

## Market Indicators

	4-Oct	5-Oct	8-Oct
Mkt. T/O (S\$ mil)	1,087.3	919.0	1,063.2
Stock Advances	140	125	107
Stock Declines	281	246	293

## Major Indices

	4-Oct	5-Oct	8-Oct
DJ Ind Avg	26,627.5	26,447.1	26,486.8
S & P 500	2,901.6	2,885.6	2,884.4
Nasdaq Comp	7,879.5	7,788.4	7,735.9
Hang Seng	26,623.9	26,572.6	26,202.6

**STI Index** 3,181.45 (-0.88%)

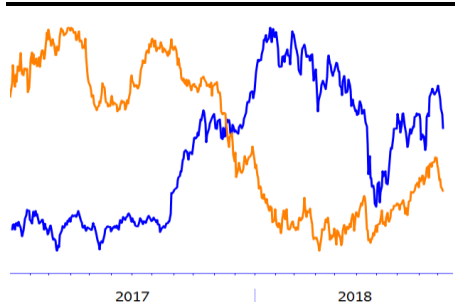


Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,190.13	-0.37%
Oil (NYMEX CWT1) US\$ / bbl	74.26	1.13%
Baltic Dry Index	1536	-1.16%

## Exchange Rates



USD : SGD 1.3843 / MYR : SGD 3.0029

Source: Bloomberg

## Interest Rates

3-mth Sibor	1.642%
SGS (10 yr)	2.615%

## KGI Market Ideas

Over the next twelve months, our strategy is to sell into strength and build up a defensive portfolio. Among names in this theme that we like are SingTel, ST Engineering, ComfortDelGro, Thai Beverage, REITS (Frasers Centrepoint Trust, Keppel DC REIT, Manulife US REIT, Mapletree Industrial Trust), Hospitals (Raffles Medical Group) and consumer staples (Sheng Siong). Under the utilities sector, we have Sembcorp Industries and Netlink NBN Trust in our defensive portfolio.

**Thai Beverage:** Since 2016, beer consumption in Thailand has been affected by the mourning period and excise tax but we expect beer consumption to rebound soon due to improvements in wage growth and the steep rise in the Thailand's consumer confidence index to a 3-year high in July 2018. We expect beer consumption to rebound in the coming quarter and efficient marketing strategies to continue capturing market share for the company. Based on these trends, we continue to maintain a **BUY** with a SOTP derived target price of \$0.75.

**CSE Global:** Following our site visit to CSE's Australia office, we re-initiate with a **BUY** recommendation. Our fair value of S\$0.57 is based on a blended 12.5x FY2019F P/E and 2.1x 2019F P/B. CSE's valuation is currently attractive on undemanding earnings multiple of 15/12/10x 2018/19/20F core EPS. We expect 22-26% EPS growth in the next 3 years on the back of better industry prospects and from synergies with its new major shareholder. Downside risk is mitigated by its above-industry 5.8% dividend yield and P/B valuations which are still below the 10-year average. We also visited 8 other SGX and ASX listed companies in Australia. Interestingly, all the companies we met during the site visit cited recovering demand in Australia on stronger tendering activities across key sectors such as O&G, mining and infrastructure.

## Re-Initiation; Site-Visit

➤ **CSE Global (CSE SP; BUY; S\$0.57):** Turnaround as industry fundamentals improve; offering attractive 6% dividend yield - Page 3

**Recent In depth Regional Reports**

8/10	<b>TH</b> PTT Global Chemical (PTTGC TB; Neutral; TP: Bt 93.00): 3Q18 earnings preview: Record high against PE spread crack
5/10	<b>TW</b> ASPEED Technology (5274 TT; Neutral; TP: NT\$540.00): Short-term headwind from trade war
5/10	<b>TW</b> Catcher Technology (2474 TT; Outperform; TP: NT\$407.00): 3Q18 sales slower on later schedule of new model ramp up; positive on 4Q18 sales & earnings rebound
5/10	<b>TW</b> ITEQ (6213 TT; Not Rated): Trade war causes short-term concerns; demand deferred but intact
5/10	<b>CN/HK</b> Cryptocurrency: Implications of listing of three largest ASIC-based cryptomining hardware firms
5/10	<b>TH</b> Property Sector (Neutral): Beginning of the end
5/10	<b>TH</b> Bangkok Expressway and Metro (BEM TB; Neutral; TP: Bt 8.60): 3Q18 earnings preview: Satisfactory performance
5/10	<b>TH</b> Krung Thai Card (KTC TB; Outperform; TP: Bt 44.00): Loan growth acceleration and margin expansion
4/10	<b>TW</b> Lotes (3533 TT; Outperform; TP: NT\$265.00): Stronger 3Q18F earnings; solid 2019F outlook expected
4/10	<b>TW</b> SDI (2351 TT; Not Rated): Stellar automotive growth outlook on megatrends
4/10	<b>TW</b> Wafer Works (6182 TT; Not Rated): Shares to lack steam until 1H19 price negotiations are settled
4/10	<b>HK</b> Fast Food (Neutral): Share price weakness will persist for a while
4/10	<b>TH</b> Thai Oil (TOP TB; Outperform; TP: Bt 92.00): 3Q18 earnings preview: After the storm comes the calm
4/10	<b>TH</b> Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 4.80): Return to upcycle
3/10	<b>TW</b> Online Gaming Sector: Taiwan's first hot-selling homegrown mobile game appears
3/10	<b>TW</b> Aslan Pharmaceuticals (6497 TT; Not Rated): Key clinical trial results to be released at year-end
3/10	<b>HK</b> Wisdom Education (6068 HK; Outperform; TP: HK\$5.20): Limited impact from management change
3/10	<b>TH</b> Muang Thai Capital (MTC TB; Outperform; TP: Bt 58.50): The winner in the game
3/10	<b>TH</b> Siam Cement (SCC TB; Neutral; TP: Bt 482): 3Q18 earnings preview: Weak chemical business
2/10	<b>TW</b> Strategy: Rally in 4Q18F with tech mainstream by mid-October
2/10	<b>TW</b> Industrial Automation: Warning signs of ASP cuts; sharp downcycle going into 2019
2/10	<b>TW</b> Petrochemicals Sector (Overweight): Impressive 3Q18F earnings to be buoyed by crude price rises
2/10	<b>TW</b> Airtac (1590 TT; Underperform; TP: NT\$241.00): More earnings cuts ahead
2/10	<b>TW</b> Formosa Chemicals (1326 TT; Outperform; TP: NT\$135.00): PX supports QoQ earnings growth in 3Q18F
2/10	<b>TW</b> Formosa Petrochemical (6505 TT; Neutral; TP: NT\$132.00): High oil price unfavorable to 2019F profit
2/10	<b>TW</b> Formosa Plastics (1301 TT; Outperform; TP: NT\$128.00): Impressive AN spread
2/10	<b>TW</b> Hiwin (2049 TT; Underperform; TP: NT\$185.00): Price cuts & earnings downside risks are underestimated
2/10	<b>TW</b> Nan Ya Plastics (1303 TT; Outperform; TP: NT\$100.00): BPA to drive stellar 3Q18F earnings
2/10	<b>TW</b> SCI Pharmtech (4119 TT; Not Rated): New revenue growth driver
2/10	<b>TW</b> TaiMed Biologics (4147 TT; Outperform; TP: NT\$312.00): Getting better
2/10	<b>CH/HK</b> 4Q18 Strategy: Broader A-share rally in 4Q18F
2/10	<b>TH</b> Commodities Update: Loss in Iranian crude exports
2/10	<b>TH</b> COM7 (COM7 TB; Outperform; TP: Bt 26.00): Jumping on the digital bandwagon
1/10	<b>TW</b> Chaun Choung (6230 TT; Outperform; TP: NT\$ 113.00): Japan's Nidec announces tender offer at NT\$108
1/10	<b>TW</b> Fubon FHC (2881 TT; Outperform; TP: NT\$59.00): Rumor – Fubon FHC plans to sell Fubon Bank (HK)
1/10	<b>TW</b> MediaTek (2454 TT; Outperform; TP: NT\$340.00): Further weakness in Android smartphone demand ahead
<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>	



# CSE Global

(CSE SP/CSES.SI)

## Turnaround as industry fundamentals improve; offering attractive 6% dividend yield

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- We re-initiate with a BUY; our fair value of S\$0.57 is based on a blended 12.5x FY2019F P/E and 2.1x 2019F P/B. CSE's valuation is currently attractive on undemanding earnings multiple of 15/12/10x 2018/19/20F core EPS.
- Positive company outlook on 22-26% EPS growth in next 3 years from better industry prospects and from synergies with its new major shareholder. We expect downside risks to be mitigated by its above-industry 5.8% dividend yield.
- We also visited CSE's Australia's operations and 8 other SGX and ASX listed companies. All the companies we met cited recovering demand on stronger tendering activities across all sectors. CSE is well-placed to capitalise on opportunities as improving industry trends lend support to growth prospects.

Financials & Key Operating Statistics					
YE Dec (\$ m)	2016	2017	2018F	2019F	2020F
Revenue	317.8	362.4	376.8	399.5	423.4
PATMI	21.2	-45.1	17.8	20.9	25.3
Core PATMI	20.6	-3.5	16.1	20.4	24.8
Core EPS	4.0	-0.7	3.1	4.0	4.8
Core EPS grth (%)	-34.0	na	na	26.6	21.6
Core P/E (x)	11.8	-69.1	15.1	11.9	9.8
DPS (SGCents)	2.8	2.8	2.8	2.8	2.8
Div Yield (%)	5.9	5.9	5.9	5.9	5.9
Net Margin (%)	6.7	-12.5	4.7	5.2	6.0
Gearing (%)	-27.5	-8.8	-8.1	-4.1	-2.8
Price / Book (x)	1.0	1.4	1.4	1.3	1.2
ROE (%)	8.3	-25.7	9.9	11.3	12.9

Source: Company Data, KGI Research

**Turnaround.** CSE reported a huge turnaround in 2Q18, with PATMI of US\$4.2mn from a loss of S\$13.8mn in 2Q17. 2Q18 core-PATMI, excluding the S\$16.8mn losses arising from fines recorded in 2Q17, would have been a 44% YoY increase. New orders improved QoQ in 2Q18 as it secured S\$89mn in new orders, compared to S\$69mn in 1Q18. Its current S\$149mn net order book remains healthy, just slightly below the 3-year annual average of S\$177m.

**Australia site visit.** We had a positive takeaway following our trip to Perth Australia to visit 4 SGX-listed and 5 ASX-listed companies that were active in the country. All the companies we met were expanding operations and cited the recovery of demand in key sectors such as O&G, mining and infrastructure.

Since the oil and mining downturn began in 2015, CSE Global has successfully diversified into Australia's infrastructure sector, mainly with the supply and servicing of 2-way radio communication systems. We estimate that Australia now contributes 30% of total group revenues in FY2017 but >70% of EBIT, and expect more room for growth as tendering activity continues to be strong across the key sectors.

**New shareholder opens up opportunities.** Serba Dinamik (SDH MK), a mechanical maintenance service provider listed

Buy - Re-initiation		Performance (Absolute)	
Price as of 8 Oct 18 (SGD)	0.47	1 Month (%)	9.3
12M TP (\$)	0.57	3 Month (%)	16.2
Previous TP (\$)	na	12 Month (%)	39.2
Upside, incl div (%)	26%		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	239		
Issued Shares (mn)	509		
Vol - 3M Daily avg (mn)	1.1		
Val - 3M Daily avg (\$mn)	0.5		
Free Float (%)	65.0%		
Major Shareholders		Previous Recommendations	
Serba Dinamik	25.0%		
Fidelity Mg't & Research	10.1%		
CAM-GTF	6.8%		

on the Malaysian exchange, acquired a 24.84% stake in CSE Global from eight shareholders in April 2018. As both companies are mainly involved in oil & gas projects, the acquisition could result in synergies between them. We believe it is highly likely that Serba Dinamik could utilise CSE's system integration products and services while CSE could open doors in markets such as the US and Australia. Serba Dinamik currently derives half of its revenues from the Middle East, a market that CSE has cut back its presence due to problems with customer payments.

**Guiding for full-year 2.75 SG cents dividend; now offering an attractive 5.9% dividend yield.** CSE maintained its 1.25 SG cents 1H18 interim dividend, unchanged over the past 5 years. Management has maintained its guidance of 2.75 SG cents full-year dividend, which would mean a final 1.0 SG cents dividend, offering an attractive 6.4% dividend yield. It has consistently paid 2.75 SG cents p.a. over the past 4 years. We estimate that CSE can sustain this dividend amount going forward as balance sheet remains in net cash position of S\$20.9mn while free cash flows are sufficient to cover the annual dividend payout of S\$14mn.

**Valuation & Action:** CSE is currently trading at 15/12/10x 2018/19/20F EPS - which is attractive in our view given its solid balance sheet, asset light model and stable recurring free cash flows. We thus initiate with a **BUY** and believe that EPS growth of >20% over the next 3 years is achievable on the back of improving industry dynamics.

**Risks:** Margin pressure due to competition and lower-than-expected new order wins. Foreign exchange risks due to its exposure to USD, AUD and EUR.

**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	25.47	65,071	(1.2%)	8.8%	(1.9%)	4.7%	4.9%
OCBC SP	OCBC	11.11	46,542	(0.7%)	(7.4%)	(3.0%)	3.8%	4.1%
UOB SP	UOB	26.13	43,571	(2.1%)	2.8%	(3.4%)	4.6%	4.8%
SGX SP	SGX	7.24	7,752	(0.4%)	0.6%	(1.4%)	4.3%	4.5%
<b>PROPERTIES</b>								
HKL SP	Hongkong Land USD	6.35	20,691	0.8%	(7.2%)	(4.7%)	3.3%	3.4%
CAPL SP	CapitaLand	3.24	13,488	(0.6%)	(5.2%)	(3.6%)	3.8%	3.9%
AREIT SP	Ascendas REIT	2.55	7,927	0.0%	(0.7%)	(3.0%)	6.4%	6.6%
CIT SP	City Development	8.66	7,860	(0.1%)	(29.4%)	(4.3%)	2.1%	2.1%
CT SP	CapitaLand Mall Trust	2.14	7,595	0.9%	4.6%	(2.7%)	5.2%	5.3%
CCT SP	CapitaLand Comm Trust	1.73	6,477	(0.6%)	(6.1%)	(2.8%)	5.1%	5.2%
UOL SP	UOL	6.62	5,579	0.2%	(23.9%)	(3.8%)	2.6%	2.6%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.20	52,253	(0.3%)	(7.4%)	(0.9%)	5.6%	5.6%
<b>CONSUMER SERVICES AND GOODS</b>								
JM SP	Jardine Matheson USD	60.63	61,828	(1.0%)	2.4%	(3.5%)	2.8%	2.9%
JS SP	Jardine Strategic Holding	35.00	53,699	(1.5%)	(10.8%)	(4.1%)	1.0%	1.0%
THBEV SP	ThaiBev	0.68	17,076	(2.2%)	(23.8%)	2.3%	2.9%	3.3%
DFI SP	Dairy Farm Internationl	8.95	16,766	(2.2%)	16.8%	(3.0%)	2.7%	2.9%
GENS SP	Genting Singapore	1.02	12,286	(1.0%)	(19.7%)	(1.9%)	3.4%	3.5%
JCNC SP	Jardine C&C	29.97	11,845	(2.3%)	(23.7%)	(5.9%)	3.9%	4.1%
VMS SP	Venture Corp	17.38	5,007	(3.4%)	(11.6%)	(6.2%)	3.8%	3.9%
SPH SP	SPH	2.86	4,571	0.0%	10.3%	0.0%	5.1%	5.0%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	9.54	11,292	(0.9%)	(7.9%)	(1.8%)	4.1%	4.1%
CD SP	ComfortDelGro	2.36	5,109	0.0%	24.8%	(3.3%)	4.5%	4.8%
<b>COMMODITIES</b>								
WIL SP	Wilmar	3.17	20,055	(0.6%)	6.0%	(0.3%)	3.5%	3.5%
GGR SP	Golden Agri	0.25	3,184	(5.7%)	(32.2%)	(3.8%)	2.8%	3.3%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	7.10	12,868	0.0%	0.4%	0.9%	4.0%	3.8%
STE SP	ST Engineering	3.54	11,043	0.3%	13.4%	(0.6%)	4.3%	4.5%
SATS SP	SATS	4.96	5,540	(0.2%)	(2.4%)	(4.2%)	3.8%	4.0%
SCI SP	Sembcorp Industries	2.96	5,285	0.3%	(1.0%)	(3.6%)	1.8%	2.5%
YZJSGD SP	Yangzijiang SGD	1.22	4,814	(4.7%)	(13.5%)	(0.8%)	3.5%	3.5%
HPHT SP	HPH Trust USD	0.26	3,137	2.0%	(32.0%)	4.0%	9.0%	8.9%

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

Source: Bloomberg

**STI Reserve List (by market cap) - STI next review date: December 2018**

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	1.84	4,908	(0.5%)	(11.1%)	(4.2%)	5.4%	5.4%
MCT SP	Mapletree Commercial	1.58	4,562	(0.6%)	1.6%	(2.5%)	5.7%	5.8%
MLT SP	Mapletree Logistics Trust	1.22	4,348	0.0%	(1.7%)	(0.8%)	6.5%	6.6%
KREIT SP	Keppel REIT	1.18	4,021	0.9%	(3.0%)	(1.7%)	5.0%	5.0%
MINT SP	Mapletree Industrial Tru:	1.93	3,641	(0.5%)	(1.2%)	(2.5%)	6.4%	6.7%

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 8 Oct 18	Yield (%)
Serial System Ltd - Special			SGD 0.0100	<b>9-Oct-18</b>	11-Oct-18	19-Oct-18	SGD 0.104	9.6
UMS Holdings	14-Aug-18	2Q18	SGD 0.0100	<b>9-Oct-18</b>	11-Oct-18	26-Oct-18	SGD 0.720	1.4
Ellipsiz	20-Aug-18	FY18	SGD 0.020000	<b>25-Oct-18</b>	29-Oct-18	20-Nov-18	SGD 0.530	3.8
Ellipsiz - Special	20-Aug-18	FY18	SGD 0.010000	<b>25-Oct-18</b>	29-Oct-18	20-Nov-18	SGD 0.530	1.9
PCI	28-Aug-18	FY18	SGD 0.0300	<b>25-Oct-18</b>	29-Oct-18	7-Nov-18	SGD 1.090	2.8
PCI - Special	28-Aug-18	FY18	SGD 0.0200	<b>25-Oct-18</b>	29-Oct-18	7-Nov-18	SGD 1.090	1.8
Chuan Hup Hldgs	28-Aug-18	FY18	SGD 0.0100	<b>29-Oct-18</b>	31-Oct-18	13-Nov-18	SGD 0.330	3.0
Sin Ghee Huat Corp Ltd	23-Aug-18	FY18	SGD 0.0030	<b>29-Oct-18</b>	31-Oct-18	14-Nov-18	SGD 0.255	1.2
GuocoLand	27-Aug-18	FY18	SGD 0.07000	<b>30-Oct-18</b>	1-Nov-18	22-Nov-18	SGD 1.910	3.7
Karin Technology Hldgs	28-Aug-18	FY18	<b>HKD</b> 0.1180	<b>30-Oct-18</b>	1-Nov-18	22-Nov-18	SGD 0.330	2.1
UG Healthcare Corp Ltd	23-Aug-18	FY18	SGD 0.002350	<b>30-Oct-18</b>	1-Nov-18	17-Dec-18	SGD 0.215	1.1
British & Malayan Trustees Ltd	17-Aug-18	FY18	SGD 0.02700	<b>31-Oct-18</b>	2-Nov-18	20-Nov-18	-	0.0

**Latest Rights Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
<b>Hong Leong Asia</b>	1 Rights Share @ S\$0.54 for each Rights share for every 1 existing ord share held	28-Sep-18	2-Oct-18	<b>5-Oct-18</b>	<b>15-Oct-18</b>
<b>MS Hldgs</b>	4 Rts Shares @ S\$0.062 for each Rts share for every 5 existing ord share held, 1 free detachable warrant (exercise price S\$0.13) for every 4 Rts Share subscribed	1-Oct-18	3-Oct-18	<b>8-Oct-18</b>	<b>16-Oct-18</b>
<b>OUE Lippo Healthcare</b>	1 Rights Share @ S\$0.0675 for each Rights Share for every 1 Existing Share	26-Sep-18	28-Sep-18	<b>3-Oct-18</b>	<b>11-Oct-18</b>
<b>OUE Commercial REIT</b>	83 Rights Units for every 100 Existing Units @ S\$0.456 for each rights unit	2-Oct-18	4-Oct-18	<b>9-Oct-18</b>	<b>17-Oct-18</b>

Source: SGX Announcement

MS Hldgs: Expected date for listing and commencement of trading of warrants: 9.00 a.m., Wednesday, 31 October 2018

**Latest Listing Issue Announcement**

Company	Offer Price	Closing Date	Offeror
<b>Vard Hldgs</b>	SGD 0.25 Cash	5.30 p.m. on 15 Oct 2018	Fincantieri Oil & Gas S.p.A.
<b>Wheelock Properties</b>	SGD 2.10 Cash	5.30 p.m. on 2 Oct 2018	Star Attraction Ltd

Source: SGX Announcement

**Appendix 2: Financial Calendar**

Monday		Tuesday		Wednesday		Thursday		Friday	
	8-Oct		9-Oct		10-Oct		11-Oct		12-Oct
						Q4: SPH REIT			
	15-Oct		16-Oct		17-Oct		18-Oct		19-Oct
Q3: Keppel REIT Q4: Spore Press Hldgs		Q3: First REIT / Keppel DC REIT / Keppel Infrastructure Trust / Qian Hu Corp		Q3: Keppel Telecoms & Tpt / Keppel- KBS US REIT / Soilbuild Business Space REIT *Q3: First REIT		Q3: Keppel Corporation		*Q1: Spore Exchange *Q4: Frasers Commercial Trust	
	22-Oct		23-Oct		24-Oct		25-Oct		26-Oct
		Q2: Mapletree Industrial Trust Q3: Utd Overseas Insurance		Q2: Mapletree Commercial Trust Q3: Suntec REIT Q4: Frasers Centrepoint Trust		Q3: Sembcorp Marine		Q2: Mapletree North Asia Commercial Trust Q3: Cache Logistics Trust / UOB (Before mkt open) Q4: Frasers Hospitality Trust *Q3: Indofood Agri Resources (Release on Sat, 27-Oct)	
	29-Oct		30-Oct		31-Oct	<b>1-Nov-18</b>			2-Nov
Q3: Great Eastern Hldgs *Q2: Meghmani Organics		Q4: Second Chance Properties *Q1: Micro-Mechanics Hldgs				Q3: OCBC (Before mkt open) *Q1: Oxley Hldgs		Q3: Sembcorp Industries *Q3: CITIC Envirotech / Venture Corp	
	5-Nov		6-Nov		7-Nov		8-Nov		9-Nov
Q4: Frasers Logistics & Industrial Trust *Q3: DBS						Q3: Emerging Towns & Cities *Q3: Best World Int'l		*Q3: ComfortDelgro Corp / UMS Hldgs *Q4: Frasers Property	

\* Tentative

Source: Bloomberg

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