

# Hunza Properties Bhd

*Yielding up its high-yield spot*
**UNDERPERFORM** Downgraded

**RM1.30** Target: RM1.20

Mkt.Cap: RM192m/US\$53m

Property Devt &amp; Invnt

HPB MK / HUZP.KL

Soh May Yee +60 (3) 2084 9964 – mayyee.soh@cimb.com

- **A big letdown.** Hunza Properties' 1QFY6/09 core net profit of RM5.4m came in at only 10% of both our and consensus full-year forecast. 1Q core net profit plunged 53% yoy and 45% qoq due to the softer property market and slower construction progress for some of its projects. As expected, no dividends were declared for the quarter.
- **Revenue dropped in 1Q due to slower sales...** Hunza Prop's revenue fell by a marked 63% yoy and 53% qoq as a result of slower sales for both its ongoing and completed projects. It sold only RM16m worth of properties in 1QFY09, 82% lower than the RM86.5m achieved in 1QFY08 and 53% lower than the RM34m recorded in 4QFY08. Similar to other property developers in the country, Hunza Prop's sales have taken a beating as a result of the uncertain economic climate.
- **...and construction interruption.** While construction of its Mutiara Seputeh bungalows is progressing well, unfavourable weather as well as the work-to-order rule arising from the March election resulted in slower-than-anticipated construction progress for its Gurney Paragon project, which pulled down 1Q revenue. On a more positive note, 1Q EBITDA margins expanded 2.8% pts yoy, thanks to contribution from Infinity which is undertaken on a project management basis.
- **Slashing FY09-11 forecasts.** On the back of an increasingly tough operating environment and 1QFY09's poor performance, we are slashing our FY09-11 earnings by 38-53% after scaling down our sales assumptions by 25-50% and our projected construction timeline. Our FY09-11 gross dividend assumptions are also cut from 12.5 sen to 7.5 sen, bringing yields to c.6%.
- **Downgrade to UNDERPERFORM.** Post-earnings revision and after widening our discount to the revised RNAV from 55% to 65%, our target price falls to RM1.20, down from RM1.65. Our wider discount reflects the increasingly challenging industry outlook for property developers. Previously touted as one of the highest yielding stocks in the sector, Hunza Prop has lost this appeal as it will have difficulty sustaining its dividends. This, coupled with its cloudier earnings prospects, low share liquidity and small market cap, underpins our recommendation downgrade from neutral to UNDERPERFORM. De-rating catalysts include 1) the poor quarterly results 2) lower-than-expected sales and 3) further delays to the construction of its shopping mall.

## Results comparison

FYE June (RM m)	1QFY09	1QFY08	yoy % chg	qoq % chg	Prev. FY09F	Comments
Revenue	25.2	67.7	(62.8)	(52.7)	219.9	Lower sales for both ongoing projects and completed projects
Operating costs	(17.9)	(50.0)	(64.2)	(53.2)	(147.7)	as well as slower-than-expected construction progress.
EBITDA	7.3	17.7	(58.7)	(51.2)	72.2	Yoy margin expansion as Infinity is undertaken on
EBITDA margin (%)	29.0	26.2			32.9	a project management basis
Deprn & amort.	(0.2)	(0.2)	1.1	(6.7)	(1.0)	Below our full-year forecast.
EBIT	7.1	17.5	(59.3)	(51.8)	72.0	Below expectations due to lower sales.
Interest expense	(0.3)	(0.1)	461.7	(21.8)	(1.6)	Slightly below expectations.
Interest & invt inc	0.4	-	nm	nm	6.0	Lower-than-expected deposits.
Associates' contrib	-	-	nm	nm	-	
Exceptionals	-	-	nm	nm	-	
<b>Pretax profit</b>	<b>7.5</b>	<b>17.5</b>	<b>(57.1)</b>	<b>(49.4)</b>	<b>76.4</b>	Accounting only 39% of full-year estimate.
Tax	(2.1)	(5.1)	(57.7)	(54.3)	(19.1)	
Tax rate (%)	28.5	28.9			25.0	Higher effective tax rate due to non-deductible expenses.
Minority interests	0.2	(0.4)	158.7	583.3	(4.0)	
<b>Net profit</b>	<b>5.6</b>	<b>12.1</b>	<b>(53.4)</b>	<b>(44.6)</b>	<b>53.3</b>	Annualised number is 24% below our estimate.
EPS (sen)	3.9	8.9	(56.7)	(43.9)	36.2	

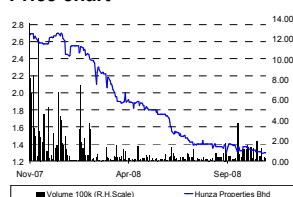
Source: Company, CIMB Research

Please read carefully the important disclosures at the end of this publication.

## Financial summary

FYE Jun	2007	2008	2009F	2010F	2011F
Revenue (RM m)	186.7	245.3	129.9	191.1	159.0
EBITDA (RM m)	55.2	68.6	34.1	55.8	52.2
EBITDA margins (%)	29.6%	28.0%	26.3%	29.2%	32.8%
Pretax profit (RM m)	57.5	68.3	37.9	57.5	49.8
Net profit (RM m)	39.2	48.4	25.2	35.6	33.2
EPS (sen)	33.5	34.5	17.1	24.2	22.6
EPS growth (%)	96.0%	3.1%	(50.5%)	41.5%	(6.7%)
P/E (x)	3.9	3.8	7.6	5.4	5.8
Core EPS (sen)	31.7	34.5	17.1	24.2	22.6
Core EPS growth (%)	85.3%	9.0%	(50.5%)	41.5%	(6.7%)
Core P/E (x)	4.1	3.8	7.6	5.4	5.8
FD core EPS (sen)	27.1	31.9	16.0	22.5	21.0
FD core P/E (x)	4.8	4.1	8.1	5.8	6.2
Gross DPS (sen)	12.5	12.4	7.5	7.5	7.5
Dividend yield (%)	9.6%	9.5%	5.8%	5.8%	5.8%
P/BV (x)	0.7	0.6	0.6	0.5	0.5
ROE (%)	17.5%	17.2%	8.0%	10.5%	9.1%
Net gearing (%)	61.3%	21.7%	23.0%	63.9%	65.9%
P/FCFE (x)	5.7	3.8	6.6	(3.3)	(15.3)
EV/EBITDA (x)	6.3	4.0	8.8	8.5	9.7
% change in EPS estimates			-52.8%	-43.8%	-38.1%
CIMB/Consensus (x)			0.46	0.58	0.61

## Price chart



Source: Bloomberg

Source: Company, CIMB Research, Bloomberg

Figure 1: Property sales

	1QFY09	1QFY08	yoy	qoq	4QFY08
	RM m	RM m	increase	increase	RM m
Bandar Putra Bertam	-	3.9	nm	-100%	1.0
Sungai Petani	-	1.9	nm	nm	0.0
Alila	2.0	12.7	-84%	-67%	6.0
Mutiara Seputeh	11.0	26.2	-58%	-31%	16.0
Gurney Paragon	3.0	41.8	-93%	-73%	11.0
<b>Total</b>	<b>16.0</b>	<b>86.5</b>	<b>-82%</b>	<b>-53%</b>	<b>34.0</b>
Infinity	3.0	26.4	-89%	-63%	8.0
<b>Total (including Infinity)</b>	<b>19.0</b>	<b>112.9</b>	<b>-83%</b>	<b>-55%</b>	<b>42.0</b>

Source: Company, CIMB Research

Figure 2: Unbilled sales as at end-Sep 08

	RM m
Mutiara Seputeh	6.3
Gurney Paragon	160.0
<b>Total</b>	<b>166.3</b>
Infinity	90.0
<b>Total (including Infinity)</b>	<b>256.3</b>

Source: Company, CIMB Research

## More on the results

**Lacklustre sales in 1Q...** Hunza Prop sold only RM16m worth of properties in 1QFY09, a drop of 82% yoy and 53% qoq (Figure 1). RM11m came from Mutiara Seputeh, RM3m from Gurney Paragon and RM2m from Alila. Including Infinity, total sales amounted to RM19m. Contrary to last quarter where we saw a pick-up in sales at Gurney Paragon and Mutiara Seputeh, sales of all its projects slowed down quite remarkably in 1Q, compounding our and property developers' fear of the impact of the current economic situation on the property market. On a more positive note, however, Mutiara Seputeh's semi-detached houses have been fully taken up while the take-up rate for its bungalows has risen from just 15% as at end-June to 30%.

**... likely to persist.** We do not expect the sales momentum to pick up significantly, at least over the short-to medium-term. As long as the negative news on slowing global economies persist, prospective property buyers are likely to hold back. FY08's performance is unlikely to be repeated in this depressed market environment and

strong growth will only re-emerge when the tide turns. Another point to note is that Hunza Prop has a large exposure to Penang, which appeals to foreign buyers. Although political risks in the country and more specifically the state have somewhat abated since March, of greater concern to foreign investors now is the economic situation back home.

**Shopping mall – concerns emerging.** Construction of the Gurney Paragon shopping mall has now been further postponed from 1H09 to mid-09 as the group is still finalising the design works. There are also risks of a revision to the timeline as the mall still requires one final approval from the relevant authorities. Funding-wise, the group is likely to rely on a mix of internally-generated funds and external borrowings to help it retain the mall following the deferment of its proposed rights exercise. However, the tighter credit market might pose some difficulties for the group. On the flip side, the sharp fall in building material prices over the past few months has brought the construction cost of the mall back to the RM400m-450m level, off its peak of RM450m-500m.

**Dividend yield in question.** We used to commend Hunza Properties for its high dividend yield. This is likely to change as the earnings prospects for the company are less rosy now. Given that the group's dividend payout policy is a function of both profits and yield, we do not expect it to maintain its 12.5 sen gross dividend payout. As such, we are cutting our FY09-11 gross dividend projections by 40% to 7.5 sen – bringing it to the payout level seen in the past seven years.

**Downgrade to UNDERPERFORM.** When we initiated coverage on Hunza Properties in Apr 07, the company was our top small-cap property pick because of its cheapest P/Es, strongest EPS growth, one of the highest ROEs and decent dividend yields. Since then, a series of unfortunate events have eroded these attractions. We first downgraded the stock on the back of weaker buyer confidence and sentiment following the March election and slumping stockmarket. These factors have now been exacerbated by the global economic slump, which has further depressed the industry outlook. For Hunza Properties, this has resulted in weaker-than-expected sales, dragging down earnings, ROE and dividend yields. Our revised dividend forecasts imply a gross yield of 6% which is below the market's 7% average. Hence, we are downgrading the stock from neutral to UNDERPERFORM. For exposure to the property sector, we prefer Mah Sing (MSGB MK, Neutral) and KLCC Properties (KLCC MK, Neutral) for their more resilient earnings.

**Figure 3: RNAV computation for Hunza Properties**

Project	Size/units	Market value (RMpsf)	Stake	Value (RMm)
Bandar Putra Bertam - Residential	435.6	10.00	70%	132.8
Bandar Putra Bertam - Commercial	48.4	40.00	70%	59.0
Sungai Petani, Kedah	393.0	3.00	100%	51.4
Alila, Penang	5.0	175.00	100%	38.1
Mutiara Seputeh	12.0	90.00	100%	47.0
Gurney Drive	3.5	400.00	100%	61.0
Infinity	3.0	200.00	90%	23.5
Alila II, Penang	9.6	175.00	80%	58.5
Surplus value from shopping mall & retail lots				186.1
Surplus value from Phase 3's office lots				14.0
Fixed assets				59.4
Net current asset less dev. prop.				63.1
Total long term borrowings				(82.7)
Proceeds from warrants conversion & rights issue				122.3
<b>Total revised RNAV</b>				<b>833.6</b>
Fully diluted no. of shares post cash call exercise (m)				236.7
<b>Revised RNAV per share (RM)</b>				<b>3.52</b>
<b>Target price @ 65% discount to RNAV/share estimate</b>				<b>1.20</b>

Source: Company, CIMB Research

For further information, kindly contact Loke Wei Wern at (603) 2084 9946 or [weiwern.loke@cimb.com](mailto:weiwern.loke@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 26 November 2008, CIMB has a proprietary position in the following securities in this report:
  - (a) -
- (ii) As of 27 November 2008, the analyst, Soh May Yee who prepared this report, has 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-GK Securities (HK) Limited ("CGHK") 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-GK 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. CGHK 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 CGHK. 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 CGHK. 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-GK Securities Indonesia ("CIMB-GKI"). 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-GKI 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-GKI. 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-GKI. 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 26 November 2008 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-GK Securities (Thailand) Ltd ("CIMB-GKT"). 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-GKT 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-GKT. 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-GKT.

**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-GK 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-GK 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-GK 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

**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.

**NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

**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.

**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 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.

### SECTOR RECOMMENDATIONS

**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 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.

**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 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 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.

## RECOMMENDATION FRAMEWORK #2 \*\*

### STOCK RECOMMENDATIONS

**OUTPERFORM:** Expected positive total returns of 15% or more over the next 12 months.

**NEUTRAL:** Expected total returns of between -15% and +15% over the next 12 months.

**UNDERPERFORM:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

**TRADING SELL:** Expected negative total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**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:** 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.

**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:** 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:** 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.*