WEEKLY MEETING SUMMARY - 24 February 2020

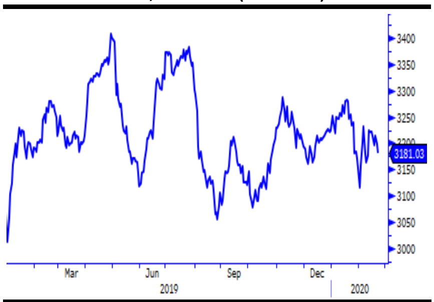
Market Indicators

	19-Feb	20-Feb	21-Feb
Mkt. T/O (S$ mil)	1,155.6	1,132.1	1,193.5
Stock Advances	276	206	133
Stock Declines	139	202	284

Major Indices

	19-Feb	20-Feb	21-Feb
DJ Ind Avg	29,348.0	29,220.0	28,992.4
S & P 500	3,386.2	3,373.2	3,337.8
Nasdaq Comp	9,817.2	9,751.0	9,576.6
Hang Seng	27,655.8	27,609.2	27,308.8

STI Index 3,181.03 (-0.55%)



Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US$ / OZ	1,662.59	1.17%
Oil (NYMEX CWTI) US$ / bbl	52.02	-2.55%
Baltic Dry Index	497	3.54%

Exchange Rates

USD : SGD 1.4008 / MYR : SGD 3.0080

Source: Bloomberg

Interest Rates

3-mth Sibor	1.711%
SGS (10 yr)	1.608%

KGI Securities Research Team

KGI Market Ideas

Market Strategy – Collateral damage: Japan and South Korea. A key risk we highlighted in our strategy report was the rising number of coronavirus infection cases in Japan and South Korea – which are showing early signs of exponentially climbing - that would have the potential to further disrupt the global supply chain in the automobile (Japan's largest export) and electronics-related sectors (South Korea's largest export). This is in addition to the disruption still going on in China. Japan and South Korea are China's third and fourth largest trading partners, with both countries heavily reliant on China as an export destination and as a source of imports.

Financial markets have largely shrugged off the impact of the coronavirus. However, we are not out of the woods yet. As the impact starts to become evident in the upcoming economic data, the disconnection between risk-assets and the economy will be test.

We maintain our recommendations to be cautious and not chase rallies. Stick to quality companies (companies with strong balance sheets and stable dividend yields; see our Fab 5 Dividend Portfolio). We reiterate to buy gold and silver, with a target price of US$1,700/oz and US$25/oz, respectively.

Strategy and Results Update

- **KGI Market Strategy:** Collateral damage: Japan and South Korea - Page 3
- **ARA US Hospitality Trust (ARAUS SP; OUTPERFORM, TP: US$ 0.95):** Largely in line with forecasts, keep an eye peeled - Page 6
- **ComfortDelGro Corporation (CD SP; OUTPERFORM; TP: S$ 2.280):** Sputtering engines and dividend cut - Page 7
- **Eagle Hospitality Trust (EAGLEHT SP; NEUTRAL, TP: US$ 0.51):** Missed estimates; no near term catalysts - Page 8
- **Thai Beverage PCL (THBEV SP; OUTPERFORM; TP: S$ 0.96):** Lifted by Spirits - Page 9

Recent In depth Regional Reports

24/2	**SG** ComfortDelGro Corporation (CD SP; OUTPERFORM; TP: S$ 2.280): Sputtering engines and dividend cut
21/2	**SG** KGI Market Strategy: Collateral damage: Japan and South Korea
21/2	**CN/HK** Economy: Loose monetary policy continues to provide momentum; tech-led rebound will continue in short-term
21/2	**TH** Hotel Sector (Neutral): Lose the battle to win the war
21/2	**TH** Bangchak Corporation (BCP TB; Outperform; TP: Bt 31.00): 4Q19 earnings review: Beat our estimate
21/2	**TH** Bangkok Commercial Asset Management (BAM TB; Outperform; Bt 33.00): Business outlook shining under economic slowdown
21/2	**TH** Banpu Power (BPP TB; NEUTRAL;; TP: Bt 23.25): 4Q19 earnings review: Missed on SG&A and Hongsa
21/2	**TH** Carabao Group (CBG TB; Outperform; TP: Bt 94.00): 4Q19 earning review: High GPM shored up earnings
21/2	**TH** Central Plaza Hotel (CENTEL TB; Neutral; TP: Bt 24.00): Negatives priced in
21/2	**TH** COM 7 (COM7 TB; Outperform; TP: Bt 31.50): 4Q19 earnings review: New formidable milestone
21/2	**TH** Electricity Generating (EGCO TB; Outperform; TP: Bt 370.00): 4Q19 earnings review: Below expectation
21/2	**TH** Major Cineplex Group (MAJOR TB; Outperform; TP: Bt 26.25): Still expect impressive dividend
21/2	**TH** Minor International (MINT TB; Outperform; TP: Bt 40.00): 4Q19 earnings preview: Normalized profit to be flat YoY
21/2	**TH** PTT (PTT TB; Neutral; TP: Bt 47.00): 4Q19 earnings review: Lower than expected
21/2	**TH** RS (RS TB; Under Review; TP: Under Review): 4Q19 earnings review: Weak result
21/2	**TH** Siam City Cement (SCCC TB; Outperform; TP: Bt 274.00): 4Q19 earnings review: In-line
21/2	**TH** The Erawan Group (ERW TB; Outperform; TP: Bt 5.50): Hope against hope
21/2	**HK** Tingyi (322 HK; Neutral; TP: HK$ 15.80): Earnings upgrade on strong instant noodles sales
20/2	**TW** IT Hardware (Neutral): PC demand hurt by COVID-19; business & gaming NB relatively resilient
20/2	**TW** Apogee (6426 TT; Not Rated): 5G & data center demand to fuel earnings growth
20/2	**TW** PixArt (3227 TT; Not Rated): Growth to accelerate in 2020F
20/2	**SG** ARA US Hospitality Trust (ARAUS SP; OUTPERFORM, TP: US$ 0.95): Largely in line with forecasts, keep an eye peeled
20/2	**SG** Eagle Hospitality Trust (EAGLEHT SP; NEUTRAL, TP: US$ 0.51): Missed estimates; no near term catalysts
20/2	**SG** Thai Beverage PCL (THBEV SP; OUTPERFORM; TP: S$ 0.96): Lifted by Spirits
20/2	**TH** BCPG Pcl. (BCPG TB; Outperform; TP: Bt 21.00): 4Q19 earnings review: 8.9% below expectation
20/2	**TH** BTS Group Holdings (BTS TB; Outperform; TP: Bt 15.20): Positive view remains
20/2	**TH** C.P. All (CPALL TB; Outperform; TP: Bt 88.00): 4Q19 earnings review: Better than forecast
20/2	**TH** Namyong Terminal (NYT TB; Outperform; TP: Bt 5.00): 4Q19 earnings review: In-line
20/2	**TH** Ratch Group (RATCH TB; Neutral; TP: Bt 76.00): 4Q19 earnings review: Below expectation
19/2	**GLOBAL** Economics: Upbeat on global stocks, but beware US election black swan
19/2	**TW** Sportswear Sector: Company updates point to caution; recovery not yet in sight
19/2	**TW** Far EasTone Telecom (4904 TT; Neutral; TP: NT$ 65.00): Cash dividend cut to NT$3.25 per share
19/2	**HK** Hengan International (1044 HK; Neutral; HK$ 60.00): Coronavirus outbreak update
19/2	**TH** GFPT (GFPT TB; Outperform; TP: Bt 16.70): 4Q19 earnings preview: Feel the heat
19/2	**TH** IRPC (IRPC TB; Neutral; TP: Bt 4.00): Worried olefins market
19/2	**TH** Major Cineplex Group (MAJOR TB; Under Review; TP: Under Review): 4Q19 earnings review: Impressive results
19/2	**TH** Muang Thai Capital (MTC TB; Neutral: Bt 62.50): 4Q19 earnings: Growth on track
19/2	**TH** Siam Makro (MAKRO TB; Neutral; TP: Bt 37.50): 4Q19 earnings review: Beat forecast
19/2	**TH** Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 5.10): 4Q19 earnings preview: A seasonal drag
18/2	**TW** Strategy: Tougher US bans on Huawei to pressure suppliers near term
18/2	**TW** IT Hardware (Neutral): Coronavirus impact on China smartphone demand larger than expected
18/2	**TW** Technology Sector: 5G smartphone momentum delayed
18/2	**TW** Auras (3324 TT; Outperform; NT$ 227.00): Beneficial 5G smartphone trend remains, but with slower tempo

For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com

Market Strategy

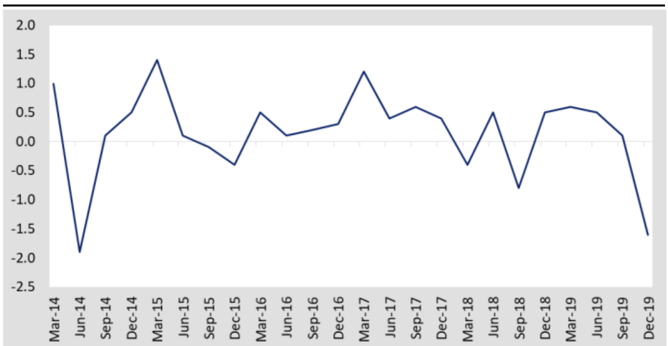
Collateral damage: Japan and South Korea

Joel Ng/ 65 6202 1192 / joel.ng@kgi.com
Chen Guangzhi, CFA/ 65 6202 1191 / guangzhi.chen@kgi.com

- Japan and South Korea are China's third and fourth largest trading partners. Both countries are heavily reliant on China as an export destination and as a source of imports.
- A key risk we highlight in this report is the rising number of infection cases in both countries that would have the potential to further disrupt the global supply chain in the automobile (Japan's largest export) and electronics-related sectors (South Korea's largest export).
- Furthermore, as Asia's second and fourth largest economies, an economic slowdown in their countries would have a ripple effect on the rest of the world.
- Financial markets have largely shrugged off the impact from the coronavirus. However, we are not out of the woods yet. As the impact starts to become evident in upcoming economic data, the disconnection between risk-assets and the economy will be tested.
- We maintain our recommendations to be cautious and not chase rallies. Stick to quality companies (companies with strong balance sheets and stable dividend yields; see our *Fab 5 Dividend Portfolio*). We reiterate to buy gold and silver, with a target price of US$1,700/oz and US$25/oz, respectively.

Japan – a ticking time bomb. On 17-Feb, Japan released 4Q19 GDP growth figure which fell to -1.6% YoY, more than the market consensus of -0.9%. The weaker-than-expected economic performance was mainly due to subdued private consumption that dropped 2.9% YoY as a result of the sales tax hike in October 2019. Furthermore, business spending during the period plunged by 3.7% YoY, the biggest fall since 3Q18. Government spending grew by 0.2% and public investment increased by 1.1%, with both figures missing expectations. January exports dipped less than expected, by 2.6% YoY, while imports dropped by 3.6% YoY.

Figure 1: Japan quarterly GDP growth (YoY %)



Source: CEIC, KGI Research

4Q19 macro data implies a higher risk of entering a technical recession. Based on the past five-years, private consumption contributes over 50% of total output, and foreign trade accounts for around 35% of Japan's GDP. Yet entering 1Q20, consumption tax continues to plague the sector, while foreign trade is expected to decline due to the slowdown in China as the coronavirus outbreak continues to disrupt supply chains.

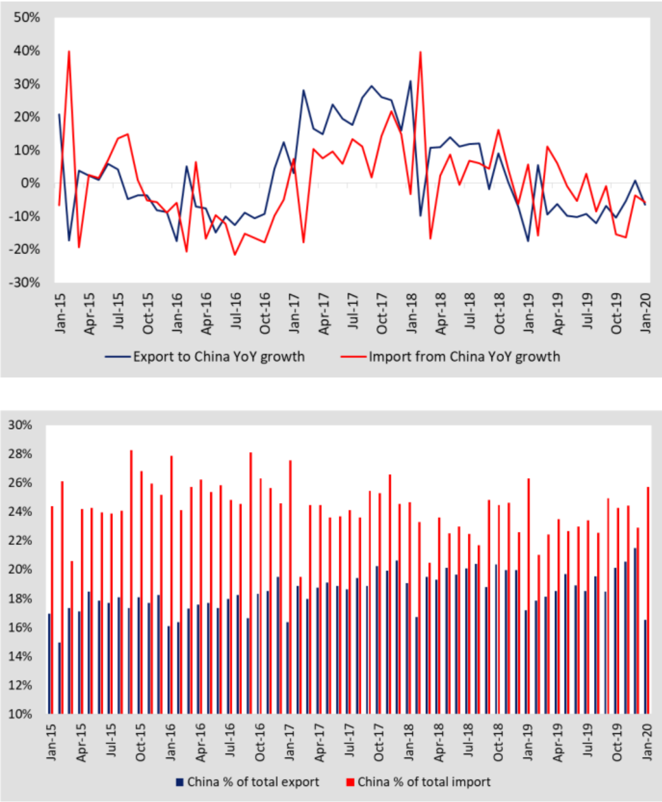
Against the backdrop of the ongoing outbreak of COVID-19 in China that has likely yet to peak, the infection rate in Japan is potentially just starting its exponential climb. As of 20-Feb, there were a total of 634 infected cases in the country, out of which, 542 were from the Diamond Princess Cruise ship, while the rest were domestic. So far, there has only been one death reported.

Warning - Speed bumps ahead. We mentioned in our previous reports that the global supply chain is temporarily disrupted due to China's partial shutdown of its economy. Just after the US, China is Japan's second largest trading partner, accounting for a five-year average of 18% and 24% of the total value of imports and exports, respectively. Trade value growth (both imports and exports) between China and Japan have been trending downwards, and we believe this is closely associated with the softening demand of automobile sales in China, especially since Japanese-branded auto sales takes up a sizable 17.8% of market share in China. In addition, several domestic best-selling auto manufacturers still install engines that are made in Japan.

According to the latest news reports, Toyota's factories in Guangzhou city and Changchun city had resumed operations on 17-Feb, and in Tianjin city on 18-Feb, but are only running at half-capacity. Its remaining factory in Chengdu city is scheduled to resume on 24-Feb. Honda's factory in Guangzhou (one of two plants) have also resumed operations but three plants in Wuhan are still shut until at least 10th March. Following the resumption of production at Nissan's Guangzhou factory on 17-Feb, the rest of its factories in Dalian, will resume on 21-Feb, and in Xiangyang and Zhenzhou on 24-Feb.

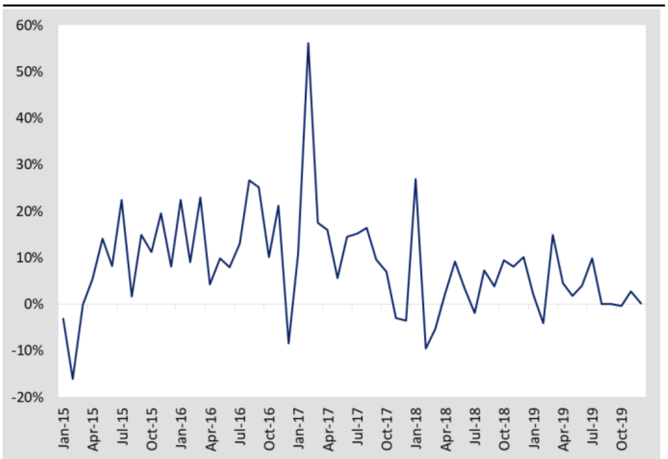
According to the China Passenger Car Association, auto sales in the first half of February 2020 plunged 92% YoY and is expected to drop 70% for the full month. Consequently, we foresee that this will have a substantial drag on the auto components trade between China and Japan.

Figure 2: China and Japan trade value growth trending downward



Source: CEIC, KGI Research

Figure 3: Japanese brand auto sales growth in China

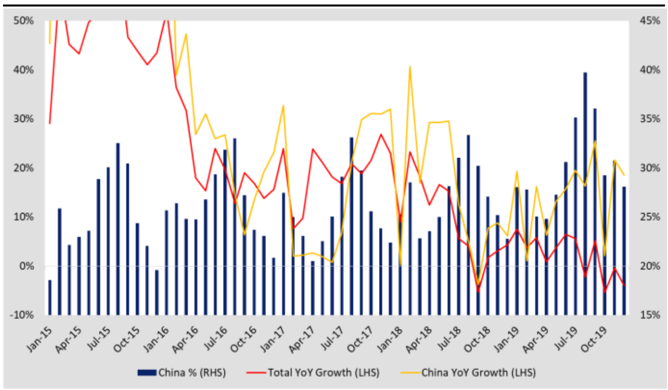


Source: CEIC, KGI Research

Tourism to take a holiday. Tourism contributed more than 7% of Japan's GDP in recent years. Over the past two years, visitors from China have become the main driver of Japan's tourism industry, given that the visitors from China have outpaced overall tourism growth.

However, due to the COVID-19 outbreak, not only have China's tourists been confined domestically, but there are increasing concerns from global tourists on the rising cases of infections in Japan. As a result, we expect the decrease in China's visitors to potentially impact Japan's GDP by 0.4% to 0.5% this year.

Figure 4: China visitors are main drivers of Japan's tourism



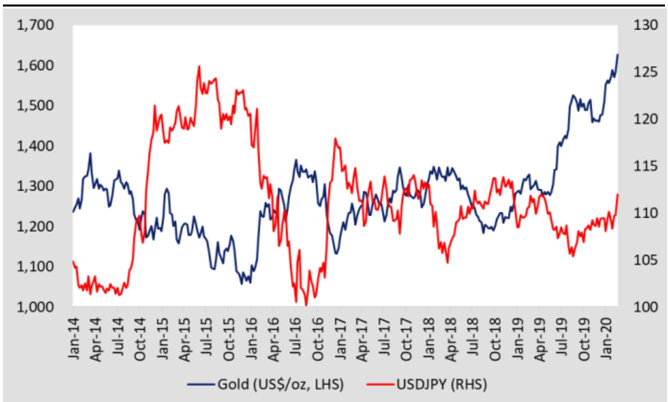
Source: CEIC, KGI Research

Stealth outbreak. The infected cases in Japan have been increasing, and authorities have not completely mapped out cluster tracing of those infected. While the Japanese passengers who have already disembarked from the Diamond Princess Cruise ship have been tested to be virus-free, the accuracy of such tests are not fool-proof. Cases in China have shown that patients who had initially tested negative eventually turned out positive for the virus after a much longer incubation period. Hence, there is still significant uncertainty surrounding those who disembarked - potentially as silent spreaders.

What is sure at this point though, is the shrinking confidence in authorities who think the situation is under control, similar to what China's authorities claimed during the early stages of the outbreak in Wuhan.

Follow the FX. FX markets are reflecting the pessimistic sentiments on Japan's economic prospects. Traditionally, JPY has been traded as a safe haven asset, almost equivalent to gold. However, since Japan raised its sales tax in Oct-19, the synchrony has been broken, indicating expectations of ensuing weakness in Japan's economy, as already evident from the 6.3% annualised decline in 4Q19. From 19-Feb to 20-Feb, JPY depreciated by 2.7% as more negative news surfaced. As a result, we believe that it is highly likely for Japan to enter into a technical recession with 4Q19 and 1Q20 GDP declining consecutively.

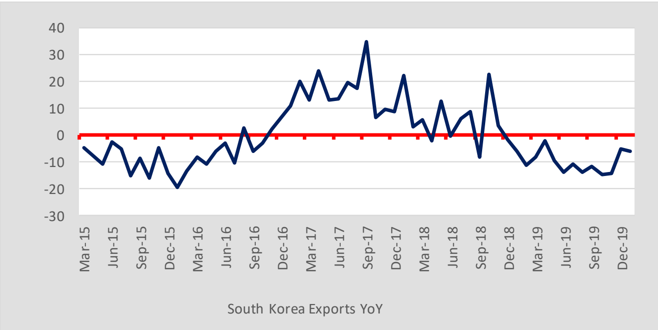
Figure 5: JPY weakens comparing to gold



Source: Bloomberg, KGI Research

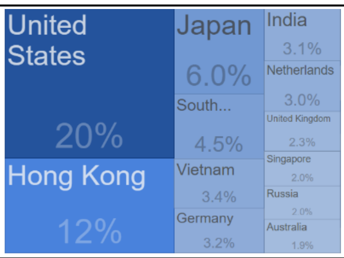
South Korea – barely out of the woods in 2019, and now this. In addition to Japan, it is worth looking at South Korea given that the country is the 4th largest economy in Asia and the 12th largest in the world. In 2019, South Korea's economy was battered by declining exports (-10% YoY in 2019) due to the US-China trade tensions, China's slowdown and a cyclical downturn in the memory chip market. With exports accounting for 24% of South Korea's GDP, prolonged disruption to China's supply chain will eventually have a knock-on effect on the rest of the economy. This is even before taking into account the potential outbreak in the country, which would further disrupt its internal supply chain and have a significant impact on the global technology manufacturing sector that relies heavily on the country's semiconductor exports.

Figure 6: South Korea Exports (YoY %)



Source: Bloomberg, KGI Research

Figure 7: China's top trading partners (% of total exports in 2018)

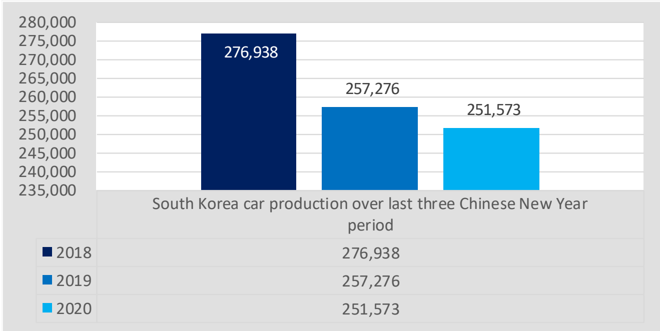


Source: Trading Economics

Early indicators are flashing warning signals. An early set of economic data released for the month of January is already pointing to the impact from the coronavirus outbreak on South Korea's economy. China is the largest export destination for South Korea, accounting for 25% of total exports, and exports are heavily made up of technology-related products. On the other hand, South Korea is the fourth largest export market for China, and accounted for almost 5% of China's total exports. Around a third of China's exports to South Korea are intermediate goods, and hence a critical piece of the economy.

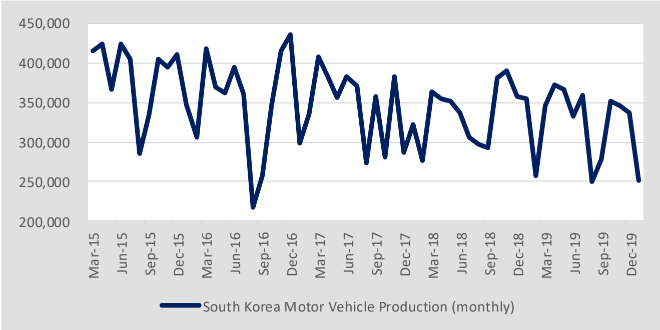
The most significant news so far in South Korea's auto sector, is where key car manufacturers such as Kia and Hyundai have had to temporarily halt production due to parts shortages from China. This was the first time that both car makers had to suspend all of its domestic plants since the Asian Financial Crisis in 1997. From a macro perspective, South Korea's car production in 2020's Chinese New Year period (January) is down 2% from 2019 and 9% lower than 2018.

Figure 8: South Korea car production over the last three Chinese New Year periods (2018 to 2020)



Source: Bloomberg, KGI Research
**Chinese New Year: Feb 2018, Feb 2019, Jan 2020*

Figure 9: South Korea motor vehicle production (monthly). Latest month data is for January 2020, which showed one of the lowest in 5 years



Source: Bloomberg, KGI Research

Impact on technology sector. In the technology sector, the largest impact from supply chain disruption will be on components used in high-end electronics products such as phones and computers. In particular, disruptions to companies such as Samsung and SK Hynix would have a significant impact on the technology supply chain as they produce critical components such as LEDs and memory chips.

Just yesterday (20-Feb), SK Hynix announced that 800 of its workers in South Korea had quarantined themselves following news that one of its trainee has a close contact with a virus patient in the Southern city of Daegu, which is now the epicentre of the outbreak in South Korea. SK Hynix is the world's 2nd largest memory chipmaker and supplies to key phone makers such as Apple and Huawei.

Tourism to take a hit but less impact than on Japan. Similar to Japan, South Korea's tourism industry relies heavily on Chinese tourists. There were 6mn Chinese tourists which made up 33% of the total number of inbound visitors to South Korea in 2019. However, we think that the impact may not be as severe given that the tourism industry only makes up 2.7% of South Korea's economy.

KGI CHINA DEVELOPMENT FINANCIAL

ARA US HOSPITALITY TRUST

(ARAUS SP)

Largely in line with forecasts, keep an eye peeled

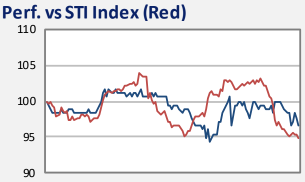
Amirah Yusoff / 65 6202 1195 / Amirah.Yusoff@kgi.com

- **Maintain OUTPERFORM with revised 12M TP of US$0.95.** DPU is largely in line with our forecasts, despite missing ARA's own forecasts by 12.9%. We have revised 2020F estimates to account for a more conservative environment in light of year-end US elections, in addition to a slower recovery amid supply headwinds.
- **Despite fresh set of senior hotel management staff in transition, RevPAR Index of portfolio remains robust.** With portfolio RevPAR Index of 106.3% and higher-than-average occupancy rates (ARA 4Q19: 77%; 4Q upscale select-service: 68.5%), despite supply outpacing demand and the inherent seasonality in 4Q, we see potential for the renewed c.45% of management to further boost RevPAR and accordingly, DPU for unitholders.
- **Expect future acquisitions to boost DPU further.** In addition to establishing an SGD800mn multicurrency stapled debt programme in January 2020, management has undoubtedly expressed intention to continue actively pursuing DPU-accretive acquisitions in the coming year(s).

Outperform (Maintain)		Performance (Absolute)	
Price as of 7 Nov 19 (USD)	0.86		
12M TP (USD)	0.95	1 Month (%)	-2.3
Previous TP (USD)	0.99	3 Month (%)	-1.7
Upside, incl div (%)	19.2%	12 Month (%)	-

Trading data	
Mkt Cap (USD mn)	485
Issued Shares (mn)	567
Vol - 3M Daily avg (mn)	0.3
Val - 3M Daily avg (USD mn)	0.2
Free Float (%)	43.2

Perf. vs STI Index (Red)



Major Shareholders	
ARA Asset Mgt	9.5%
Yu Duan	8.5%
Yang Shi Ying	8.0%

Previous Recommendations	
7-Nov-19	OP US$0.99
2-Oct-19	OP US$0.96

Financials & Key Operating Statistics

YE Dec USD mn	2018A	2019A	2020F	2021F	2022F
Gross revenue*	-	115.0	200.5	214.0	223.8
Net property income*	-	32.6	62.2	66.4	69.4
Distributable income*	-	23.9	39.9	42.0	44.1
DPU* (US cents)	-	4.3	7.0	7.4	7.7
DPU growth (%)	-	-	-	5.1	4.0
Div Yield (%)	-	5.0	8.1	8.6	8.9
NAV (US cents)	-	0.9	0.8	0.8	0.8
Price / Book (x)	-	1.0	1.0	1.0	1.0
NPI Margin* (%)	-	28.4	31.0	31.0	31.0
Net Margin* (%)	-	9.3	7.7	8.1	8.7
Gearing (%)	-	32.1	38.4	38.4	38.3
ROE* (%)	-	2.2	3.2	3.6	4.0

* 2019F figures are for a period of 8 months, 1 May to 31 December 2019;
Source: Company, KGI Research

Figure 1: 2019 Actual Earnings vs KGI Forecasts

YE Dec USD mn	2019A	KGI 2019F	Variance
Gross revenue	115.0	121.1	-5.1%
Net property income	32.6	37.6	-13.3%
Distributable income	23.9	24.2	-1.4%
DPU (US cents)	4.2	4.3	-2.1%

Source: Company, KGI Research

4Q/FY19 review. Stronger-than-expected supply headwinds, particularly in the teeming upscale select-service segment, have impacted RevPAR growth in 4Q19, and is expected to spill-over into 2020 as new hotels continue to offer introductory rates. YoY supply growth is also still expected to outpace demand growth in 2020 and 2021, holding down our estimates for the next two years.

Consequently, in line with a dimmer macro outlook, we also see a downward revaluation of ARA's properties of about 2.1%, especially for hotels in the West/Midwest. However, we expect the impact of headwinds to taper off towards 2H20/2021. Hotels in cities such as Philadelphia and Tampa have already seen improvement in RevPAR performance as new supply absorbs. This is largely in line with Hyatt House Philadelphia's valuation that has increased by c.10%.

Saving grace. We believe that the contributions from its three new Marriott acquisitions will help soften the impact of supply headwinds, the transitional period for ARA hotels' new management, as well as any subdued demand due to the year-end elections. We are already seeing some improved results - after a period of transition, Hyatt Place Sacremento's new General Manager and Director of Sales have together already pushed its RevPAR Index up to c.140% in January 2020 from 105% in November 2019. Thus, we are optimistic about a new, more capable and qualified set of hotel management staff in 2020. We also note that the current Covid-19 situation has not impacted ARA's hotels, given that they are predominantly domestic customer oriented and not located in gateway cities.

Management has also expressly made known their intentions for more Marriott or Hilton-branded acquisitions, especially those with a higher RevPAR index and higher GOP margins, with a focus on extended stay hotels as these tend to fulfil the higher GOP margins requirement. Management has also highlighted focusing on economically favourable states, mostly in the Southern regions where economic growth rates are expected to surpass that of the nations', namely in Texas, Florida and North Carolina among others. We do note though that while Texas is attractive to businesses due to the lack of state income taxes, a potential decrease oil production in the near future could affect the state's growth.

Valuation & Action: Maintain OUTPERFORM based on fair value of US$0.95. We remain optimistic but conservative, due to the less than optimal macro outlook. DPU has dipped slightly to 7.0 US cents (prev: 7.7) for our FY20F forecasts, representing a total return of 19.2% (incl. div).

Risks: US tax changes, FX risk as earnings and dividends are in USD.

KGI CHINA DEVELOPMENT FINANCIAL

ComfortDelGro Corporation
(CD SP/CMDG.SI)

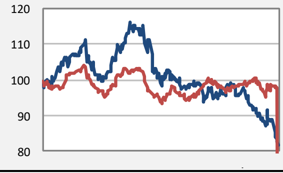
Sputtering engines and dividend cut

Joel Ng / 65 6202 1192 / joel.ng@kgi.com

- CD reported a poor set of 4Q19 results, dragged down by the S$27mn impairment in its taxi business. Excluding the one-off impairment charge, 4Q19 net profit of S$76mn would have been the highest quarterly profit in FY19.
- However, we were more surprised by the cut to its final dividend to 5.29 Sing cents, down 14% from 6.15 cents in FY18. Full year dividend together with the 4.50 cents interim dividend comes up to 9.79 cents, or an implied 4.8% dividend yield, missing our expectations by a mile. The lower FY19 dividend breaks a 10-year uninterrupted growth in dividends, which is perhaps a key reason for the significant negative reaction of its share price (-15% YTD).
- While challenges from the coronavirus may present speed bumps in 1H20, we are confident of CD's prospects to shift gears higher after the sputtering of its growth engine. Long-term, CD drives a great business with strong cash flows, a healthy balance sheet with barely any net debt, and dominant positions in its key markets.
- **We maintain CD at OUTPERFORM but with a lower target price of S$2.28 as we cut FY2020- 2021F earnings forecast by 7-12%.**

OUTPERFORM - Maintain

Price as of 24 Feb 20 (SGD)	2.00	**Performance (Absolute)**	
12M TP ($)	2.28	1 Month (%)	-9.9
Previous TP ($)	2.61	3 Month (%)	-12.9
Upside, incl div (%)	18.1	12 Month (%)	-14.6
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	4,332		
Issued Shares (mn)	2,166		
Vol - 3M Daily avg (mn)	9.4		
Val - 3M Daily avg ($mn)	21.2		
Free Float (%)	93.6%		
Major Shareholders		**Previous Recommendations**	
Blackrock	7.0%	19-Nov-19	OP $2.61
Capital Group	3.5%	15-Aug-19	NEUTRAL $2.77
Vanguard Group	2.9%	10-Jul-19	NEUTRAL $2.77



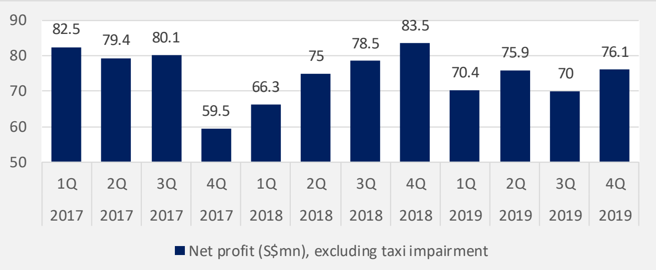
Financials & Key Operating Statistics

YE Dec (S$m)	2018	2019	2020F	2021F	2022F
Revenue	3805.2	3905.7	3994.2	4053.5	4114.0
PATMI	303.3	265.1	281.9	303.4	308.9
Core PATMI	303.3	292.4	281.9	303.4	308.9
Core EPS	14.0	13.5	13.0	14.0	14.3
Core EPS grth (%)	8.7	-3.6	-3.6	7.7	1.8
Core P/E (x)	14.4	14.9	15.5	14.4	14.2
DPS (SGCents)	10.5	9.8	10.5	10.6	10.7
Div Yield (%)	5.2	4.8	5.2	5.2	5.3
Net Margin (%)	8.0	6.8	7.1	7.5	7.5
Gearing (%)	8.4	13.5	6.6	3.3	0.1
Price / Book (x)	1.7	1.7	1.6	1.6	1.5
ROE (%)	10.0	8.8	8.9	9.2	9.0

Source: Company Data, KGI Research

4Q/FY19 results summary. 4Q19 earnings missed our estimates due to the S$27mn impairment at its taxi business, without which, would have been the best quarterly profit for the year. For the full-year, FY19 earnings declined 13% YoY to S$265mn due to the taxi business impairment and unfavourable forex impact. This is despite FY19 sales improving 3% YoY to S$3.9bn, driven mainly by acquisitions.

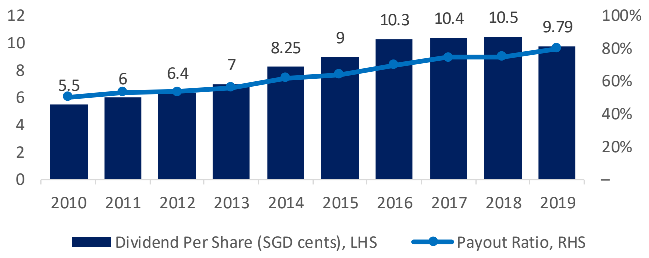
Figure 1: Quarterly profits



Source: Company Data, KGI Research

Dividend engine ran low on fuel. CD's 10-year track record of uninterrupted DPS growth finally came to an end in FY19, signalling a more challenging environment for the year ahead. CD will be hit by the trio of service cost pressure for its Singapore public transport service, forex volatility from weaker AUD and GBP, and finally, lower overall demand due to the coronavirus outbreak.

Figure 2: Dividend trend - Full year



Source: Company data, KGI Research

Looking beyond the traffic light. CD's strong balance sheet and cash flows provides it with reserve fuel to turbo charge growth when the opportunity is right, especially in light of the uncertain global economy. Its valuation metrics are all green in our view, with a 6x forward EV/EBITDA, near-net cash position, 1.8x P/B and 5% dividend yields.

Valuation & Action: We maintain **OUTPERFORM** but lower our target price to S$2.28, pegged to a more conservative 17.5x 2020F EPS (5-year average vs 1SD above mean in our prior report). The current 15% YTD share price sell-off is a buying opportunity, in our view. Despite the challenging environment over the next 12 months, CD remains in an enviable position to recover when the situation improves.

Risks: Longer-than-expected slowdown due to the outbreak; forex risks given its exposure to UK, Australia and China.

RESULTS UPDATE

REIT ▪ Singapore

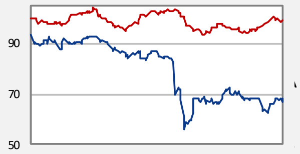
Eagle Hospitality Trust

(EAGLEHT SP)

Missed estimates; no near term catalysts

Amirah Yusoff / 65 6202 1195 / Amirah.Yusoff@kgi.com

NEUTRAL - Downgrade			
Price as of 19 Feb 20 (USD)	0.53	**Performance (Absolute)**	
12M TP (USD)	0.51	1 Month (%)	-0.9
Previous TP (USD)	0.61	3 Month (%)	-0.9
Upside, incl div (%)	6.1%	12 Month (%)	-
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap (USD mn)	462		
Issued Shares (mn)	871		
Vol - 3M Daily avg (mn)	4.0		
Val - 3M Daily avg ($mn)	2.1		
Free Float (%)	16.2		
Major Shareholders		**Previous Recommendations**	
Claydon Hill Investments	15.1%	2-Oct-19	OP US$0.84
Compass Cove Assets	12.4%	2-Oct-19	OP US$0.84
Qian Jianrong	8.9%		



Financials & Key Operating Statistics

YE Dec USD mn	2018A	2019A	2020F	2021F	2022F
Gross revenue	-	51.8	79.7	86.5	90.4
Net property income	-	42.9	67.7	73.5	76.8
Distributable income	-	30.4	43.0	48.3	51.4
DPU (US cents)	-	3.5	4.9	5.5	5.9
DPU growth (%)	-	-	-	12.3	6.3
Div Yield (%)	-	6.6	9.3	10.4	11.1
NAV (US cents)	-	89.3	93.9	98.1	102.3
Price / Book (x)	-	0.6	0.6	0.5	0.5
NPI Margin (%)	-	82.7	85.0	85.0	85.0
Net Margin (%)	-	48.7	53.7	56.3	57.5
Gearing (%)	-	36.5	35.6	34.7	33.8
ROE (%)	-	18.2	4.7	5.1	5.2

Source: Company Data, KGI Research

* FY19 figures are for the period 1 May 2019 - 31 Dec 2019

- **We downgrade to NEUTRAL with TP of US$0.51.** Listing-to-date results missed our estimates by an average of 18%. 4Q19 DPU missed EHT's own forecasts by 24.4%. Given 2019's weak performance and a lack of near term catalysts, we revise our estimates and 12M TP down to US$0.51.
- **Not directly affected by Covid-19, but we see overall demand softening in the face of trade tensions and upcoming elections.** While EHT hotels are c.90% backed by domestic demand and are not affected by the seeming halt of international and Chinese travellers, we expect the ongoing US-China trade tensions in addition to impending year-end elections to weigh on consumer and business sentiments in the coming year.
- **Assets see downward revaluations despite active asset management initiatives.** Property valuations dipped by 0.6% YoY for the year, despite substantial capital expenditures, revenue management and profit initiatives. On a positive note, EHT's RevPAR Index outperformed peers by 3.7% on a full 12-months basis. Queen Mary Long Beach's valuations increased 5.6% YoY to USD 168.3mn, providing some solace to our forecasts.

Figure 1: 2019 Actual Earnings vs KGI Forecasts

YE Dec USD mn	2019A	KGI 2019F	Variance
Gross revenue	51.6	63.1	-18.3%
Net property income	42.9	51.1	-16.1%
Distributable income	30.4	37.2	-18.4%
DPU (US cents)	3.5	4.3	-19.1%

Source: Company, KGI Research

4Q/FY19 review. The full US$174mn in capital expenditure works have been completed as of 2019, with a remaining 5 Work-In-Progress (WIP) assets still in stabilization (RevPAR spread has reduced to c.25% from c.28% in 3Q19). Yet, we see a marginal downward revaluation of 0.6% in the portfolio, potentially providing for the usual softening in demand during election years and in line with the macro outlook.

140 of 777 rooms in EHT's largest asset – Holiday Inn Resort Orlando Suites – are also undergoing roof repairs on the heels of Hurricane Dorian in 3Q19. Repairs are expected to be completed by 2Q20, in time for spring break in the US. Occupancy for the asset stood at c.60.3% for 4Q19, and we expect a similar occupancy for 1Q19 as repairs are underway, in addition to the inherent seasonality. We note its impact in our 2020F estimates – with 2021F estimates normalizing post-elections, also with a more positive outlook as well as with full contributions from the 5 WIP assets.

Lack of near term catalysts. A new parking management company will begin operations and cost management at 12 of EHT's 18 hotels, in addition to new contracts secured with regards to events to be held at the Queen Mary. The Sponsor, as master lessees, have also agreed to amend master lease agreements to allow EHT to receive more variable rents from any outperforming properties that generate excess cash flow in relief of any shortfalls in rent of any underperforming properties. However, we still remain doubtful that these could adequately lift revenues from a dismal 2019.

Queen Mary Long Beach valuations holding up, with events lined up for the year. While uncertainties remain with regards to the Queen Mary asset, the City of Long Beach has selected Moffatt & Nichol to prepare monthly inspection reports beginning May 2020. The Sponsor, Urban Commons LLC, is also in collaboration with the City to develop a 30-year blueprint aimed to help prioritise and stagger the estimated reserves to continue the preservation of the ship.

Valuation & Action: Downgrade NEUTRAL based on fair value of US$0.51. We remain conservative, with 2020 RevPAR projections subdued. DPU has dipped accordingly to 4.93 US cents for our FY20F forecasts, representing a total return of c.6.1% (incl. div).

Risks: US tax changes. Foreign exchange risk as earnings and dividends are in USD. Slowing economic growth would have an immediate impact on dividends.

Thai Beverage

(THBEV SP/TBEV.SI)

Lifted by Spirits

Joel Ng / 65 6202 1192 / joel.ng@kgi.com

- **1Q20 PATMI rose 14% YoY to THB 8.4bn.** Growth in the quarter was contributed mainly from the strong performance of THBEV's spirit business. Spirit sales rose 9% YoY while net PATMI surged 26% YoY on higher margins due to favourable product mix. THBEV's other business (beer, non-alcoholic and food segments) reported uninspiring results as sales stagnated YoY.
- **Short-term headwinds due to COVID-19.** Our Thailand economist expects a 11% YoY drop in international tourists to Thailand in 2020 and forecasts the economic impact to far outweigh that of SARS in 2003. While THBEV's spirits business, which is its key earnings driver, largely caters to domestic consumption, demand will nevertheless be impacted due to slower overall economic growth in the country. On a positive note, the impact will be concentrated in the early to mid cycle of the outbreak, before recovering by the middle of the year.
- **Upgrade to Outperform; opportunity to accumulate.** THBEV's shares declined by as much as 17% over the past month, which quickly recovered following the strong set of 1Q20 earnings. Shares are still down 12% from the 1-year peak of S$0.96 and we believe the current weakness presents an attractive opportunity to accumulate, especially as concerns over the coronavirus starts to wear off.

Outperform - Upgrade			
Price as of 19 Feb 20 (SGD)	0.85	**Performance (Absolute)**	
12M TP (SGD)	0.96	1 Month (%)	-2.8
Previous TP (SGD)	0.80	3 Month (%)	-11.6
Upside (%)	14.2	12 Month (%)	4.7
Trading data		**Perf. vs STI INDEX (Red)**	
Mkt Cap ($mn)	20,846		
Issued Shares (mn)	25,116		
Vol - 3M Daily avg (mn)	17.1		
Val - 3M Daily avg ($mn)	14.4		
Free Float (%)	32.3%		
Major Shareholders		**Previous Recommendations**	
Sirwana Co Ltd	45.3%	19-Aug-19	N S$0.80
Maxtop Management Corp	20.6%	13-May-19	N S$0.75
		18-Feb-19	N S$0.75

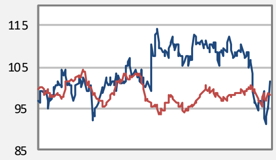


Figure 1: Quarterly PATMI comparison YoY

Business Segment PATMI (mn THB), YE Sep	1Q 20	1Q 19	% Change
Spirits	7,053	5,617	25.6%
Beer	178	410	(56.6%)
Non-alcoholic beverages	27	(253)	
Food	131	151	(13.2%)
Total	**7,389**	**5,925**	**24.7%**

Source: Company Data, KGI Research

Financials & Key Operating Statistics

YE Sep THB (mn)	2018A	2019A	2020F	2021F	2022F
Revenue	229,695	267,357	272,346	280,718	288,726
Net income	19,609	26,083	27,615	28,295	28,666
PATMI	17,943	23,272	24,777	25,428	25,771
EPS	0.71	0.93	0.99	1.01	1.03
EPS growth (%)	(31.0)	29.7	6.5	2.6	1.3
P/E (x)	26.5	20.4	19.2	18.7	18.5
P/B (x)	3.9	4.1	4.2	3.9	3.8
Dividend Per Share (THB cts)	0.39	0.48	0.49	0.49	0.49
Dividend Yield (%)	1.9	2.5	2.6	2.6	2.6
Dividend Payout Ratio (%)	54.6	51.8	50.0	48.7	48.1
Net Debt/Equity (x)	1.5	1.3	1.4	1.3	1.2
Net Margin (%)	8.5	9.8	10.1	10.1	9.9
ROE (%)	15.7	22.0	24.0	24.1	23.2

Source: Company Data, KGI Research

1Q FY20 review. THBEV's spirits business contributed the bulk of earnings growth in 1Q20, making up 87% of net profit. Spirit volume sales rose 4.2% YoY to 189mn liters, driven by growth in domestic volumes. The strong performance was attributed to the government stimulus measures, as well as the longer year-end holiday season. Meanwhile, beer sales was flat YoY but reported a decline in profits due to weaker earnings from Sabeco. There were some initial concerns on Sabeco following the imposition of drink driving laws in Vietnam, but Sabeco's management has since addressed the issue. Although there has indeed been a knee-jerk reaction in terms of alcohol consumption in Vietnam, this should normalise over time based on trends in other countries, and result in a return to consumption growth in the medium term.

Thailand outlook: Challenging 1H 2020 but look beyond. Our Thailand economist is forecasting a 11% drop in international tourists to 35mn in 2020, and for the country's economic growth to likely fall to 2.0% this year in the worst-case scenario (from 2.4% in our base case scenario), based on preliminary calculations. The study of SARS in 2003 showed the biggest drop of tourist arrivals in the first three months following the outbreak, before significantly recovering thereafter. Still, we could possibly see a 0.5% drop in Thailand's full-year consumption spending even with the recovery in the second half of this year.

Valuation & Action: Upgrade to OUTPERFORM with a higher TP of US$0.96. While we acknowledge the short-term impact from the coronavirus and Vietnam's drink driving laws, we remain positive on THBEV's long-term fundamentals and dominant market share in both Thailand and Vietnam. THBEV is well-positioned given that its key markets are ranked among the top alcohol consuming countries in Asia. The listing of its beer business remains a possibility and a key re-rating catalyst, although management has reiterated that it is only exploratory at this point.

Risks: Larger-than-expected impact from the slowdown in Thailand's economy due to the coronavirus. 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 FY19F (%)	Div Yield FY20F (%)
FINANCIALS								
DBS SP	DBS	25.08	64,217	(0.1%)	(3.1%)	(1.8%)	5.1%	5.4%
OCBC SP	OCBC	11.02	48,495	(0.2%)	0.4%	(0.4%)	4.7%	4.9%
UOB SP	UOB	25.68	42,843	(0.7%)	(2.8%)	(2.2%)	5.0%	5.2%
SGX SP	SGX	9.05	9,690	(2.3%)	3.0%	(1.8%)	3.5%	3.7%
PROPERTIES								
CAPL SP	CapitaLand	3.70	18,657	(0.8%)	(1.3%)	(0.5%)	3.3%	3.5%
HKL SP	Hongkong Land USD	5.29	17,426	(3.5%)	(8.0%)	(4.0%)	4.3%	4.4%
AREIT SP	Ascendas REIT	3.29	11,904	(0.3%)	12.0%	(0.3%)	5.0%	5.0%
CIT SP	City Development	10.69	9,695	(1.7%)	(2.4%)	(4.3%)	1.9%	1.9%
CT SP	CapitaLand Mall Trust	2.50	9,222	(0.8%)	2.9%	(0.8%)	5.1%	5.2%
CCT SP	CapitaLand Comm Trust	2.04	7,870	(1.0%)	4.4%	(1.9%)	4.4%	4.6%
UOL SP	UOL	8.07	6,808	(0.7%)	(3.0%)	(1.9%)	2.2%	2.2%
TELECOMMUNICATIONS								
ST SP	SingTel	3.10	50,619	(1.0%)	(8.0%)	(3.7%)	5.8%	5.5%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	57.82	59,746	(0.3%)	4.0%	(0.4%)	2.9%	3.1%
JS SP	Jardine Strategic Holdings	31.24	48,468	(0.4%)	1.9%	(2.0%)	1.1%	1.2%
THBEV SP	ThaiBev	0.85	21,223	0.0%	(3.2%)	7.6%	2.8%	3.1%
JCNC SP	Jardine C&C	29.13	11,513	(0.1%)	(3.2%)	(0.1%)	4.1%	4.2%
GENS SP	Genting Singapore	0.88	10,610	0.0%	(4.3%)	(0.6%)	4.4%	4.4%
DFI SP	Dairy Farm International	5.12	9,697	(1.0%)	(10.3%)	(5.2%)	3.9%	4.1%
VMS SP	Venture Corp	16.77	4,839	(0.9%)	3.5%	(1.8%)	4.3%	4.4%
SPH SP	SPH	2.01	3,205	0.0%	(7.8%)	(2.0%)	6.0%	6.0%
REIT								
MCT SP	Mapletree Commercial Trust	2.35	7,773	(1.3%)	(0.9%)	0.4%	4.0%	4.2%
MLT SP	Mapletree Logistics Trust	2.00	7,601	(1.0%)	15.8%	1.0%	4.1%	4.3%
TRANSPORT								
SIA SP	Singapore Airlines	8.57	10,157	0.2%	(5.2%)	(0.6%)	2.9%	3.3%
CD SP	ComfortDelGro	2.02	4,375	(1.5%)	(15.1%)	(7.3%)	5.1%	5.3%
COMMODITIES								
WIL SP	Wilmar	4.11	26,066	1.7%	(0.2%)	0.2%	2.7%	3.0%
OFFSHORE & MARINE/INDUSTRIALS								
STE SP	ST Engineering	4.24	13,207	(0.7%)	7.6%	(1.4%)	3.6%	3.7%
KEP SP	Keppel Corp	6.69	12,148	(0.1%)	(1.2%)	(0.4%)	3.3%	3.5%
SATS SP	SATS	4.46	4,987	(1.1%)	(11.9%)	0.7%	3.9%	4.0%
YZJSGD SP	Yangzijiang SGD	1.04	4,076	0.0%	(7.1%)	4.5%	4.5%	4.4%
SCI SP	Sembcorp Industries	2.01	3,583	(0.5%)	(12.2%)	(1.5%)	2.7%	3.1%

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

Appendix 1: Corporate Action

Latest Dividend Entitlements Announcement

	Company	Results Ann Date	Period		DPS	Ex-Date	Book Close	Payable		Share Price 21 Feb 20	Yield (%)
	Asian Pay Television Trust	10-Feb-20	FY19	SGD	0.00300	**19-Mar-20**	20-Mar-20	27-Mar-20	SGD	0.167	7.2
	AVI-Tech Electronics	13-Feb-20	2Q20	SGD	0.01000	**29-Apr-20**	30-Apr-20	15-May-20	SGD	0.435	5.3
	BRC Asia	20-Nov-19	FY19	SGD	0.05000	**17-Mar-20**	18-Mar-20	26-Mar-20	SGD	1.750	
	BRC Asia - Special	20-Nov-19	FY19	SGD	0.03000	**17-Mar-20**	18-Mar-20	26-Mar-20	SGD	1.750	
	CEI	7-Feb-20	FY19	SGD	0.00400	**23-Apr-20**	24-Apr-20	4-May-20	SGD	1.020	
	CEI - Special	7-Feb-20	FY19	SGD	0.03980	**23-Apr-20**	24-Apr-20	4-May-20	SGD	1.020	
STI	DBS Grp Hldgs	13-Feb-20	FY19	SGD	0.3300	**7-Apr-20**	8-Apr-20	21-Apr-20	SGD	25.080	4.8
	First Sponsor Grp	12-Feb-20	FY19	SGD	0.016000	**22-Apr-20**	23-Apr-20	8-May-20	SGD	1.340	1.8
	Hwa Hong Corp	4-Feb-20	FY19	SGD	0.01000	**29-Apr-20**	30-Apr-20	15-May-20	SGD	0.335	3.0
	Karin Technology Hldgs	13-Feb-20	1H20	**HKD**	0.0390	**3-Mar-20**	4-Mar-20	19-Mar-20	SGD	0.335	7.0
STI	Keppel Corp	23-Jan-20	FY19	SGD	0.1200	**30-Apr-20**	4-May-20	14-May-20	SGD	6.690	3.4
	Lonza Group AG	21-Jan-20	FY19	**CHF**	0.02750	**30-Apr-20**	4-May-20	5-May-20		-	-
	Lum Chang Holdings Ltd	13-Feb-20	2Q20	SGD	0.00300	**27-Feb-20**	28-Feb-20	12-Mar-20	SGD	0.365	4.9
	Megachem Ltd	20-Feb-20	FY19	SGD	0.0100	**30-Apr-20**	4-May-20	20-May-20	SGD	0.325	4.0
	Qian Hu Corp Ltd	13-Jan-20	FY19	SGD	0.0030	**7-Apr-20**	8-Apr-20	23-Apr-20	SGD	0.150	1.3
	Roxy-Pacific Holdings Ltd	20-Feb-20	FY19	SGD	0.01090	**20-Apr-20**	21-Apr-20	30-Apr-20	SGD	0.375	2.4
	SBS Transit Ltd	13-Feb-20	FY19	SGD	0.0590	**30-Apr-20**	4-May-20	12-May-20	SGD	3.490	4.1
STI	Sembcorp Industries	21-Feb-20	FY20	SGD	0.0300	**27-Apr-20**	28-Apr-20	15-May-20	SGD	2.010	2.0
	ST Group Food Industries Holdings L	13-Feb-20	2Q20	**AUD**	0.0050	**3-Mar-20**	4-Mar-20	13-Mar-20	SGD	0.245	-
	Tai Sin Electric	12-Feb-20	2Q20	SGD	0.0075	**26-Feb-20**	27-Feb-20	6-Mar-20	SGD	0.330	6.8
	Talkmed Group Ltd	17-Feb-20	FY19	SGD	0.0130	**28-Apr-20**	29-Apr-20	11-May-20	SGD	0.520	4.0
	United Overseas Insurance	12-Feb-20	FY19	SGD	0.08500	**24-Apr-20**	27-Apr-20	8-May-20	SGD	7.200	
	United Overseas Insurance - Special	12-Feb-20	FY19	SGD	0.07000	**24-Apr-20**	27-Apr-20	8-May-20	SGD	7.200	
	Vicom	12-Feb-20	FY19	SGD	0.24290	**29-Apr-20**	30-Apr-20	11-May-20	SGD	8.500	5.4
STI	Wilmar Int'l	20-Feb-20	FY19	SGD	0.0950	**30-Apr-20**	4-May-20	15-May-20	SGD	4.110	2.4

Source: SGX Annoucement / Bloomberg

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
24-Feb **SG** **(Jan 2020) CPI** *For General Households* **Q4** Aspial Corp > BreadTalk Grp > Raffles Medical Grp > Spore Technologies Engineering	**25-Feb** **SG** **4Q19 GDP** *(Not later than 25 Feb)* **Q4** Delfi > Spore Reinsurance Corp > UIC ***Q4** Cromwell European REIT	**26-Feb** **SG** **(Jan 2020) Index of Industrial Production** **Q4** CapitaLand > China Aviation Oil Spore > City Devpts > CSE Global > Thakral Corp ***Q4** First Resources > SIIC Environment Hldgs	**27-Feb** **Q4** AP Oil Int'l > EC World REIT > Emerging Towns & Cities Spore > Hong Leong Finance > mDR > Stratco Corp > Venture ***Q4** Sinarmas Land	**28-Feb** **Q4** Golden Agri-Resources > Hiap Hoe > Ho Bee Land > Hotel Royal > IFS Capital > Mewah Int'l Inc > Uni-Asia Grp > UOL Grp ***Q4** KrisEngery > LHT Hldgs > Olam Int'l
2-Mar	**3-Mar**	**4-Mar**	**5-Mar** **Q4** Dairy Farm Int'l Hldgs > Hongkong Land Hldgs > Jardine Matheson > Jardine Strategic Hldgs > Mandarin	**6-Mar**
9-Mar	**10-Mar**	**11-Mar**	**12-Mar** ***Q3** Del Monte Pacific	**13-Mar**
16-Mar	**17-Mar**	**18-Mar**	**19-Mar**	**20-Mar**
23-Mar	**24-Mar**	**25-Mar**	**26-Mar**	**27-Mar**

** Tentative*

Source: Bloomberg

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities's total revenues, a portion of which are generated from KGI Securities's business of dealing in securities.