

Q & M Dental Group

Stepping up acquisitions



StocksBnB.com

SINGAPORE | HEALTHCARE | 2Q17 RESULTS

21 August 2017

- 1H17 Revenue/Core PATMI met 50%/60% of our full year FY17e expectations
- Three new dental clinics in 2Q17; Three acquisition deals on the table
- Higher interim dividend of 0.7 cents per share (+67% YoY)
- Upgraded to Neutral with lower TP of S\$0.61 (previously S\$0.65), pegged to a lower forward PER of 32x; We raised FY17e EPS by c.13% to 1.9 cents on better than expected results from associates

Results at a glance

S\$' mn	2Q17	2Q16	y-y (%)	Comments
Clinics	27.3	29.3	-6.8%	Deconsolidation of Aidite in Apr-17
Distribution	2.3	3.9	-41.6%	Deconsolidation of Aidite in Apr-17 and lower revenue in SG
Manufacturing	0.0	5.1	n.m.	Deconsolidation of Aidite in Dec-16
Revenue	29.6	38.3	-22.7%	Due to deconsolidation of Aidite and Aoxin
Gross	26.5	30.8	-13.9%	Pro-rate gross margin +9.2pp to 89.6%
EBITDA	15.3	7.1	114.9%	Boosted by non-recurring items, including one-time gain of S\$16.9mn from spin-off of Aoxin in Apr-17 -11.6% ex. one-offs (\$0.4mn in 2Q16 and \$9.4mn in 2Q17)
EBIT	14.5	6.0	140.5%	Reclassification of Aidite and Aoxin as associates
PATMI	13.6	3.7	268.7%	
PATMI, adj.	4.3	3.3	28.9%	Ex. one-offs (\$0.4mn in 2Q16 and \$9.4mn in 2Q17)
DPS (S\$ cents)	0.70	0.42	66.7%	Payout ratio: 31.9% (1H17) vs 44.5% (1H16)

Source: Company, PSR

The positives

- One-time gain of S\$16.9mn from divestment of Aoxin (Apr-17) buoyed bottom line.** Both Aidite and Aoxin are reclassified from subsidiaries to associates, contributing \$1.15mn or 8.4% to Q&M PBT in 2Q17. The Group declared a higher interim dividend of 0.7 cents per share.
- Higher and sustainable gross profit margin.** Clinics margin +2.8pp YoY to 94.3% due to Aoxin's deconsolidation and change in accounting treatment implemented in 1Q17 for instruments which are now capitalised. Distribution margin +4.0pp YoY to 33.5% on deconsolidation of Aoxin, which is also its pre-acquisition of Shenyang Lan Hai Tong Mao's level. Management noted potential price adjustment for the increased medical consumables and supplies, staff and rental expenses.

The negatives

- Lower demand YoY for the dental equipment and supplies distribution business in Singapore.** This is due to a higher base in 2016, boosted by Singapore government's initiative to raise productivity – the Productivity and Innovation Credit (PIC) scheme. The payout rate of 60% of expenditures ended in 31 Jul-16. Management shared that most Singapore clients had replaced big ticket items before a lower payout rate of 40% of expenditures took effect in 1 Aug-16. Its Malaysia business remains unaffected. Q&M Dental plans to expand its product offerings to drive its Distribution business growth.

Outlook

Outlook improves as the Group stepped up expansion plan to support future growth. It is on track to meet its target of opening of at least 5 new clinics per year – opened two new clinics in Singapore and three acquisition deals in Singapore and Malaysia (two yet to conclude). Management plans to continue its expansion momentum for its dental clinics as well as its team of general dental practitioners and dental specialists, in Singapore and Malaysia in 2H17.

Neutral (Upgraded)

LAST CLOSE PRICE	SGD 0.630
FORECAST DIV	SGD 0.011
TARGET PRICE	SGD 0.610
TOTAL RETURN	-1.4%

COMPANY DATA

BLOOMBERG CODE	QNM SP
O/S SHARES (MN)	796
MARKET CAP (USD mn / SGD mn)	368 / 501
52 - WK HI/LO (SGD)	0.78 / 0.6
3M Average Daily T/O (mn)	0.77

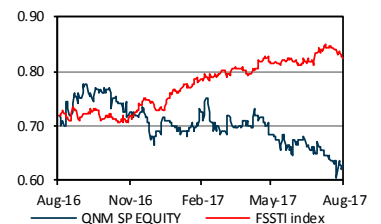
MAJOR SHAREHOLDERS (%)

Quan M in Holdings Pte Ltd	48.1%
Heritas Helios Investmetns Pte Ltd	8.0%
Dr Ng Chin Siau	14.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(4.5)	(8.0)	(10.5)
STIRETURN	(0.47)	2.38	18.41

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue (SGD mn)	124	155	127	145
EBITDA (SGD mn)	23	43	17	18
NPAT, adj. (SGD mn)	11	28	15	17
EPS (S Cents)	15	3.6	19	2.0
PER, adj. (x)	47.2	19.7	33.1	31.1
P/BV, (x)	5.8	4.9	4.2	4.0
DPS (S Cents)	0.8	1.1	1.1	1.2
Div Yield (%)	1%	2%	2%	2%
ROE (%)	13.5%	27.4%	13.1%	13.4%

Source: Company Data, PSR est.

Valuation Method

P/E Multiple @ 32x

Soh Lin Sin (+65 6212 1847)

Investment Analyst

sohls@phillip.com.sg

Upgraded to Neutral with lower TP of S\$0.61 (previously S\$0.65)

While our view remains unchanged for soft FY17e revenue, we raised FY17e EPS by c.13% to 1.9 cents on better than expected results from associates. Our FY17e EPS excludes gain on spin-off of Aoxin and spin-off listing cots. We lowered PER on a structural slowdown in Singapore's healthcare services.

Potential re-rating catalysts would be (i) the Group stepping up its pace of its earnings accretive acquisitions; and (ii) better-than-expected results from associates. Successful acquisition of Shenzhen Superline will boost contribution from associates and could be the next Aidite.

Valuation

Item	
EPS FY17e	1.90
Simple Average P/E FY17e (Excl. QNM)	29.1
Add 10% premium due exposure to fast growing China dental market	10%
Actual P/E multiple used	32.0
Target price (S\$)	0.61
FY17e dividends	0.01
Closing price	0.63
Potential upside	-1.3%

Company	Bloomberg Ticker	Mkt Cap (SGD mn)	P/E TTM	P/E FY1	P/E FY2	Net D/E (%)	ROA (%)	ROE (%)	P/B
Q & M Dental Group	QNM SP	501	13.2	33.1	31.1	33.3	17.1	36.4	4.4
Singapore									
Raffles Medical Group Ltd	RFMD SP	2,001	28.0	28.3	29.0	Net Cash	7.6	10.5	2.9
Talkmed Group Ltd	TKMED SP	821	23.1	25.0	25.0	Net Cash	47.0	56.8	12.6
Health Management International Ltd	HMI SP	505	56.4	42.1	26.9	Net Cash	5.3	12.6	6.6
Singapore O&G Ltd	SOG SP	210	23.6	22.0	18.3	Net Cash	21.5	26.8	5.0
Singapore Medical Group Ltd	SMG SP	280	38.0	29.5	20.7	Net Cash	7.8	12.0	3.1
Market Cap Weighted Average			31.2	29.1	26.6		16.6	21.8	5.6

Source: Bloomberg, Phillip Securities Research (Singapore) Estimates

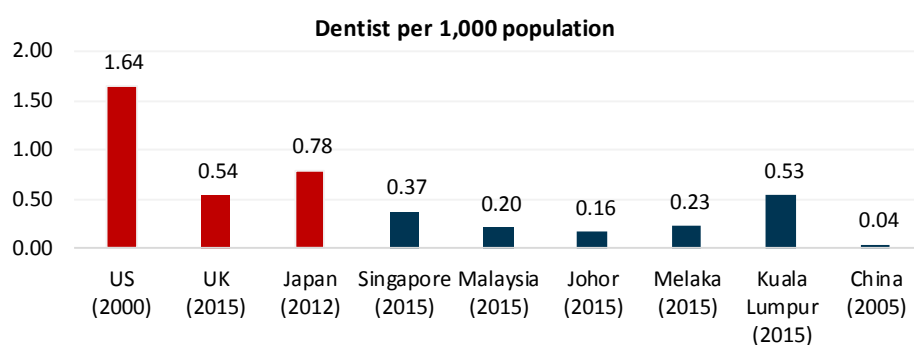
Updates on recent developments

We expect the Group to finance its CapEx via internally generated fund and/or debt.

The Group generated net cash flow of \$3.7mn from operating activities in 2Q17. It has a net debt position of \$48.4mn as at 30 Jun-17, including its MTN of \$59.7mn, which will be due on 18 Mar-18. The Group has since secured a \$30.0mn bank facility in Jul-17 and is in negotiation with other banks for the refinancing of the balance of the MTN.

The Group is well positioned to capture the rising demand for primary and higher value specialist dental healthcare services. Singapore, Malaysia and China have relatively lower dentist density (number of dentist per 1,000 population) as compared to developed countries such as United States, United Kingdom and Japan, based on latest available year. While dentistry has yet to reach saturation, there are still scope for growth in the dental health sector given the region's rising affluence and increasing awareness of dental health.

Figure 1: Room to expand dental healthcare services in SG, MY and CN



Current Group's regional footprint

SG: 73 dental outlets, 4 medical outlets and 1 aesthetic centre

MY: 5 dental clinics in Johor, 1 dental centre and 4 dental clinics in Kuala Lumpur and 2 dental clinics in Melaka

CN: 1 dental outlet

Updates on Singapore Operations

1. One net dental outlet opened in 2Q17

- Opened two new dental clinics, one in Yew Tee Point and Punggol MRT Station each
- Consolidated two dental clinics previously located at Boon Lay MRT Station into a single dental clinic

2. Completion of acquisition of Horizon Dental Surgery on 24 Jul-17

- A dental clinic located at Manhattan House, providing general and specialist dentistry services
- Consideration for the acquisition is S\$350,000 in cash
- Unaudited net book value as at 31 Dec-17: S\$8,000
- Dr. Tan Kwak Chun Charles has signed a 6-year service agreement with the Group

3. Proposed acquisition of Starbite Dental Centre

- Entered into a binding points of agreement on 24 May-17
- A dental clinic located at Hougang, providing general and specialist dentistry services.
- Consideration for the Proposed Acquisition: S\$200,000 in cash and a further sum of S\$150,000 subject to the terms and conditions of the Proposed Acquisition
- Dr. Meity Silvia Petrisia Heny Rumende will sign a 5-year service agreement with the Group

Management shared that the consideration for acquisition of Horizon Dental Surgery and Starbite Dental Centre are comparable to the CapEx required to open a new dental outlet, i.e. at S\$200,000 to S\$300,000 per outlet. As these two dental clinics had been in operation for more than 10 years, the Group intends to set aside c.S\$100,000 per outlet to refurbish their dental equipment and integration costs. Nonetheless, the two dental outlets would not be rebranded under the Q&M Dental Group. Potential synergies with the Group

include: (i) an enlarged patient pool, (ii) sharing of know-how among specialists, and (iii) improvement in productivity and quality via upgrading to more advanced medical supplies and equipment, and internal administrative processing system.

We expect the Group to continue with similar strategy and CapEx. Acquisition targets in Singapore remain as clinics without succession plan or clinics preferring to gain economies of scale by joining Q&M Dental.

Updates on Malaysia Operations

1. **Incorporated a 50:50 joint venture entity**, Q & M Dental Surgery (Bandar Melaka) Sdn. Bhd., in Malaysia with its Malaysian partner
 - a. Dr. Ng Guat Kiat, the Group's partner in Melaka, Malaysia, had subscribed to 50% of the shareholding of QMBM
 - b. Dr. Ng Guan Kiat also helms the Ng GK Dental Surgery (Melaka) Sdn Bhd, which offers dental services under the Group in Malaysia.
2. **Incorporated Q & M Dental Holdings (Malaysia) Pte. Ltd., a subsidiary in Singapore**
3. **Proposed acquisition of CS Tan Dental Surgery**
 - a. Entered into a sale and purchase agreement on 9 Jun-17
 - b. CS Tan Dental Surgery is dental clinic located at Kuala Lumpur, providing general and specialist dentistry services
 - c. Consideration for the Proposed Acquisition: RM 300,000 (c.S\$96,774) in cash
 - d. Dr. Christopher Tan Chee Siu will sign a 10-year service agreement with the Company
 - e. **Profit Guarantee:** Audited net profits after taxation shall not be less than RM 497,393 (c.S\$160,449) for the 10-year period commencing from the completion date.

Figure 2: Valuation of CS Tan Dental Surgery Acquisition

(MYR' 000)	Clinic
Item	CS Tan Dental Surgery
Consideration	300
- Cash	300
- Shares	0
Upon Acquisition	
Net profit	50
Acquisition P/E (x)	6.0

Source: Company

* Based on initial announcement

Valuation of an implied PER of 6.0x is at a lower side of the Group's historical dental clinic acquisition deals. We believe that the valuation is justifiable given the competitive environment in Kuala Lumpur.

Updates on China Operations

1. **Proposed acquisition of 20% stake of Shenzhen Superline Technology Co., Ltd.**
 - a. **Background and Principal Activities of Superline**
 - One of more established manufacturers of Nickel-Titanium ("NITI") endodontic root canal files and orthodontic arch wires in China
 - Founded by three PhD scientists in the materials science and technology field
 - b. An industry with global growth prospect, as well as potential synergy between the Group's main dental services business and distribution of dental related supplies
 - c. Consideration of the Proposed Acquisition: RMB62mn (c.S\$12.65mn) – 70% in cash, and the remaining 30% as capital injection into Superline
 - d. Each of the owners, namely Mr. Li Zhimin, Mrs. Fan Ling, Mr. Zhou Jinsong, Mr. Wang Zhong and Mr. Yao Zheng, will sign a 12-year service agreement with Superline and the Group

Figure 3 & 4: Profit Guarantee and Valuation of Shenzhen Superline Technology Acquisition

Year	Profit Guarantee (RMB' 000)	
	Shenzhen Superline Technology Co., Ltd.	at least 20%
2018	17,830	3,566
2019	17,830	3,566
2020	23,250	4,650
2021	26,740	5,348
2022	26,740	5,348
2023	34,880	6,976
2024	40,100	8,020
2025	40,100	8,020
2026	52,320	10,464
2027	60,140	12,028
2028	60,140	12,028
2029	78,480	15,696
Total	478,550	95,710

(RMB' 000)	Manufacturing
Item	Shenzhen Superline Technology Co., Ltd.
Consideration	62,000
- Cash	43,400
- Shares	
Upon Acquisition	
Net profit	3,566
Acquisition P/E (x)	17.4

Source: Company

* Based on initial announcement

A value-buy compared to the group's average 5-year historical PER at 41x.

However, valuation of an implied PER of 17x is at the higher side of the Group's historical acquisition deal in China, i.e. 51% of Aidite at implied PER of 10x, 60% of Shenyang Lan Hai Tong Mao at 9x, and 33% of Shenzhen New Perfect at 13x.

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	100.3	124.0	154.9	127.1	145.2
EBITDA	15.1	23.2	43.0	17.0	18.3
Depreciation & Amortisation	(2.8)	(4.0)	(4.5)	(3.4)	(3.9)
EBIT	12.2	19.2	38.6	13.5	14.4
Share of profit from assoc. & JVs	0.0	0.0	0.0	6.3	7.2
Net Finance Inc/(Exp)	(0.5)	(2.4)	(3.0)	(3.2)	(3.7)
Profit before tax	11.8	16.8	35.5	16.6	17.9
Taxation	(1.3)	(2.0)	(2.2)	(1.2)	(1.3)
Net profit, reported	10.5	14.8	33.3	15.4	16.6
Non-controlling interest	(1.9)	(3.4)	(5.0)	(0.0)	(0.0)
PATMI, reported	8.6	11.4	28.3	15.4	16.6
Non-recurring items	(0.1)	1.6	16.4	0.0	0.0
PATMI, adjusted	8.6	9.8	11.9	15.4	16.6

Per share data (SGD Cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	1.20	1.46	3.55	1.90	2.03
DPS	0.73	0.84	1.12	1.14	1.22
BVPS	10.72	11.81	14.40	14.96	15.57

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	11.8	16.8	35.5	16.6	17.9
Adjustments	3.7	4.2	(9.5)	0.4	0.4
WC changes	(4.3)	(5.2)	(6.1)	(2.9)	(2.2)
Cash generated from ops	11.2	15.9	19.9	14.1	16.1
Others	(0.6)	(2.6)	(2.8)	(1.2)	(1.3)
Cashflow from ops	10.6	13.3	17.1	12.9	14.9
CFI					
CAPEX, net	(17.3)	1.5	(5.9)	(11.9)	(12.0)
Others	(21.6)	(21.0)	(14.5)	0.3	0.2
Cashflow from investments	(38.8)	(19.6)	(20.4)	(11.6)	(11.8)
CFE					
Share issuance, net	12.9	(0.8)	(5.4)	0.0	0.0
Loans, net of repayments	29.2	(12.5)	(0.3)	0.0	0.0
Dividends	(6.5)	(5.8)	(6.7)	(9.2)	(10.0)
Others	(0.4)	54.5	(5.1)	(3.5)	(3.9)
Cashflow from financing	35.1	35.5	(17.5)	(12.7)	(13.9)
Net change in cash	6.9	29.2	(20.8)	(11.5)	(10.8)
CCE, end	35.6	64.9	44.1	32.6	21.8

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	37.4	34.3	27.4	35.9	44.0
Associates & JVs	0.0	0.0	39.8	68.5	75.7
Intangibles	35.3	76.9	75.2	52.8	52.8
Others	1.1	1.1	6.7	6.7	6.7
Total non-current assets	73.8	112.3	149.1	163.8	179.1
Accounts receivables	16.3	22.8	23.8	21.7	24.8
Cash	35.7	64.9	44.1	32.6	21.8
Inventories	8.6	11.2	7.6	4.7	5.3
Others	6.2	4.7	4.6	3.0	3.0
Total current assets	66.9	103.6	80.1	62.0	54.8
Total Assets	140.7	215.9	229.1	225.9	233.9
LIABILITIES					
Accounts payables	21.0	25.7	21.0	13.1	14.5
Short term loans	3.8	15.7	15.5	15.5	15.5
Others	1.0	0.6	0.0	0.0	0.0
Total current liabilities	25.8	42.0	36.5	28.6	30.0
Long term loans	28.5	63.8	68.9	68.9	68.9
Others	1.3	1.8	1.7	1.7	1.7
Total non-current liabilities	29.8	65.6	70.6	70.6	70.6
Total Liabilities	55.6	107.7	107.1	99.2	100.6
EQUITY					
Non-controlling interests	8.4	16.1	7.4	5.8	5.9
Shareholder Equity	76.6	92.1	114.7	120.8	127.5

Valuation Ratios

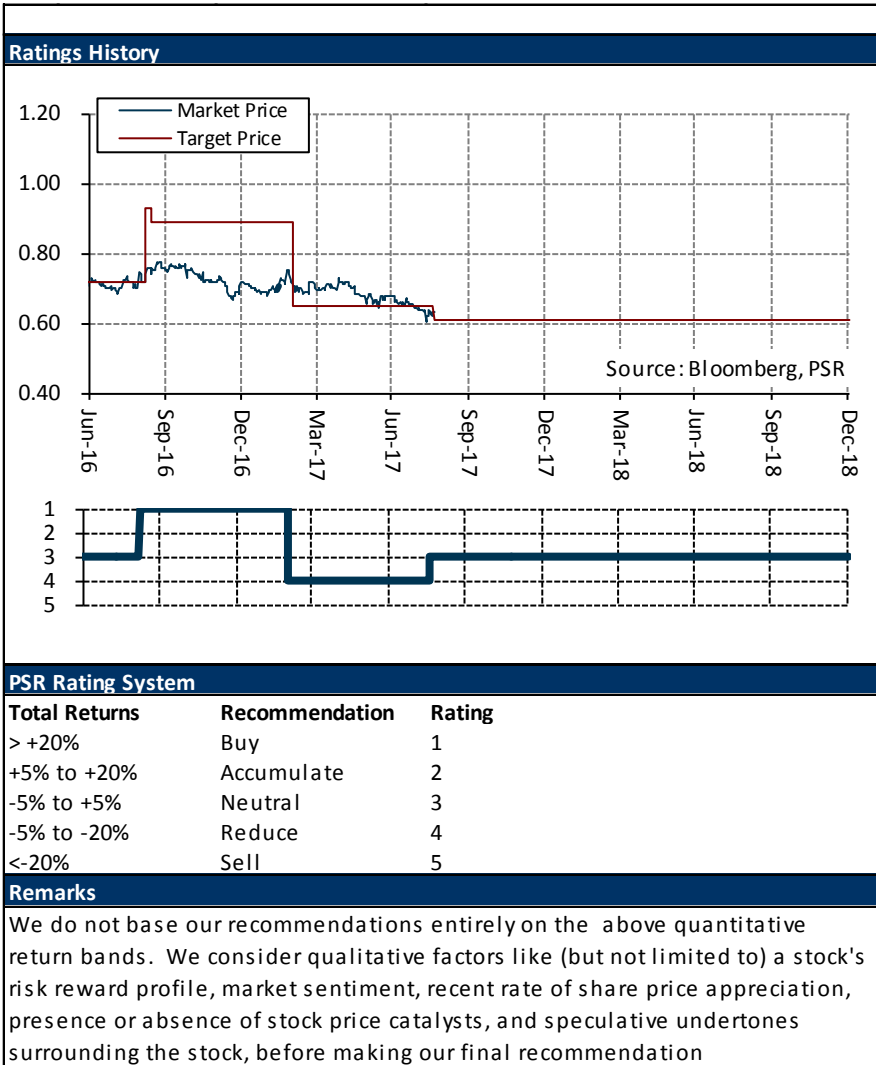
Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	39.9	47.2	19.7	33.1	31.1
P/B (X)	4.5	5.8	4.9	4.2	4.0
EV/EBITDA (X), adj.	22.7	23.2	12.9	30.0	28.2
Dividend Yield (%)	1.5%	1.2%	1.6%	1.8%	1.9%

Growth & Margins (%)

Growth					
Revenue	40.9%	23.6%	25.0%	-18.0%	14.3%
EBITDA	65.8%	54.1%	85.4%	-60.6%	8.0%
EBIT	72.3%	56.9%	100.8%	-64.9%	6.4%
Net profit, adj.	32.6%	33.1%	148.2%	-45.6%	7.8%
Margins					
EBITDA margin	15.0%	18.7%	27.8%	13.4%	12.6%
EBIT margin	12.2%	15.5%	24.9%	10.7%	9.9%
Net profit margin	8.5%	9.2%	18.3%	12.1%	11.4%

Key Ratios

ROE (%)	14.0%	13.5%	27.4%	13.1%	13.4%
ROA (%)	8.2%	6.4%	12.7%	6.8%	7.2%
Net Debt / (Cash)	(3.3)	14.6	40.4	51.8	62.7
Net Gearing (X)	Net Cash	13.5%	33.1%	40.9%	47.0%



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Operations Officer

Mohamed Amiruddin – amiruddin@phillip.com.sg

Consumer | Healthcare

Soh Lin Sin – sohls@phillip.com.sg

Property | Infrastructure

Peter Ng – peterngmc@phillip.com.sg

Macro

Pei Sai Teng – peist@phillip.com.sg

Transport | REITs (Industrial)

Richard Leow, CFTe, FRM –
richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property

Dehong Tan – tandh@phillip.com.sg

Technical Analysis

Jeremy Ng – jeremyngch@phillip.com.sg

Banking and Finance

Jeremy Teong – jeremyteongfh@phillip.com.sg

US Equity

Ho Kang Wei – hokw@phillip.com.sg

Oil & Gas | Energy

Chen Guangzhi – chengz@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapi.com.au

SRI LANKA

Asha Phillip Securities Limited

2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapi.in

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapi.com.tr

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.