCL (MBK TB; Outperform; TP: Bt 28.50): 4Q18 earnings preview: Potential short term dip
15/2	<b>TH</b> TOA Paint (Thailand) (TOA TB; Underperform; TP: Bt 32.25): Net profit to improve YoY and QoQ
14/2	<b>SG</b> ANZ 3.75% 03/23/27 (ANZ): Intermediate Term Carry (SGD)
14/2	<b>SG</b> DISA (DISA SP; Cease Coverage): Cease Coverage
14/2	<b>TW</b> CHPT (6510 TT; Underperform; TP: NT\$ 310.00): Market share loss on intensifying competition
14/2	<b>TW</b> Delta Electronics (2308 TT; Outperform; TP: NT\$ 171.00): Acquisition of Delta Electronics (Thailand) approved
14/2	<b>TW</b> Flexium (6269 TT; Outperform; TP: NT\$ 103.00): 4Q18 beats; impressive 2019F growth outlook
14/2	<b>TW</b> Novatek (3034 TT; Outperform; TP: NT\$ 195.00): Strong 1Q19F guidance echoes our positive view on share gains in AMOLED driver IC & TDDI
14/2	<b>TW</b> Parade Technologies (4966 TT; Outperform; TP: NT\$ 610.00): Strong 2019F ahead
14/2	<b>TW</b> Win Semiconductors (3105 TT; Underperform; TP: NT\$ 72.00): Trough in 1Q19F, but full-year outlook still murky
14/2	<b>HK</b> Sunny Optical (2382 HK; Neutral; TP: HK\$ 74.30): Profit warning on renminbi & margin weakness
14/2	<b>TH</b> Transportation Sector (Neutral): 4Q18 earnings preview: Poor earnings for airlines
14/2	<b>TH</b> Airports of Thailand (AOT TB; Outperform; TP: Bt 82.12): 1Q19 earnings review: In-line result
14/2	<b>TH</b> Global House (GLOBAL TB; Neutral; TP: Bt 19.60): 4Q18 earnings preview: SSSG is still strong
14/2	<b>TH</b> Siam Future Development (SF TB; Outperform; TP: Bt 9.00): Slow but sure
13/2	<b>TW</b> Airtac (1590 TT; Underperform; TP: NT\$196.00): 4Q18 operating margin misses; order uncertainty remains
13/2	<b>TW</b> Compeq (2313 TT; Neutral; TP: NT\$ 21.00): A weak 4Q18 & limited recovery in 1Q19F
13/2	<b>TW</b> Taisol (3338 TT; Not Rated): Benefiting from data center & 5G thermal demand boom
<b>For full reports, please contact Research Department at 6202 1190 or <a href="mailto:sgp.researchcom@kgi.com">sgp.researchcom@kgi.com</a></b>	

**Recent In depth Regional Reports**

13/2	<b>CN</b> Bros Eastern (601339 CH; Not Rated): Conference call takeaways
13/2	<b>TH</b> Hotel Sector (Neutral): 4Q18 earnings preview: Weak earnings in the past, fast recovery next
13/2	<b>TH</b> Commodities Update: Oil leak on Keystone pipeline
13/2	<b>TH</b> Central Plaza Hotel (CENTEL TB; Neutral; TP: Bt 48.00): Easing cost pressure from delayed investments
13/2	<b>TH</b> IRPC (IRPC TB; Outperform; TP: Bt 7.00): 4Q18 earnings review: Slightly better than expected
13/2	<b>TH</b> KCE Electronics (KCE TB; Neutral; TP: Bt 30.00): 4Q18 earnings review: Below forecast
13/2	<b>TH</b> Minor International (MINT TB; Outperform; TP: Bt 42.00): Slowing on low season for hotels in Europe a S T impact
13/2	<b>TH</b> Siam Future Development (SF TB; Outperform; TP: Bt 9.30): 4Q18 earnings review: Another potential FV adjustment
13/2	<b>TH</b> The Erawan Group (ERW TB; Outperform; TP: Bt 8.50): Growing by margins
12/2	<b>TW</b> Episil-Precision (3016 TT; Not Rated): High share valuation not supported by fundamentals
12/2	<b>TW</b> Gourmet Master (2723 TT; Outperform; NT\$ 260.00): Time to revisit on improving China operations
12/2	<b>HK</b> BYD Electronics (285 TT; Not Rated): A solid case in 2019
12/2	<b>CN/HK</b> Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
12/2	<b>TH</b> Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 32.20): 4Q18 earnings preview: Unexciting quarter
12/2	<b>TH</b> Central Pattana (CPN TB; Outperform; TP: Bt 87.00): 4Q18 earnings preview: Earnings should grow YoY
12/2	<b>TH</b> Eastern Polymer Group (EPG TB; Under Review; TP: Under Review): 3QFY18/19 earnings review: Below forecast
12/2	<b>TH</b> Global Power Synergy (GPSC TB; Neutral; TP: Bt 58.00): 4Q18 earnings review: Below expectation
11/2	<b>GLOBAL</b> A review of financial markets during CNY: Goldilocks-lite rally may soon be over
11/2	<b>TW</b> Strategy: Market expects monetary easing & successful trade talks, but overlooks earnings cut risks
11/2	<b>TW</b> Chin Poon (2355 TT; Outperform; TP: NT\$ 45.00): Rebound in 1Q19F after 4Q18F bottom
11/2	<b>TW</b> Taiwan Mobile (3045 TT; Neutral; TP: NT\$ 106.0): Uphill struggle for 2019F earnings
11/2	<b>TW</b> Vanguard (5347 TT; Neutral; TP: NT\$60.00): Overseas fab acquisition creates more uncertainty in 2020F
11/2	<b>CH/HK</b> A-share Weekly: Sino-US trade negotiations remain an uncertainty but worldwide rate-hike trend has slowed, making the market operable
11/2	<b>CN/HK</b> New Retail (Neutral): Expect e-commerce players to slow down their pace

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# ANZ 3.75% 03/23/27 (ANZ)

## Intermediate-Term Carry (SGD)

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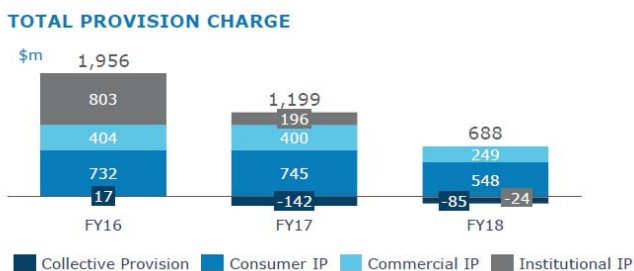
**Company Background:** ANZ is a top 5 listed corporate in Australia and the largest bank in New Zealand by bank market share. The group has total assets exceeding AUD 942bn as of September 2018 and is listed in Australia with a market capitalization of AUD 76bn. The group offers consumer and corporate banking services in their core markets with ~38,000 staff serving retail, commercial and institutional customers.

### Credit Considerations:

**Difficult year as remediation continues.** For FY18, the group's cash profits declined 16% YoY to AUD 5.8bn. Excluding overall losses from discontinued operations, cash profits declined 4.7% YoY to AUD 6.5bn driven by higher costs from customer remediation (+295mn), restructuring (+159mn) and accelerated software amortization (+206mn). Excluding large and notable items, the group's cash profit rose 2.9% to AUD 6.96bn as lower expenses (-1.5%) and provisions (-38.4%) helped mitigate the impact of a full year bank levy (AUD 355mn) which affected both the Australian and Institutional businesses.

**Credit quality improved while capital adequacy remains strong.** For FY18, the group's total provision charge declined 43% YoY to AUD 688mn, with group loss rate at 0.12%, the lowest in more than 20 years, which is a result of the group reshaping its portfolio at the expense of revenue growth.

Figure 1: Credit Impairment Charges

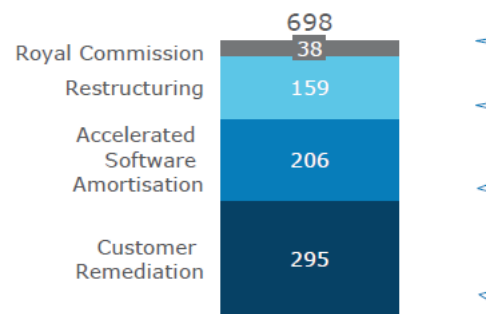


Source: Company Data, KGI Research

Besides the improvement in credit quality, the group's capital adequacy increased further as a result of asset sales, with CET1 ratio rising to 11.4% from 10.6% placing the group in a comfortable position ahead of APRA's 2020 deadline.

**Uncertainty around Hayne Report resolved.** For FY18, the group's external costs for the Royal Commission has totalled AUD 55mn which contributes to 20% of the increase in operating expenses. While future costs of implementing the commission's report remain uncertain, the release of the final report in Feb 2019 provided some relief for investors as there will be no forced separation between retail, investment banking and wealth management arms. Additionally, banks will not be banned from using the household expenditure measure (HEM).

Figure 2: Full Year 2018 Cash Profit Impact (Reduction)



Source: Company Data, KGI Research

### Credit Recommendations:

While ANZ's 2027 have been rated investment grade by S&P (BBB), Moody's (Baa1) and Fitch (A+), the bond is a subordinated issue which may be subject to mandatory write-down or conversion to equity if the issuer becomes subject to a resolution procedure.

Without the uncertainty of the Haynes report, we expect the group's credit outlook to be well supported by its credit quality and capital adequacy and we add ANZ 3.75% 2027 to our defensive portfolio. The bond is currently trading at 100.1 with a YTW of 3.7%.

Additionally, the issue has an optional redemption date on 23 March 2022 and a coupon reset at the 5-year SGD Swap Offer Rate + 1.372% on 23 March 2022, which can help to mitigate interest rate risks.

CHINA  
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# Accordia Golf Trust

## (AGT SP/ACCO.SI)

### Tee time; consolidation in the industry likely to benefit the largest players

Joel Ng / 62 6202 1192 / [joel.ng@kgi.com](mailto:joel.ng@kgi.com)

- 3Q19 results showed operational improvement from favourable weather and lower financing costs.
- AGT's parent company is now the largest golf course operator in Japan; we think it's only a matter of time for AGT to re-rate higher as the industry consolidates.
- We upgrade our recommendation to BUY. Most of the overhang we cited in our previous reports are now behind it, and we see an attractive risk-reward opportunity for investors. AGT's 9.3% FY20F dividend yield should offer downside support.

#### Financials & Key Operating Statistics

YE Mar JPY bn	2017	2018	2019F	2020F	2021F
Revenue	51.9	51.5	50.7	50.5	50.3
PATMI	4.0	4.1	5.3	5.3	5.3
Core PATMI	5.5	5.8	5.3	5.3	5.3
Core EPS (JPY)	0.5	0.5	0.5	0.5	0.5
Core EPS grth (%)	-15.6	5.7	-8.6	-0.5	-0.5
DPS (SG Cents)	6.0	3.9	4.0	5.3	5.2
Div Yield (%)	10.7	6.8	7.1	9.3	9.3
Net Margin (%)	7.7	8.0	10.5	10.5	10.5
Loan-to-Value (%)	31.3	29.4	29.3	29.5	29.6
ROE (%)	5.0	5.1	6.5	6.5	6.4

Source: Company Data, KGI Research

**Operational improvement.** Operating income rose 4.9% YoY to JPY 14,626mn while total distributable income rose an even higher 9.1% YoY to JPY 1,720mn. The stronger bottom line was due to lower interest expense and income tax as a result of the new 5-year refinancing. The number of players increased by 5.6% YoY in the quarter due to good weather. Another positive trend is that revenue per player increased to JPY 8,507 for 9M19 from JPY 8,442 in the prior year period.

**Roller coaster ride; valuations still cheap.** AGT's unit price dropped to an all-time low of 48 SG cents after a year of extremely bad weather and selling pressure from Goldman Sachs divesting its stake. Although its unit price has recovered 20% from the lows, AGT's current 0.65x P/B is still below its long-term historical average.

**Upside for 2H19 dividend.** We understand that management was able to hedge some of its dividends when JPY appreciated against SGD in Dec 2018-Jan 2019. Thus, there could be upside potential to our 2.35 SG cents dividend forecast for 2H19 (FY 4.0 cents). AGT paid out 1.64 cents in 1H19.

**Interesting developments on DPU-accretive acquisitions.** Orix Corp (Orix Co) announced in Nov 2018 that it transferred its golf business to MBK Partners, who is also the parent company of AGT. Given this development, MBK is now the largest golf course operator with a total of 173 golf courses. Hence, we believe that all the pieces are falling into place for AGT to embark on its DPU-accretive acquisitions to enhance shareholder value. AGT has the debt headroom to conservatively acquire 10 golf courses at an average price of

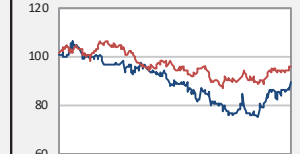
#### BUY - Upgrade

Price as of 14 Feb 19 (SGD)	0.57	<b>Performance (Absolute)</b>	
12M TP (\$)	0.61	1 Month (%)	3.6
Previous TP (\$)	0.61	3 Month (%)	15.9
Upside, incl div (%)	15.9	12 Month (%)	-4.6

#### Trading data

Mkt Cap (\$mn)	626
Issued Shares (mn)	1,099
Vol - 3M Daily avg (mn)	2.7
Val - 3M Daily avg (\$mn)	1.2
Free Float (%)	71.1%

#### Perf. vs STI Index (Red)



#### Major Shareholders

MBK Partners	28.9%	11-Jan-19	HOLD \$0.61
Hibiki Path Advisors	6.2%	15-Nov-18	HOLD \$0.61
Daiwa Securities	6.0%	17-Aug-18	BUY \$0.70

#### Previous Recommendations

JPY 2bn each. Doing so would only increase its loan-to-value (LTV) ratio by 5% points to 35% but raise DPU by 10%.

**Strong support at 50 cents.** Hibiki Path Advisors had emerged with a 6.2% stake in AGT in November 2018, making it the second largest shareholder after MBK's 28.9% interest. Hibiki is a Japanese-managed fund specialising in Japanese equities. We view the change of major shareholder as neutral news as it does not have any impact on the operations of AGT. However, it does lend confidence that institutional investors are willing to come in when AGT's unit price drops below 50 SG cents.

**Valuation & Action:** We upgrade our recommendation to BUY. We believe AGT's current unit price offers an attractive opportunity for investors to collect 7-9% dividend yield while waiting for DPU-accretive acquisitions or corporate action by its sponsor.

AGT's fundamental performance is in a much better position compared to the same period last year while most of the key overhangs that we cited in previous reports are behind it. We believe that FY20F will be a pivotal year for AGT as Japan's golf industry consolidates, therefore leading to increased market share for the largest players, improved economies of scale and possibly better valuations.

**Risks:** Forex risk to DPU as earnings are mostly in JPY while distributions are in SGD. Macroeconomic environment and adverse weather conditions have the largest impact on visitor numbers to golf courses.

**This report is prepared by KGI Securities (Singapore) under the SGX StockFacts Research Programme. See the last page for important disclosures.**



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# ComfortDelGro Corporation

(CD SP/CMDG.SI)

## Acquisition-fuelled year; taxi business stabilising

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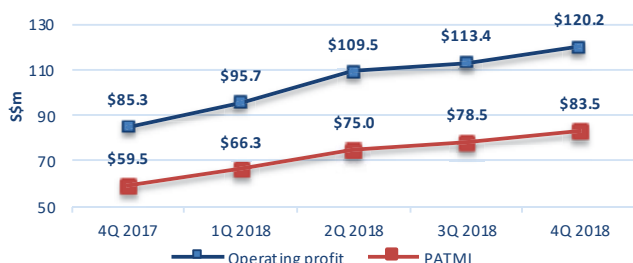
- FY2018 earnings made up 97% of our full-year forecasts. CD's profits have increased 5-13% QoQ every quarter in 2018, pointing to improving fundamentals and growing contributions from its S\$0.5bn of acquisitions in 2018.
- Performance was lifted mainly by its public transport business in Singapore and Australia, which management guided will continue to lead revenue growth in 2019.
- CD's forward 4.5% dividend yield is still attractive despite the 12% gain in its share price YTD.
- **We re-iterate our BUY and target price of S\$2.77.** However, in the short-term, investors may need to take note as we approach the Brexit deadline on 29 March given that CD has a 23% revenue exposure to the pound.

Financials & Key Operating Statistics					
YE Dec (\$\$m)	2017	2018	2019F	2020F	2021F
Revenue	3970.9	3805.2	4145.1	4220.6	4297.5
PATMI	301.5	303.3	315.3	321.8	328.3
Core PATMI	279.1	291.5	315.3	321.8	328.3
Core EPS	12.9	13.5	14.6	14.9	15.2
Core EPS grth (%)	-7.9	4.4	8.2	2.1	2.0
Core P/E (x)	18.8	18.0	16.6	16.3	15.9
DPS (\$Gcents)	10.4	10.4	10.6	10.7	10.8
Div Yield (%)	4.3	4.3	4.4	4.4	4.5
Net Margin (%)	7.6	8.0	7.6	7.6	7.6
Gearing (%)	-0.1	8.4	17.9	24.9	31.3
Price / Book (x)	2.0	2.0	1.9	1.9	1.8
ROE (%)	9.9	10.0	9.9	9.7	9.4

Source: Company Data, KGI Research

**Performance lifted by public transport and acquisitions.** CD reported a 6.4% increase in FY18 revenue to S\$3.8bn, with contributions from new acquisitions making up >50% of the increases. New acquisitions contributed to a S\$20.7mn growth in operating profit, while existing businesses contributed S\$10.7mn. In terms of segments, FY18 operating profits under its public transport services increased 20% YoY to S\$216.5mn. CD has recommended a final dividend of 6.15 SG cents, higher than the 6.05 SG cents in FY17.

Figure 1: Key metric to watch - improving performance QoQ



Source: Company data, KGI Research

**Looking to the future on a strong foundation.** CD has made more than S\$450mn in acquisitions in 2018. In addition to the EPS-accretive acquisitions, CD is setting up a US\$100mn venture capital fund to invest in mobility technologies and solutions that would complement the group's transport business. Balance sheet remains strong, with net gearing only at 8.4% as at end 2018.

BUY - Maintain		Performance (Absolute)	
Price as of 18 Feb 19 (SGD)	2.42	1 Month (%)	13.1
12M TP (\$)	2.77	3 Month (%)	12.1
Previous TP (\$)	2.72	12 Month (%)	23.6
Upside, incl div (%)	19.7		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	5,239		
Issued Shares (mn)	2,165		
Vol - 3M Daily avg (mn)	8.3		
Val - 3M Daily avg (\$mn)	18.2		
Free Float (%)	93.6%		
Major Shareholders		Previous Recommendations	
Blackrock	7.0%	12-Nov-18	BUY \$2.72
Vanguard	2.7%	15-May-18	BUY \$2.72
Capital Group	2.0%	30-Apr-18	BUY \$2.72

**Taxi business stabilising; even playing field.** Although CD's taxi fleet declined 6.7% YoY to 12,360 as at end-December 2018, 4Q18 operating profit under its taxi business increased 38% YoY. It was also announced in January 2019 that Singapore's transport regulators may be imposing tighter rules on the private-hire sector, thus levelling the playing field for taxi and private-hire operators. CD stands to gain with its 12,360 taxis and 60% Singapore market share.

Figure 2: Positive outlook for its Public Transport Services segment – the biggest contributor to its revenues.

Business segments	Revenue outlook
Public Transport Services	Singapore: Increase Australia: Increase UK: Maintain
Taxi	Maintain
Auto Engineering Services	Maintain
Inspection & Testing Services	Maintain
Driving Centre	Maintain
Car Rental & Leasing	Decrease

Source: Company data, KGI Research

**Valuation & Action:** We re-iterate our BUY recommendation. Our S\$2.77 target price is pegged to 19x 2019F EPS, based on 1SD above the 10-year mean. Most of the key points in our investment thesis has panned out in 2018. The stabilisation of its taxi business removes a key overhang on its share price, in our view. The group's balance sheet remains in a strong position to take on more EPS-accretive acquisitions. While we favour CD as a stable high dividend defensive play, investors will have to take note as we approach the Brexit deadline on 29 March 2019. A hard Brexit would impact the pound where CD has a 23% revenue exposure to.

**Risks:** Slower-than-expected breakeven of DTL; forex risks given its exposure to UK and Australia.



# DISA

(DISA SP/532.SI)

## Cease Coverage

Marc Tan / 65 6202 1195 / marc.tan@kgi.com

- 2Q19 net losses declined to \$1.88mn from \$2.83mn in 2Q18 as growth in technology business continues.
- QoQ, the number of codes grew 9.89%, much slower than the previous 2 quarters. (4Q18: 82%, 1Q19: 30%)
- Cease coverage in line with our defensive theme.

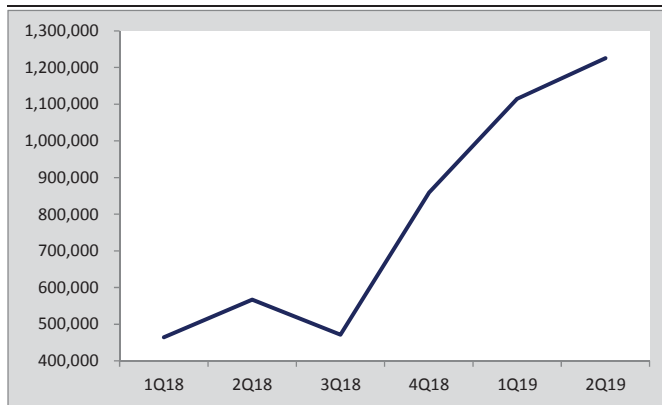
### Financials & Key Operating Statistics

YE Jun SGD (mn)	2018A	2019F	2020F	2021F	2022F
Revenue	0.2	5.9	11.6	23.2	46.3
Operating Profit/Loss	(9.7)	(6.2)	(2.4)	6.1	23.9
Net income	(10.6)	(7.3)	(3.5)	4.2	18.9
EPS (SGD Cents)	(0.3)	(0.1)	(0.1)	(0.0)	0.0
EPS growth (%)	-	-	-	-	3.5
P/E (x)	-	-	-	-	19.3
P/B (x)	2.2	2.7	3.1	2.6	1.6
P/S (x)	336.0	13.6	6.9	3.5	1.7
EV/EBITDA (x)	-	-	-	-	7.9
Debt / Equity	44.5%	34.3%	42.6%	48.3%	41.7%
Net Margin (%)	-	-	-	18.0	40.8
ROE (%)	-	-	-	14.7	47.3

Source: Company Data, KGI Research

**Revenue growth continues driven by higher asp.** While the number of DISA codes grew by 9.9% QoQ, revenue from the sale of codes grew 53% to \$133,000 from \$87,000, driven by higher selling prices and an increase in the number of new suppliers. Gross margins however, declined to 81.5% from 84.8% in 1Q19.

Figure 1: DISA codes sold



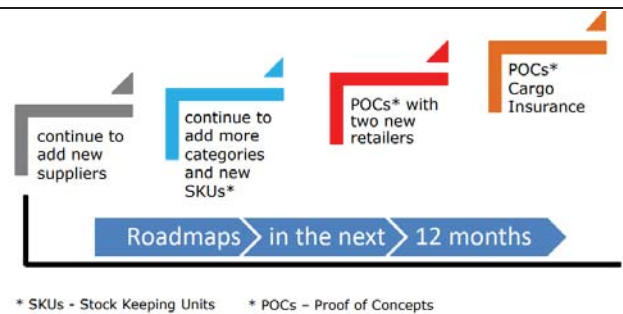
Source: Company data, KGI Research

**Cost Control Improved while balance sheet remains strong after the redemption of convertible bonds.** Net losses for the quarter declined to \$2.1mn from \$3.1mn in 2Q18, driven by an improvement in total cost and expenses, which declined 25.8% YoY with less engagement of professional firms for legal, PR and consultation needs. During the quarter, the firm made cash outflows of \$13.4mn due to the redemption of its convertible bond, alongside interest payments but the balance sheet remains strong with a net cash position. Given the quarter's FCFF of -\$1.7mn and cash levels of \$16.1mn, we believe the company has ample time to execute its plans but endorsements of additional retailers however, remains crucial in our view.

Cease Coverage		Performance (Absolute)	
Price as of 14 Feb 19 (SGD)	0.003	1 Month (%)	-25.0
12M TP (\$)	-	3 Month (%)	-25.0
Previous TP (\$)	0.02	12 Month (%)	-75.0
Upside (%)	-		
Trading data		Perf. vs STI INDEX (Red)	
Mkt Cap (\$mn)	30		
Issued Shares (mn)	10,039		
Vol - 3M Daily avg (mn)	2.9		
Val - 3M Daily avg (\$mn)	0.0		
Free Float (%)	69.9%		
Major Shareholders		Previous Recommendations	
Wang Yu Huei	8.7%	1-Nov-18	BUY \$0.02
Tang Wee Loke	7.0%	4-Sep-18	BUY \$0.02
Chng Weng Wah	5.9%	21-Jun-18	BUY \$0.02

**Cease Coverage.** Our investment thesis was built around DISA's ability to become the market leader if it can get 2 other large US retailers other than Walmart to endorse their technology. While quarterly sales of codes have slowed, management has executed their plans accordingly and the company remains on track to executing POCs with 2 new retailers, according to the timeline from October 2018's AGM.

Figure 2: DISA Target Timeline (AGM October 2018)



Source: Company Presentation, KGI Research

However, given our defensive positioning on equity markets, we have decided to cease coverage on DISA to focus on stocks that are more defensive in nature.

**Valuation & Action:** Our last recommendation was a BUY with a TP of \$0.02 based on a DCF model assuming 14% WACC and a terminal growth rate of 0%.

**Risks:** Failure to obtain the endorsement of additional US retailers, slow user adoption and a breach in DISA's encryption could lead to reputational damages and a decline in revenue. Going concern could become a problem if DISA fails to scale and cover its burn rate.



CHINA  
DEVELOPMENT  
FINANCIAL

# Thai Beverage (THBEV SP/Y92.SI)

## Downgrade to Hold

Marc Tan / 65 6202 1195 / [marc.tan@kgi.com](mailto:marc.tan@kgi.com)

- **1Q19 results above expectations.** YoY, Thai Beverage revenues grew 60% to 72.7bn THB, higher than our expectations of 65.8bn THB, driven by growth across its business segments (Spirits +28.6%, Beer +128.6%, Beverages +1.1%, Food +63.9%). Net profits rose 144.2% YoY to 7.4bn THB, accounting for 31% of our FY19 net profit target.
- **Consumption demand rebounds at last.** YoY, the group's sales volumes increased across business segments (Spirits +25.7%, Beer +253.9%, Beverages +3.6%). Notably, the rebound in the key spirits segment will provide much relief to investors after last year's decline. EBITDA for the spirits segment grew 36.7% YoY and contributed to 57% of the increase in EBITDA.

YE Jun THB (mn)	2016A	2017A	2018A	2019F	2020F
Revenue	191,204.7	190,697.1	232,598.4	237,757.7	244,696.5
Operating Profit/Loss	25,740.9	27,524.5	25,624.4	29,357.3	32,050.4
Net income	25,032.0	34,680.8	20,725.5	22,546.7	24,699.1
EPS	0.99	1.04	0.84	0.97	1.05
EPS growth (%)	-	4.3%	-19.3%	15.8%	8.9%
P/E (x)	21.2	21.6	21.2	18.3	16.8
P/B (x)	4.4	4.4	3.7	3.4	3.2
Dividend Per Share	0.60	0.67	0.39	0.50	0.53
Dividend Yield (%)	2.9	3.0	2.2	2.8	3.0
Dividend Payout Ratio (%)	60.4	64.7	52.9	57.5	55.4
Net Debt/Equity (x)	0.30	0.19	1.45	1.33	1.24
Net Margin (%)	13.17	18.25	9.02	9.60	10.21
ROE (%)	21.2	27.1	16.6	17.9	18.2

Source: Company Data, KGI Research

**Wage recovery remains lacklustre even as alcohol consumption rebounded.** Looking at monthly data from the Bank of Thailand, we observe that nominal farm income, which does not account for government subsidies and transfers, continues to experience weak growth. In our view, the recent rebound in alcohol demand was driven by other factors such as tourism arrivals and pre-election handouts.

Figure 1: Nominal Farm Income

(%YoY)	2017	2018	2018					
			H1	H2	Q3	Q4	Nov	Dec
Nominal farm income <sup>P</sup>	4.0	-0.4	2.2	-1.7	-1.7	-1.2	-6.0	1.4
Agricultural production <sup>P</sup>	7.0	5.5	12.2	0.4	1.3	-0.1	-4.2	3.1
Agricultural price	-2.8	-5.7	-8.9	-2.1	-3.0	-1.2	-1.8	-1.6

Source: Bank of Thailand, KGI Research

In December 2018, the government handed out grants of 500 THB/pax to Thai citizens who make 100K THB or less annually. Total recipients of the program is estimated at 14.5million Thais, which makes up one-fifth of the population.

Downgrade - Hold			
Price as of 18 Feb 19 (SGD)	0.81	<b>Performance (Absolute)</b>	
12M TP (\$)	0.75	1 Month (%)	15.7
Previous TP (\$)	0.75	3 Month (%)	25.2
Upside (%)	(7.1)	12 Month (%)	-2.6
<b>Trading data</b>		<b>Perf. vs STI INDEX (Red)</b>	
Mkt Cap (\$mn)	20,342		
Issued Shares (mn)	25,114		
Vol - 3M Daily avg (mn)	25.1		
Val - 3M Daily avg (\$mn)	16.9		
Free Float (%)	32.2%		
<b>Major Shareholders</b>		<b>Previous Recommendations</b>	
Sirwana Co Ltd	45.3%	18-Feb-18	HOLD \$0.75
Maxtop Management Corp	20.6%	14-Sep-18	BUY \$0.75

Secondly, the tourism sector, which makes up ~20% of Thailand's economy, experienced recovery in December (+2.8% YoY) as Chinese tourists returned to Thailand after a slowdown which was driven by safety concerns surrounding a tour boat tragedy.

Figure 2: Chinese Visitors to Thailand



Source: Thaiwebsites.com, KGI Research

**Valuation & Action:** Management expects the private consumption to continue recovering due to various events such as the Thai Elections, Songkran and the coronation of the King. While we expect these events to help normalize growth in alcohol consumption, we do not expect another surge in alcohol demand unless there are new government hand-outs. In our view, market share expansion and cost synergies will take a longer time to develop as compared to the rebound in alcohol demand. As a result, we downgrade Thai Beverage to a hold based on our TP of S\$0.75.

**Risks:** Persistent lacklustre demand in the domestic alcohol market, decline in market share in its key markets (Vietnam & Thailand), surge in raw material prices.



**STI Components and Key Metrics**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	25.20	64,468	1.7%	6.4%	3.4%	4.9%	5.2%
OCBC SP	OCBC	11.71	49,758	1.6%	4.0%	1.6%	3.7%	4.0%
UOB SP	UOB	25.87	43,092	0.7%	5.3%	2.1%	4.7%	4.9%
SGX SP	SGX	7.79	8,337	0.0%	10.0%	2.8%	4.0%	4.2%
<b>PROPERTIES</b>								
HKL SP	Hongkong Land USD	7.05	22,494	(0.8%)	11.9%	0.1%	3.0%	3.1%
CAPL SP	CapitaLand	3.34	13,904	(0.6%)	7.4%	0.6%	3.7%	3.9%
CT SP	CapitaLand Mall Trust	2.40	8,849	0.4%	6.9%	0.4%	5.0%	5.2%
AREIT SP	Ascendas REIT	2.78	8,616	0.4%	7.8%	1.1%	5.8%	6.0%
CIT SP	City Development	9.49	8,606	0.9%	16.9%	1.2%	2.0%	2.0%
CCT SP	CapitaLand Comm Trust	1.89	7,040	0.5%	10.0%	(0.5%)	4.8%	4.8%
UOL SP	UOL	6.65	5,607	0.8%	7.4%	1.2%	2.7%	2.7%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.00	48,986	0.3%	2.4%	(1.6%)	5.9%	5.9%
<b>CONSUMER SERVICES AND GOODS</b>								
JM SP	Jardine Matheson USD	70.30	70,235	(0.3%)	1.0%	2.5%	2.4%	2.5%
JS SP	Jardine Strategic Holdings	39.20	58,898	1.5%	6.8%	(0.8%)	0.9%	0.9%
DFI SP	Dairy Farm International	8.97	16,455	(0.1%)	(0.9%)	0.1%	2.7%	3.0%
THBEV SP	ThaiBev	0.82	20,593	0.6%	36.3%	15.5%	2.7%	2.9%
JCNC SP	Jardine C&C	36.73	14,517	1.7%	3.9%	(1.2%)	3.5%	3.7%
GENS SP	Genting Singapore	1.10	13,249	1.9%	12.8%	1.9%	3.3%	3.4%
VMS SP	Venture Corp	16.21	4,665	0.7%	16.2%	1.5%	4.0%	4.1%
SPH SP	SPH	2.51	4,011	1.2%	6.8%	1.6%	5.1%	5.2%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	9.95	11,777	1.9%	5.6%	2.5%	3.4%	3.8%
CD SP	ComfortDelGro	2.41	5,218	0.4%	12.1%	3.4%	4.6%	4.9%
<b>COMMODITIES</b>								
WIL SP	Wilmar	3.36	21,259	1.8%	7.7%	3.1%	3.1%	3.3%
GGR SP	Golden Agri	0.26	3,247	(1.9%)	4.1%	0.0%	1.1%	2.1%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	6.14	11,128	1.0%	3.9%	2.2%	4.1%	4.6%
STE SP	ST Engineering	3.74	11,668	0.8%	7.2%	1.1%	4.1%	4.3%
SATS SP	SATS	5.10	5,683	0.8%	9.4%	5.8%	3.6%	3.8%
YZJSGD SP	Yangzijiang SGD	1.40	5,524	0.0%	12.0%	(0.7%)	3.2%	3.3%
SCI SP	Sembcorp Industries	2.57	4,586	0.0%	1.2%	0.8%	2.0%	2.8%
HPHT SP	HPH Trust USD	0.26	3,012	2.0%	4.1%	0.0%	7.5%	7.7%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

**STI Reserve List (by market cap) - STI next review date: March 2019**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.91	5,120	0.5%	8.8%	0.5%	5.2%	5.2%
MCT SP	Mapletree Commercial Trust	1.78	5,144	(0.6%)	9.3%	(1.1%)	5.1%	5.2%
MLT SP	Mapletree Logistics Trust	1.39	4,994	0.0%	12.0%	0.0%	5.7%	5.8%
KREIT SP	Keppel REIT	1.23	4,223	1.6%	10.0%	1.6%	4.6%	4.7%
MIINT SP	Maple Industries Trust	2.00	3,780	0.9%	6.7%	(1.1%)	6.0%	6.4%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

**Appendix 1: Corporate Action**

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 18 Feb 19	Yield (%)
Hutchison Port Holdings Trust	12-Feb-19	FY18	<b>HKD</b> 0.08480	<b>19-Feb-19</b>	20-Feb-19	29-Mar-19	<b>USD</b> 0.255	1.5
Far East Hospitality Trust	13-Feb-19	FY18	SGD 0.010000	<b>20-Feb-19</b>	21-Feb-19	28-Mar-19	SGD 0.660	1.5
Health Mgt Int'l	11-Feb-19	1H19	<b>RM</b> 0.01000	<b>20-Feb-19</b>	21-Feb-19	1-Mar-19	SGD 0.570	0.0
RHT Health Trust	14-Feb-19	3Q19	SGD 0.0238	<b>21-Feb-19</b>	22-Feb-19	1-Mar-19	SGD 0.038	62.6
Silverlake Axis	14-Feb-19	2Q19	SGD 0.0040	<b>22-Feb-19</b>	25-Feb-19	8-Mar-19	SGD 0.550	0.7
Lum Chang Holdings Ltd	14-Feb-19	2Q19	SGD 0.00300	<b>25-Feb-19</b>	26-Feb-19	12-Mar-19	SGD 0.350	0.9
Aspial Corp	7-Nov-18	3Q18	SGD 0.00250	<b>27-Feb-19</b>	28-Feb-19	8-Mar-19	SGD 0.200	1.3
Chasen Hldgs	12-Feb-18	3Q18	SGD 0.0010	<b>27-Feb-19</b>	28-Feb-19	18-Mar-19	SGD 0.083	1.2
Ellipsiz	12-Feb-19	2Q19	SGD 0.005000	<b>27-Feb-19</b>	28-Feb-19	15-Mar-19	SGD 0.430	1.2
Qian Hu Corp Ltd	11-Jan-19	FY18	SGD 0.0020	<b>10-Apr-19</b>	11-Apr-19	25-Apr-19	SGD 0.150	1.3
United Overseas Insurance	12-Feb-19	FY18	SGD 0.0850	<b>23-Apr-19</b>	24-Apr-19	6-May-19	SGD 7.300	1.2
United Overseas Insurance - Special	12-Feb-19	FY18	SGD 0.0500	<b>23-Apr-19</b>	24-Apr-19	6-May-19	SGD 7.300	0.7
Lonza Group AG	30-Jan-19	FY18	<b>CHF</b> 0.02750	<b>24-Apr-19</b>	25-Apr-19	26-Apr-19	-	0.0
Keppel Corp	24-Jan-19	FY18	SGD 0.1500	<b>29-Apr-19</b>	30-Apr-19	10-May-19	SGD 6.140	2.4
Hwa Hong Corp	31-Jan-19	FY18	SGD 0.01000	<b>30-Apr-19</b>	2-May-19	17-May-19	SGD 0.295	3.4
DBS Grp Hldgs	18-Feb-19	FY18	SGD 0.6000	<b>2-May-19</b>	3-May-19	17-May-19	SGD 25.200	2.4
Perennial Real Estate Holdings Ltd	13-Feb-19	FY18	SGD 0.0040	<b>2-May-19</b>	3-May-19	22-May-19	SGD 0.650	0.6
Vicom	11-Feb-19	FY18	SGD 0.23170	<b>2-May-19</b>	3-May-19	10-May-19	SGD 6.270	3.7
Vicom - Special	11-Feb-19	FY18	SGD 0.08620	<b>2-May-19</b>	3-May-19	10-May-19	SGD 6.270	1.4
First Sponsor Grp	14-Feb-19	FY18	SGD 0.010000	<b>3-May-19</b>	6-May-19	16-May-19	SGD 1.270	0.8
M1	28-Jan-19	FY18	SGD 0.0600	<b>3-May-19</b>	6-May-19	15-May-19	SGD 2.050	2.9
Tuan Sing Holdings Ltd	31-Jan-19	FY18	SGD 0.006000	<b>3-May-19</b>	6-May-19	26-Jun-19	SGD 0.380	1.6
Tuan Sing Holdings Ltd - Special	31-Jan-19	FY18	SGD 0.003000	<b>3-May-19</b>	6-May-19	26-Jun-19	SGD 0.380	0.8
Multi-Chem Ltd	1-Feb-19	FY18	SGD 0.03300	<b>13-May-19</b>	14-May-19	31-May-19	SGD 0.780	4.2

## Latest Bonus & Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
<b>Courts Asia Ltd</b>	SGD 0.205 Cash	5.30 p.m. on 15 Mar 2019	Nojima Asia Pte. Ltd.
<b>DeClout</b>	SGD 0.13 Cash	5.30 p.m. on 4 Mar 2019	Exeo Global Pte. Ltd.

Source: SGX Announcement

**Appendix 2: Financial Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
<p><b>18-Feb</b></p> <p><b>SG</b> Budget 2019 @ 3.30 p.m.</p> <p><b>Q4</b> DBS (before mkt open) &gt; Sasseur REIT</p>	<p><b>19-Feb</b></p> <p><b>Q4</b> Kingsmen Creatives</p>	<p><b>20-Feb</b></p> <p><b>Q4</b> CapitaLand &gt; China Everbright Water &gt; CSE Global &gt; First Ship Lease Trust &gt; Great Eastern Hldgs &gt; iFAST Corp &gt; IREIT Global &gt; Sembcorp Marine</p>	<p><b>21-Feb</b></p> <p><b>Q4</b> City Devpts &gt; Frencken Grp &gt; Genting Spore &gt; Global Invts &gt; Megachem &gt; Roxy-Pacific Hldgs &gt; Sembcorp Industries &gt; ST Engng &gt; Wilmar Int'l</p>	<p><b>22-Feb</b></p> <p><b>Q4</b> EC World REIT &gt; Hi-P Int'l &gt; IFS Capital &gt; Lippo Malls Indonesia Retail Trust &gt; OCBC &amp; UOB (Both before mkt open) &gt; Venture Corp</p> <p><b>*Q4</b> IFS Capital</p>
<p><b>25-Feb</b></p> <p><b>SG</b> 4Q18 Gross Domestic Product</p> <p><b>SG</b> (Jan 2019) CPI</p> <p><b>Q4</b> Asian Pay Television Trust &gt; Ho Bee Land &gt; Raffles Medical Grp &gt; Utd Engineers</p> <p><b>*Q4</b> SIIC Environment Hldgs</p>	<p><b>26-Feb</b></p> <p><b>SG</b> (Jan 2019) Index of Industrial Production</p> <p><b>Q4</b> AP Oil Int'l &gt; Best World Int'l &gt; BHG Retail REIT &gt; KrisEnergy &gt; Sinarmas Land &gt; UOL Grp</p> <p><b>*Q4</b> ISDN Hldgs</p>	<p><b>27-Feb</b></p> <p><b>Q4</b> Cromwell European REIT &gt; Golden Agri-Resources</p>	<p><b>28-Feb</b></p> <p><b>Q4</b> China Aviation Oil Spore &gt; China Sunshine Chemical Hldgs &gt; Dairy Farm Int'l Hldgs &gt; Hong Leong Asia &gt; Hongkong Land Hldgs &gt; Hotel Royal &gt; Jardine Matheson Hldgs &gt; Jardine Strategic Hldgs &gt; Mandarin Oriental Int'l &gt; Mewah Int'l &gt; Olam Int'l &gt; Straco Corp &gt; Thakral Corp</p> <p><b>*Q2</b> China Environmental Resources Grp</p> <p><b>*Q4</b> First Resources</p>	<p><b>1-Mar-2019</b></p> <p><b>Q4</b> LHT Hldgs</p>
<p><b>4-Mar</b></p>	<p><b>5-Mar</b></p>	<p><b>6-Mar</b></p>	<p><b>7-Mar</b></p>	<p><b>8-Mar</b></p>
<p><b>11-Mar</b></p>	<p><b>12-Mar</b></p>	<p><b>13-Mar</b></p>	<p><b>14-Mar</b></p>	<p><b>15-Mar</b></p>

\* Tentative

Source: Bloomberg

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