CIMB

CIMB Research Report

SECTOR UPDATE

24 March 2010

MALAYSIA

Rubber Gloves

OVERWEIGHT Maintained

Results round-up: On growth hormone

Terence Wong CFA +60(3) 20849689 - terence.wong@cimb.com

- **Half exceeded our estimates; maintain OVERWEIGHT.** The rubber glove sector did well during the quarters ending Dec-Feb, with core net profit for the six companies in our coverage rising on average 23% qoq and more than doubling yoy. Half of the companies topped our expectations. The results trend was consistent with our expectations of strong results due to pricing power stemming from robust demand. This enabled margins to improve despite rising latex costs and a depreciating US$. We see no change to this picture of strong demand, which the manufacturers will be able to tap into, thanks to their continuing capacity expansion. We also expect the impact on margins to be minimal given the strong demand which will allow the companies to pass through the cost increases. We retain our OVERWEIGHT stance on the sector, with the potential re-rating catalysts being a continuing uptick in demand, capacity expansion and strong earnings growth. We retain our earnings forecasts and Outperform recommendations for all the glove stocks under our coverage. Adventa and Supermax remain our top picks.
- **No underachievers.** Three companies, namely Adventa, Latexx and Supermax, met our expectations. The other three, i.e. Hartalega, Kossan and Top Glove exceeded our numbers by 2-9% on an annualised basis, thanks largely to higher-than-expected sales and margins. All six companies reported strong quarterly results on both qoq and yoy basis, helped by higher sales and strong demand for rubber gloves.
- **Margins continued to improve.** Despite the rise in latex prices and weakening US$, glove manufacturers' margins remained intact and in most cases, rose throughout end-09 to the beginning of 2010. The current global supply shortage allowed the Malaysian players to command higher prices for their products. On top of that, the companies use the previous month's average latex price and RM:US$ rate when quoting customers for new orders. This underpins our belief that future margin contraction, if any, will be minimal and temporary as there is only 1-2 months' time lag before price adjustments take place.
- **Still firm on expansion plans.** Glove manufacturers' expansion plans are intact as demand is still set to rise this year. Many of them are expanding capacity in a big way over the next few years. Top Glove's announcement of new expansion plans since January this year is a good sign as it shows that the current supply in the market cannot cater to the rising demand for rubber gloves.
- **Repeat of 2008?** The stellar performance of rubber glove companies has stirred fears of a repeat of the 2008 collapse of their share prices which was caused by a massive selldown by investors who assumed that record latex prices, high energy prices and a weakening US$ would result in losses for glove makers for that year. We do not think this situation will recur as glove manufacturers proved their resilience against the global economic turmoil in 2008-09 and earnings continued to rise despite the weakening US$ and high costs.

Sector comparisons

	Bloomberg ticker	Recom.	Price (Local)	Target price (Local)	Mkt cap (US$ m)	Core P/E (x) CY2010	Core P/E (x) CY2011	3-yr EPS CAGR (%)	P/BV (x) CY2010	ROE (%) CY2010	Div yield (%) CY2010
Adventa	ADV MK	O	3.40	5.44	151	10.9	8.2	31.5	1.9	19.7	2.8
Hartalega	HART MK	O	7.76	12.11	567	11.4	9.5	37.0	4.2	42.2	3.0
Kossan	KRI MK	O	7.41	10.43	357	8.8	7.0	16.7	2.3	31.2	2.0
Latexx	LTX MK	O	3.89	5.44	238	7.8	6.1	43.2	3.0	46.5	2.1
Supermax	SUCB MK	O	6.38	9.65	521	10.2	8.7	16.0	2.5	27.0	2.0
Top Glove	TOPG MK	O	12.92	17.90	1,197	13.4	11.9	26.6	3.5	29.4	3.0
Simple average						**10.4**	**8.6**	**28.5**	**2.9**	**32.7**	**2.5**

O = Outperform, N = Neutral, U = Underperform, TB = Trading Buy and TS = Trading Sell
Source: Bloomberg, Company, CIMB Research

Background

In this note, we review the results announced in Jan 10-Mar 10 for the Malaysian rubber glove companies under our coverage. As the companies have different financial year-ends, the results represent different quarters for different companies (Figure 1).

Figure 1: Financial year-ends

Company	FYE	Quarter under review	Date announced
Adventa	October	1Q	3-Mar
Hartalega	March	3Q	28-Jan
Kossan	December	4Q	25-Feb
Latexx	December	4Q	5-Feb
Supermax	December	4Q	19-Feb
Top Glove	August	2Q	17-Mar

Source: Companies, CIMB Research

Share price performance

Rubber glove stocks still outperformed the market. Rubber glove stocks are still favoured by investors for their superior growth prospects and defensiveness. Since our last write-up in January, the sector has gained 26% on average against a meagre gain of 1% for the KLCI (Figure 2). Although Kossan was the laggard among all the rubber glove stocks last year, the stock is catching up, rising 35% YTD, second only to Supermax which gained 35.7%. Kossan currently offers the cheapest valuations in the sector and is one of the stocks of choice for investors who missed the sector run last year.

Figure 2: Share price performance since 5 Jan

Company	Share price on 5-Jan (RM)	Share price on 23-Mar (RM)	Difference
Adventa	3.13	3.40	8.6%
Hartalega	6.21	7.76	25.0%
Kossan	5.49	7.41	35.0%
Latexx	3.18	3.89	22.3%
Supermax	4.70	6.38	35.7%
Top Glove	10.08	12.92	28.2%
Average			**25.8%**
FBM KLCI	1,288.24	1,304.85	1.3%

Source: Bloomberg, CIMB Research

Results analysis

50% met our forecasts… Out of the six rubber glove companies that we cover, three companies, namely Adventa, Latexx and Supermax, met our expectations (Figure 3). Adventa proved that FY10 is the beginning of a new financial year for the company as it recorded core net profit growth of almost 20% qoq and 25% yoy in 1Q10. Moreover, no forex losses were incurred during 1Q10, which is in line with the company's earlier indication that it would steer clear of long-term foreign hedging contracts from FY10 onwards. Record quarterly profits were chalked up by Latexx whose 4Q09 core net profit advanced 157% yoy and Supermax, which racked up 171% core net profit growth after a dismal 4Q08 when it had to make a RM16.7m write-off for its investment in APLI.

…and 50% outstripped our numbers. On an annualised basis, the other three companies, i.e. Hartalega, Kossan and Top Glove exceeded our numbers by 2-9%. Most of the deviation came from higher-than-expected sales and margins. Although Hartalega did not add any production lines during the quarter under review, an improvement in productivity from 29,000 pieces of nitrile gloves per hour to 31,500 pieces allowed the group to increase its sales. As for Kossan, despite two fire incidents and forex losses, the group managed to report higher core net profit, courtesy of a better product mix which widened the company's margins. Meanwhile, industry leader Top Glove turned in a 2Q10 core net profit that was almost double

2Q09's. We expect 2H10 to be stronger for the industry leader as the group is putting in new capacity that will allow it to sell more in 2H.

Figure 3: Companies' performance vs. our and consensus forecasts

	vs our forecast			vs consensus forecast		
Company	**Above**	**In line**	**Below**	**Above**	**In line**	**Below**
Adventa		√		√		
Hartalega	√				√	
Kossan	√				√	
Latexx		√			N/A	
Supermax		√		√		
Top Glove	√			√		

Source: Bloomberg, CIMB Research

Figure 4: Results comparison for individual companies – Core net profit growth yoy and qoq

Company	Quarter	Yoy change	Qoq change
Adventa	1QFY10	24.7%	19.5%
Hartalega	3QFY10	67.4%	12.4%
Kossan	4QFY09	157.9%	53.8%
Latexx	4QFY09	157.2%	21.0%
Supermax	4QFY09	171.4%	23.3%
Top Glove	2QFY10	95.9%	8.2%
Average		**112.4%**	**23.0%**

Source: Bloomberg, CIMB Research

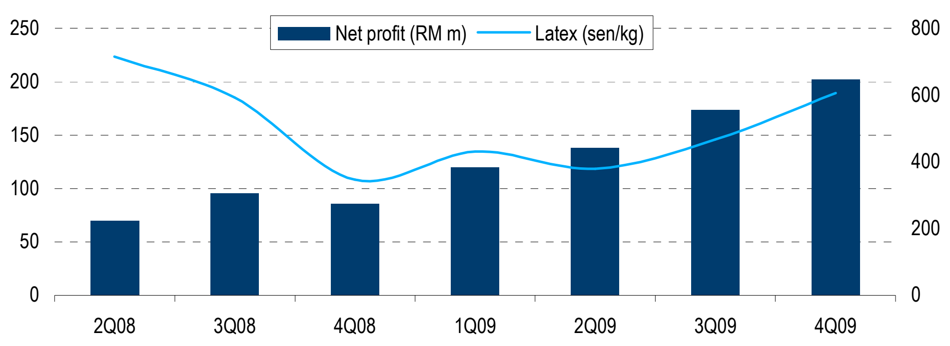
Trends in the recent results season

Rising latex prices… Latex price stayed on an upward trend during Oct 09-Feb 10, rising from RM4.65/kg to about RM7.35/kg. It reached to an all-time high of RM7.45/kg earlier this month, beating the RM7.20/kg high hit in Jul 08. Currently, latex concentrate is trading at about RM7.30/kg. We gather from industry players that this is due to the tight supply in the market as well as the ongoing rubber wintering season which should last until April this year.

..and weakening US$ not a major concern. On top of that, the US$ weakened against the ringgit to RM3.40:US$1 compared to RM3.57:US$1 in the same period last year. Even though rubber glove manufacturers export more than 90% of their production, the US$ depreciation is not a major concern as the manufacturers can adjust their selling prices to reflect the higher latex costs and RM:US$ exchange rates with just a 1-2 month lag.

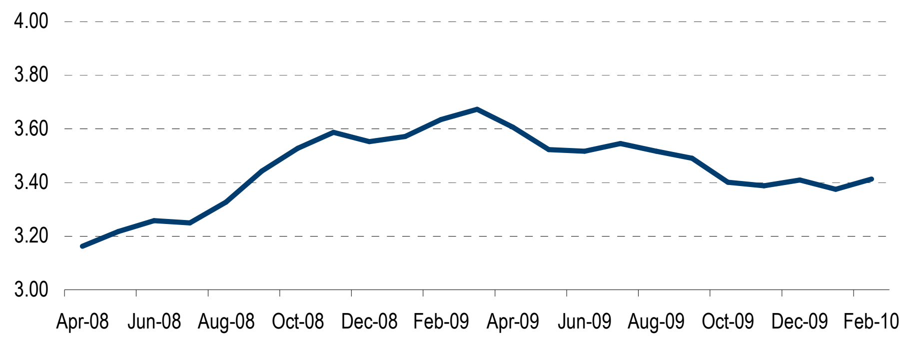
Margins and profits continue to improve. Despite the challenges, glove manufacturers' margins and profits continued to improve (Figure 7). The current global shortage of rubber gloves allows the Malaysian players to command higher prices for their products. On top of that, the previous month's average latex price and exchange rate are used in the glove manufacturers' costing when they quote customers for new orders. As a result, any future margin contraction will be minimal and temporary.

Figure 5: Total net profit vs. latex price trend



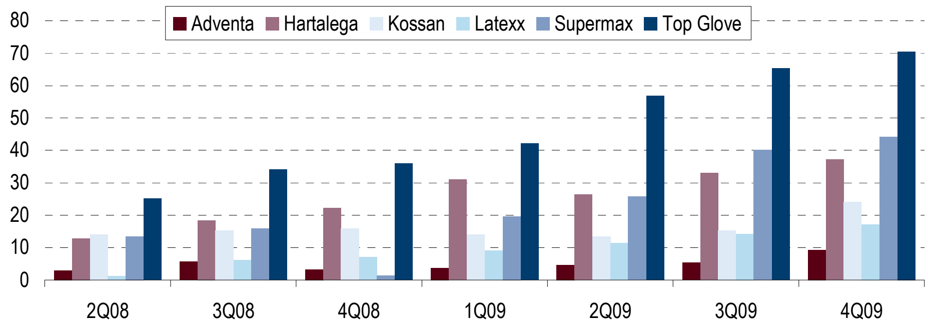
Source: Companies, Bloomberg CIMB Research

Figure 6: RM:US$ exchange rate



Source: CEIC

Figure 7: Net profit trend for individual companies (2QCY08-4QCY09)



Source: Companies, CIMB Research

Still firm on expansion plans. Glove manufacturers' expansion plans are intact as demand is still set to rise this year. Many of them are expanding capacity in a big way over the next few years. Top Glove's announcement of new expansion plans since January this year is a good sign as it shows that the current supply in the market cannot cater to the rising demand for rubber gloves. The company is adding capacity of 6bn pieces p.a. at its Factories 7, 22 and 23, on top of the expansion plans announced last year.

Figure 8: Capacity expansion plans (bn pieces p.a.)

			Annual increase			Annual increase		Growth in 2 years	
	2009	2010	Absolute	(%)	2011	Absolute	(%)	Absolute	(%)
Adventa	3.5	5.2	1.7	49%	6.9	1.7	33%	3.4	97%
Hartalega	6.2	8.4	2.2	35%	9.9	1.5	18%	3.7	59%
Kossan Rubber	11.1	14.5	3.4	31%	18.0	3.5	24%	6.9	62%
Latexx Partners	6.0	9.0	3.0	50%	10.5	1.5	17%	4.5	75%
Supermax	14.5	17.6	3.1	21%	21.7	4.2	24%	7.3	50%
Top Glove	31.5	35.3	3.8	12%	41.3	6.1	17%	9.8	31%
Total	**72.8**	**89.9**	**17.1**	**24%**	**108.3**	**18.4**	**20%**	**35.5**	**56.3%**

Source: Companies, CIMB Research

Outlook

Growth via new capacity... We expect demand for rubber gloves to continue rising, with growth coming from existing traditional buyers for medical and healthcare usage as well as new users from emerging countries and other sectors such as nursing home, beauty and other general purposes. Across the board, glove manufacturers are well prepared for the additional demand as they are expanding their capacity in a big way.

…and technological improvements. On top of capacity expansion, rubber glove manufacturers are using technology to maintain their competitive edge. This includes producing better quality gloves and improving their glove manufacturing technology. For example, Latexx recently teamed up with a Dutch company, Budev BV, to produce protein-free gloves which are currently not available in the market.

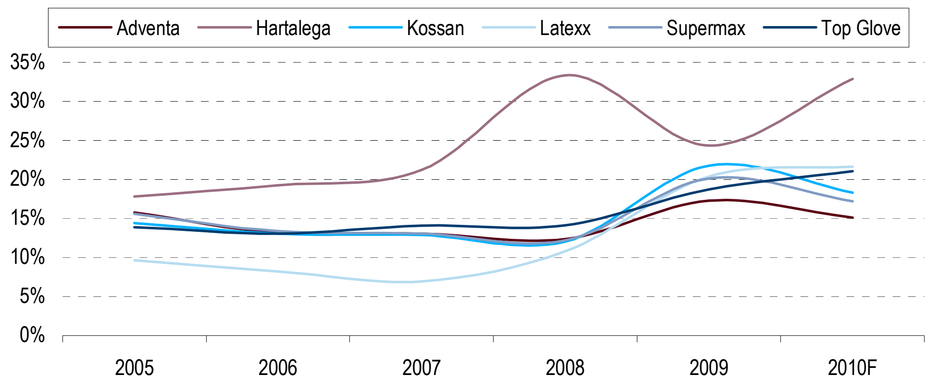
Contributions from this new technology are expected to come in as early as 4Q this year. We believe that there will be more technological advances this year as more and more companies focus on their research & development programmes. By moving ahead with technology and automation, the companies will be able to improve quality and overall efficiency, which will lower their costs and improve margins in the longer term.

Repeat of 2008? The stellar performance of rubber glove companies has stirred fears of a repeat of the 2008 collapse of their share prices which was caused by a massive selldown by investors who assumed that record latex prices, high energy prices and a weakening US$ would result in losses for glove makers for that year. We do not think this situation will recur as glove manufacturers proved their resilience against the global economic turmoil in 2008-09 and earnings continued to rise despite the weakening US$ and high costs. Rubber gloves proved to be a necessity, especially for the medical sector as they provide a barrier of protection against diseases for medical practitioners. On average, the total net profit for rubber glove companies increased 19.5% in FY08 and 65.3% in FY09. For FY10, we expect the sector's earnings to jump 66.7%.

Gas prices unlikely to be revised in the short term. Another concern that most investors have is the negative impact on rubber glove manufacturers if the government raise electricity tariffs and natural gas prices this year. Currently, our power analyst is firm in her view that economic conditions are not conducive for a hike in electricity and gas rates given that gas and coal prices were relatively stable in 2H09 and the local economy is only starting to regain its footing. The next few months are unlikely to see any revisions in rates though revisions in 2H are a possibility. Even if energy costs are raised, the glove makers can pass on the cost increase to customers within two months, going by the experience in 2008 when energy prices were raised and in 2009 when electricity tariffs and natural gas rates were reduced.

Sustainable margins. The margins of rubber glove manufacturers improved throughout 2009 and for Top Glove, have held steady YTD. We think that margins will remain stable for the rest of this year due to the strong demand and the adjustment of glove prices for the preceding month's average exchange rate and latex prices. Also, as we highlighted previously, there is also the possibility of margin expansion from greater cooperation between the players, improvement in product specifications and the sale of more gloves on an OBM basis.

Figure 9: EBITDA margin trend, FY2005-FY2010F



Source: Companies, CIMB Research

Valuation and recommendation

Healthy outlook ahead; maintain OVERWEIGHT. Prospects for the rubber glove sector remains healthy as demand for rubber gloves is still set to rise, especially with the increasing awareness of hygiene and the emergence of new users from developing economies. The results announced during Jan-Mar this year proved that the rubber glove sector is a resilient sector. Earnings are still set to rise given the strong demand for rubber gloves and the ongoing capacity expansion. We maintain our OVERWEIGHT stance on the sector and retain our earnings forecasts for all the glove companies under our coverage in view of the favourable outlook and the sustainability of demand. We also maintain our Outperform ratings on all the six companies under our coverage. Adventa and Supermax remain our top picks.

Adventa and… We like Adventa for its niche in surgical glove and aggressive long-term plans to expand its other business segments and become a significant supplier of healthcare products in the region. The company expects its sales to increase progressively this year as the new capacity from the new high-output factory in Kluang and new lines from its Kota Bharu plant will allow it to handle more orders. On top of that, the utilisation rate for its Uruguay plant has rocketed from 20% to 60%. It expects this plant to start making positive earnings contributions in 3QFY10. We maintain our Outperform on Adventa as well as our target price of RM5.44, which we continue to peg to 13.2x P/E or a 20% discount to Top Glove's target P/E of 16.5x. Potential re-rating catalysts include improving quarterly earnings coming from the capacity expansion and strong global demand.

…Supermax remain as top picks. Supermax also stays as one of our top picks due to its strong position in OBM gloves and the stock's high liquidity. Its expansion plans are progressing as scheduled, taking its annual production capacity progressively from 14.5bn pieces currently to 21.7bn pieces by the end of 2011. We believe that Supermax's prospects will continue to improve and demand for the company's products will stay strong over the next few quarters. Our target price of RM9.65 is intact as we continue to value the stock at 13.2x P/E, a 20% discount to Top Glove's target P/E of 16.5x. We maintain our Outperform recommendation, which is predicated on continued growth of glove demand, ongoing capacity expansion and higher contribution from its distribution centres.

For further information, kindly contact Farahnaz Ireena at (603) 2084 9911 or farahnaz.amerhamzah@cimb.com

DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report. The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "CIMB" shall denote where applicable the relevant entity distributing the report in that particular jurisdiction where mentioned specifically below shall be a CIMB Group Sdn Bhd's affiliates, subsidiaries and related companies.

(i) As of 23 March 2010, CIMB has a proprietary position in the following securities in this report:
    (a) Hartalega, Hartalega CW, Kossan, Latexx, Supermax, Supermax CW, Top Glove, Top Glove-CB.
(ii) As of 24 March 2010, the analyst, Terence Wong who prepared this report, has / have an interest in the securities in the following company or companies covered or recommended in this report:
    (a) **-.**

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB-GK Research Pte. Ltd. ("CIMB-GK") and CIMB-GK notifies each recipient and each recipient acknowledges that CIMB-GK is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to the recipient. CIMB-GK is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cwlth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities (HK) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities (HK) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

New Zealand: In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

Singapore: This report is issued and distributed by CIMB-GK Research Pte Ltd ("CIMB-GKR"). Recipients of this report are to contact CIMB-GKR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB-GKR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMB-GKR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB-GKR.

As of 24 March 2010 CIMB-GK Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: This report is being distributed by CIMB Securities (UK) Limited only to, and is directed at selected persons on the basis that those persons are (a) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") who have professional experience in investments of this type or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(1) of the Order, (all such persons together being referred to as "relevant persons"). A high net worth entity includes a body corporate which has (or is a member of a group which has) a called-up share capital or net assets of not less than (a) if it has (or is a subsidiary of an undertaking which has) more than 20 members, £500,000, (b) otherwise, £5 million, the trustee of a high value trust or an unincorporated association or partnership with assets of no less than £5 million. Directors, officers and employees of such entities are also included provided their responsibilities regarding those entities involve engaging in investment activity. Persons who do not have professional experience relating to investments should not rely on this document.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB-GK Research Pte Ltd solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors and investment professionals whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an Institutional Investor must not rely on this communication. However, the delivery of this research report to any person in the United States of America shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

RECOMMENDATION FRAMEWORK #1*

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.	**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.	**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.
TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.
TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

** This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

CIMB-GK Research Pte Ltd (Co. Reg. No. 198701620M)

RECOMMENDATION FRAMEWORK #2 **

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.	**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.
NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.	**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*