

TCL Communication

2618 HK / 2618.HK

1QFY14 RESULTS NOTE

➤ **Market Cap**
US\$1,308m
 HK\$10,139m

➤ **Avg Daily Turnover**
US\$5.53m
 HK\$42.72m

➤ **Free Float**
48.3%
 1,143 m shares

Current **HK\$8.52**
 Target ➤ **HK\$10.90**
 Prev. Target **HK\$10.90**
 Up/Downside **27.9%**

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



Ray KWOK

T (852) 2532 1113
 E ray.kwok@cimb.com

Bertram LAI

T (852) 2532 1111
 E bertram.lai@cimb.com

Share price info

Share price perf. (%)	1M	3M	12M
Relative	-16.8	2.4	207.2
Absolute	-13.8	2.7	208.7

Major shareholders	% held
TCL Corporation	51.7

Sustainable growth

TCL's smartphone shipment momentum has stayed strong, reaching 6.3m units in 1Q14. Helped by a 126% jump in revenue to HK\$5.5bn, 1Q core net profit came in at HK\$177m or 19% of our full-year forecast, which we deem largely in line. The FY14 earnings outlook remains promising, driven by robust smartphone shipments, rising blended ASPs and a stable gross margin outlook. We expect TCL's earnings to hit a record high of HK\$897m in FY14 and increase by a further 33% yoy in FY15. We maintain our Add rating with an unchanged target price, based on 11x CY15 P/E, its upcycle valuation in 2011. Catalysts include continuous market share gains globally and higher contributions from advanced smartphones.

1Q14 review ➤

Sustainable earnings recovery. TCL posted a core net profit of HK\$177m in 1Q14, vs. a loss of HK\$246m a year ago, thanks to improved ASPs and stable gross margin. Its EBIT margin was 3.6%, 0.4%pts lower than in 4Q13 given the off-season. Its blended ASP rose 4.1% qoq to US\$52.2 (US\$88 in smartphones, US\$21 in feature phones) in 1Q14 (US\$50.2 in 4Q13, US\$45.4 in 3Q13), in line with our full-year forecast of US\$53. Despite the fierce competition, gross margin has stayed flat at 19.6% due to increase mid-range smartphone (US\$200-400) sales.

Shipment outlook in 2014 ➤

6.3m smartphones sold in 1Q14. Total smartphone shipments in 1Q14 jumped 334% yoy to 6.3m, largely in line at about 20% of our full-year forecast of 32m units. The strong smartphone shipments were helped by the large number of products launches in the 4Q of last year, such as the first LTE smartphone "One Touch Idol S" and the first phablet "Hero".

Outlook for 2014. Leveraging on the continuous time-to-market smartphone launches and emerging market share gains, we keep our smartphone shipments forecast at 32m (+84% yoy) for 2014, and 39m (+22% yoy) for 2015.

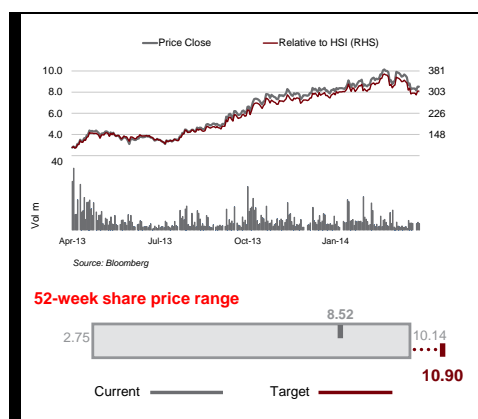
Compelling valuation at 11x FY14 P/E ➤

TCL has become a key smartphone player and was ranked among the Top 10 in 4Q13 with a global market share of 2.6% thanks to its well-established worldwide distribution network and best-in-class advanced smartphone. The valuation at 11x CY14 P/E is compelling given its strong earnings prospects.

Results comparison

FYE Dec (HK\$ m)	1QFY14	1QFY13	yoy %	qoq %	Prev.	
			chg	chg	FY14F	Comments
Revenue	5,541	2,449	126.3	(26.1)	27,403	Smartphone shipment jumped 334% yoy to 6.3m units
Operating costs	(5,358)	(2,665)	101.1	(26.3)	(26,124)	
EBITDA	182	(216)	184.5	(22.2)	1,279	Gross profit margin remained flat at 19.6%.
EBITDA margin (%)	3.3	(8.8)			4.7	(19.6% in 4Q13, 19.6% in 3Q13)
Depn & amort.	(52)	(45)	15.3	3.0	(253)	In line
EBIT	130	(261)	149.8	(29.2)	553	
Interest expense	(24)	(36)	(31.8)	2.4	(42)	Lower interest expense due to decrease of bank borrowing.
Interest & invt inc	83	56	47.1	(44.3)	503	
Associates' contrib	(0)	(0)	(2.0)	55.2	5	
Exceptionals	-	-	N/A	-	-	
Pretax profit	188	(241)	177.8	(38.7)	1,019	
Tax	(7)	(6)	23.7	90.1	(130)	
Tax rate (%)	4.0	(2.5)	-	-	12.8	
Minority interests	(4)	1		(52.8)	8	
Net profit	177	(246)	171.7	(40.0)	897	In line with our expectation, it formed 19% of our full-year 14 forecast.
Core net profit	177	(246)	171.7	(40.3)	897	
EPS (HK\$ cts)	15.0	(21.6)	169.6	(39.2)	77.2	
Core EPS (HK\$ cts)	15.0	(21.6)	169.6	(39.5)	77.2	

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (HK\$m)	12,031	19,362	27,403	31,049	32,818
Operating EBITDA (HK\$m)	-129	482	1,279	1,662	1,937
Operating EBITDA Margin	(1.08%)	2.49%	4.67%	5.35%	5.90%
Net Profit (HK\$m)	-208	313	897	1,191	1,422
Normalised EPS (HK\$)	-0.23	0.27	0.77	1.02	1.22
Normalised EPS Growth	(132%)	NA	181%	33%	19%
FD Normalised P/E (x)	NA	32.16	11.43	8.61	7.21
DPS (HK\$)	0.03	0.10	0.27	0.36	0.43
Dividend Yield	0.35%	1.17%	3.17%	4.21%	5.03%
EV/EBITDA (x)	NA	21.29	8.33	6.15	4.88
P/FCFE (x)	NA	NA	NA	12.99	8.23
Net Gearing	36.4%	19.3%	20.5%	7.1%	(8.2%)
ROE	(10.6%)	12.0%	27.2%	28.9%	28.0%
% Change In Normalised EPS Estimates			0%	0%	
Normalised EPS/consensus EPS (x)			0.93	0.98	0.76

SOURCE: CIMB, COMPANY REPORTS

Campaigns launched in China ▶

New 4G models launched. TCL had been losing consumer traction in China over the past two years due to keen competition in the low-end smartphone segment. Total smartphone shipments to China were 0.4 million or 6% of the total smartphone sales in 1Q14. However, the company plans to launch around 20 TD-LTE smartphones this year in a bid to capitalise on the opportunities offered by China's 4G market. In late-Mar, TCL showcased a series of new 4G smartphones that included the world's slimmest 4G smartphone "TCL S838M" (Figure 3) and the ultra-slim smartphone with a massive display "TCL J938M". The group expects the new LTE smartphones to be distributed via the operators channel and open channels in 2Q14.

The company is also utilising the e-commerce channel that is becoming increasingly popular among the younger generation to market its affordable but high-specification smartphones, such as octa-core, with the bigger than 5-inch screens. TCL has responded particularly quickly by launching in March its first ultra-slim octa-core iconic smartphone "TCL S720" that is mainly sold via online stores of China Mobile and Suning (Figs 1, 2).

Figure 1: TCL S720 么么哒

Retail price : Rmb999
Standard : WCDMA
CPU : MT6592 octa-core (1.4GHz)
Display : 5.5" (1280 x 720)
Camera : 8m pixel



SOURCES: CIMB, zol.com.cn

Figure 2: TCL S720T 么么哒

Retail price : Rmb778
Standard : TD-SCDMA
CPU : MT6592 octa-core (1.4GHz)
Display : 5.5" (1280 x 720)
Camera : 8m pixel



SOURCES: CIMB, channel.suning.com

Figure 3: TCL S838M

Retail price : N/A
Standard : TD-LTE / TD-SCDMA
CPU : quad-core (1.2GHz)
Display : 5.0" (1280 x 720)
Camera : 8m pixel



SOURCES: CIMB, zol.com.cn

New products pipeline ▶

LTE enabled. TCL will continue to adopt fast fashion models in smartphone launches. The group plans to launch more than 40 models (including tablets) in 2014 and expects to roll out new models each quarter to maintain consumer interest. More importantly, more than 25 new smartphone models will be LTE enabled, including both TDD-LTE and FDD-LTE, and also carrying entry-level

and advanced segment smartphones, in order to accommodate the wide spectrum of market demand (Figs 4, 5).

Figure 4: TCL LTE smartphones



SOURCES: CIMB, COMPANY REPORTS

Figure 5: TCL Tablets



SOURCES: CIMB, COMPANY REPORTS

Figure 6: Monthly unit shipments

	YTD	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13
Total (unit shipments in million)	13.61	4.64	3.76	5.21	6.20	7.26	5.72	5.46	4.93	5.01	4.06	4.20	3.89	2.94	1.91
Smartphone	6.32	2.27	1.73	2.31	2.50	3.01	2.14	2.01	1.77	1.41	1.32	1.11	0.82	0.51	0.35
Feature phone	7.29	2.37	2.02	2.90	3.70	4.24	3.57	3.44	3.16	3.60	2.74	3.09	3.07	2.44	1.56
Smartphone to total unit shipments	46.4%	49.0%	46.1%	44.3%	40.4%	41.5%	37.5%	36.9%	35.9%	28.1%	32.5%	26.4%	21.1%	17.2%	18.6%
Total (yoy%)	60.4%	57.7%	96.6%	43.5%	50.2%	44.7%	33.1%	37.6%	35.7%	69.6%	-6.2%	19.3%	33.3%	-14.7%	-20.2%
Smartphone	334%	349%	389%	290%	292%	223%	181%	162%	175%	147%	126%	119%	123%	52%	30%
Feature phone	3.7%	-2.9%	30.0%	-4.5%	6.0%	3.9%	1.2%	7.6%	5.7%	51.0%	-26.9%	2.6%	20.3%	-21.9%	-26.7%
Total (unit shipments by geographical area in million)															
Overseas	12.53	4.21	3.48	4.84	5.75	6.87	5.38	5.01	4.49	4.66	3.60	3.75	3.46	2.55	1.77
China	1.08	0.43	0.28	0.38	0.45	0.39	0.34	0.45	0.44	0.35	0.46	0.46	0.43	0.39	0.14
Total (yoy%)															
Overseas	69.1%	65.3%	96.9%	56.3%	60.6%	51.3%	35.4%	49.0%	44.1%	87.9%	-4.0%	27.2%	37.4%	-9.7%	-5.3%
China	0.2%	8.2%	92.4%	-30.2%	-17.4%	-18.6%	4.8%	-25.9%	-15.1%	-26.5%	-21.0%	-20.7%	7.8%	-37.4%	-72.9%

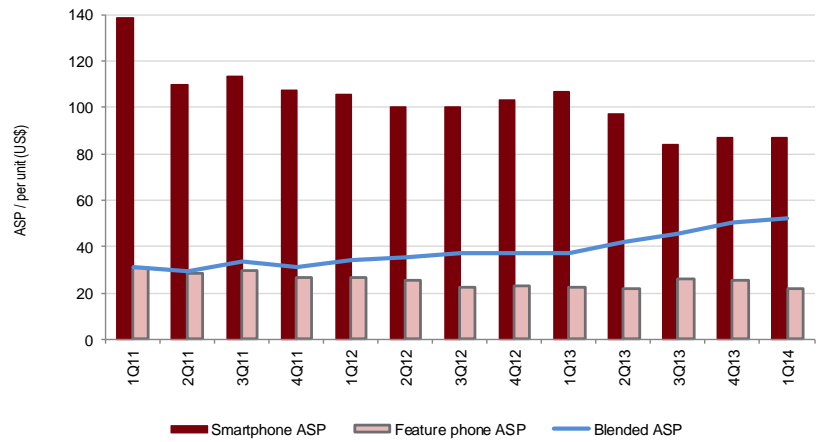
SOURCES: CIMB, COMPANY REPORTS

Figure 7: Quarterly unit shipments breakdown by handset type

	2014			2013			2012		
	Total	Feature phone	Smartphone	Total	Feature phone	Smartphone	Total	Feature phone	Smartphone
Unit shipment (million)									
1Q	13.6	7.3	6.3	8.5	7.0	1.5	7.8	7.1	0.7
2QF	15.9	8.7	7.2	12.2	8.9	3.3	10.8	9.3	1.5
3QF	17.5	9.2	8.3	15.4	10.2	5.2	10.6	8.6	2.0
4QF	20.8	10.7	10.1	19.2	11.5	7.7	13.4	11.1	2.3
Total	67.9	35.8	32.0	55.2	37.6	17.6	42.6	36.1	6.5
Unit shipment (yoy%)									
1Q	60%	4%	334%	8%	-1%	95%	-10%	-18%	3005%
2QF	31%	-2%	123%	13%	-4%	123%	0%	-12%	916%
3QF	14%	-10%	60%	46%	19%	162%	-4%	-19%	308%
4QF	9%	-7%	32%	43%	4%	228%	2%	-11%	224%
Total	23%	-5%	82%	30%	4%	169%	-2%	-15%	375%

SOURCES: CIMB, COMPANY REPORTS

Figure 8: Estimated smartphone and feature phone ASP



SOURCES: CIMB, COMPANY REPORTS

Figure 9: Estimated smartphone and feature phone ASP vs GPM



SOURCES: CIMB, COMPANY REPORTS

Figure 10: Consolidated Income Statement (quarterly)

FYE Dec (HK\$m)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
Revenue	2,105.2	2,988.3	3,052.8	3,885.0	2,448.8	3,958.3	5,453.7	7,501.2	5,540.7
Cost of sales	(1,686.5)	(2,424.6)	(2,542.8)	(3,280.8)	(2,046.4)	(3,231.8)	(4,383.2)	(6,028.5)	(4,453.7)
Gross profit	418.7	563.7	510.0	604.2	402.3	726.5	1,070.6	1,472.7	1,087.0
Other income	70.3	47.1	68.8	87.2	56.1	120.2	74.5	148.1	82.5
R&D	(139.9)	(107.5)	(181.5)	(310.7)	(223.8)	(208.0)	(265.2)	(367.1)	(255.1)
Selling and marketing expenses	(212.5)	(276.1)	(302.3)	(362.7)	(288.9)	(366.9)	(398.7)	(556.8)	(465.5)
Administrative expenses	(136.0)	(132.3)	(173.5)	(215.8)	(187.7)	(236.6)	(219.1)	(303.0)	(234.8)
Other operating expenses	(46.5)	(3.9)	(27.2)	(31.7)	(5.1)	(25.7)	(42.3)	(85.0)	(15.8)
Operating profit	(46.0)	91.0	(105.7)	(229.6)	(247.1)	9.4	219.8	309.0	198.3
Net finance cost	13.5	10.5	12.3	11.1	6.1	4.4	(1.5)	(1.0)	(10.2)
Shares of associate co.	(0.5)	(0.4)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)	(0.3)	(0.4)
Extraordinary items	63.2	(19.3)	13.2	(0.9)	0.0	0.5	1.8	(1.5)	0.0
Profit before taxation	30.2	81.8	(80.7)	(219.7)	(241.4)	13.9	219.7	306.1	187.7
Taxation	(6.6)	(5.2)	(10.2)	(9.5)	(6.1)	24.5	3.3	(3.9)	(7.5)
Minority interests	2.1	2.7	3.8	3.6	1.2	0.9	2.7	(7.6)	(3.6)
Net profit	25.7	79.3	(87.2)	(225.6)	(246.2)	39.3	225.7	294.6	176.6
Recurring net profit	(37.5)	98.6	(100.4)	(224.7)	(246.2)	38.8	223.9	296.1	176.6
Growth (yoy%)									
Revenue	-0.9%	21%	7%	22%	16%	32%	79%	93%	126%
Gross profit	-85.7%	-58%	-141%	-205%	-1058%	-50%	359%	231%	172%
Operating profit	-126.9%	-55%	-154%	-243%	438%	-90%	308%	235%	180%
Net profit	-85.7%	-58%	-141%	-205%	-1058%	-50%	359%	231%	172%
Recurring net profit	-120.8%	-48%	-149%	-200%	557%	-61%	323%	232%	172%
Ratio analysis (%)									
Gross margin	19.9%	18.9%	16.7%	15.6%	16.4%	18.4%	19.6%	19.6%	19.6%
Operating margin	-2.2%	3.0%	-3.5%	-5.9%	-10.1%	0.2%	4.0%	4.1%	3.6%
Net profit margin	1.2%	2.7%	-2.9%	-5.8%	-10.1%	1.0%	4.1%	3.9%	3.2%
Recurring net profit margin	-1.8%	3.3%	-3.3%	-5.8%	-10.1%	1.0%	4.1%	3.9%	3.2%
R&D to revenue ratio	6.6%	3.6%	5.9%	8.0%	9.1%	5.3%	4.9%	4.9%	4.6%
Selling and marketing expenses to revenue ratio	10.1%	9.2%	9.9%	9.3%	11.8%	9.3%	7.3%	7.4%	8.4%
Administrative expenses to revenue ratio	6.5%	4.4%	5.7%	5.6%	7.7%	6.0%	4.0%	4.0%	4.2%
SG&A cost to sales	25.4%	17.4%	22.4%	23.7%	28.8%	21.2%	17.0%	17.5%	17.5%
Taxation rate	21.9%	6.4%	-12.6%	-4.3%	-2.5%	-175.7%	-1.5%	1.3%	4.0%
+/- change %									
Gross margin	-2.4%	-3%	-4%	-7%	-3.5%	-0.5%	2.9%	4.1%	3.2%
Operating margin	-10.2%	-5%	-10%	-11%	-7.9%	-2.8%	7.5%	10.0%	13.7%
Net profit margin	-7.3%	-5%	-10%	-13%	-11.3%	-1.7%	7.0%	9.7%	13.2%
Recurring net profit margin	-10.3%	-4%	-10%	-13%	-8.3%	-2.3%	7.4%	9.7%	13.2%
SG&A to sales	7.8%	-1%	8%	3%	3.4%	3.8%	-5.5%	-6.2%	-11.3%

SOURCES: CIMB, COMPANY REPORTS

Figure 11: Revenue projections

FYE Dec	Dec-11A	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Unit shipment by phone type (million)						
Smartphone	1.4	6.5	17.6	31.5	38.4	44.2
Feature phone	42.2	36.1	37.6	34.8	32.7	31.1
Total	43.6	42.6	55.2	66.3	71.1	75.3
Unit shipment by phone type (yoy %)						
Smartphone	2189.2%	374.6%	169.2%	79.2%	22.0%	15.0%
Feature phone	16.8%	-14.6%	4.3%	-7.6%	-5.9%	-5.0%
Total	20.4%	-2.3%	29.6%	20.0%	7.4%	5.8%
Blended ASP (US\$)						
	31.3	36.2	45.0	53.0	56.0	55.9
YoY (%)	1.7%	15.6%	24.2%	17.9%	5.5%	-0.1%
Revenue (HK\$m)						
	10,653	12,031	19,362	27,403	31,049	32,818
YoY (%)	22.4%	12.9%	60.9%	41.5%	13.3%	5.7%

SOURCES: CIMB, COMPANY REPORTS

Figure 12: Consolidated Income Statement

FYE Dec (HK\$m)	Dec-11A	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue	10,653.0	12,031.2	19,362.1	27,402.8	31,049.2	32,818.5
Cost of sales	(8,324.8)	(9,934.6)	(15,689.9)	(22,195.8)	(25,069.0)	(26,359.6)
Gross profit	2,328.2	2,096.6	3,672.2	5,206.9	5,980.2	6,458.9
Other income	312.7	273.3	398.9	494.1	542.4	565.1
R&D	(459.2)	(739.7)	(1,064.2)	(1,329.3)	(1,453.1)	(1,511.1)
Selling and marketing expenses	(866.3)	(1,153.7)	(1,611.2)	(2,012.7)	(2,200.2)	(2,287.9)
Administrative expenses	(558.1)	(657.5)	(946.4)	(1,142.9)	(1,249.3)	(1,299.1)
Other operating expenses	(28.1)	(109.3)	(158.2)	(189.9)	(227.8)	(273.4)
Operating profit	729.3	(290.2)	291.1	1,026.3	1,392.1	1,652.5
Net finance cost	55.5	47.4	8.0	(12.3)	(15.6)	(8.9)
Shares of associate co.	(1.4)	(1.8)	(1.6)	5.0	8.0	10.0
Extraordinary items	0.0	56.1	0.8	0.0	0.0	0.0
Profit before taxation	783.3	(188.5)	298.4	1,019.0	1,384.5	1,653.6
Taxation	17.3	(31.6)	17.8	(122.3)	(193.8)	(231.5)
Minority interests	(0.7)	12.2	(2.8)	0.0	0.0	0.0
Net profit	799.9	(207.8)	313.4	896.7	1,190.6	1,422.1
Recurring net profit	799.9	(264.0)	312.6	896.7	1,190.6	1,422.1
Growth (yoy%)						
Revenue	22.4%	13%	61%	42%	13%	6%
Gross profit	14.0%	-126%	-251%	186%	33%	19%
Operating profit	0.8%	-140%	-200%	253%	36%	19%
Net profit	14.0%	-126%	-251%	186%	33%	19%
Recurring net profit	14.3%	-133%	-218%	187%	33%	19%
Ratio analysis (%)						
Gross margin	21.9%	17.4%	19.0%	19.0%	19.3%	19.7%
Operating margin	6.8%	-2.4%	1.5%	3.7%	4.5%	5.0%
Net profit margin	7.5%	-1.7%	1.6%	3.3%	3.8%	4.3%
Recurring net profit margin	7.5%	-2.2%	1.6%	3.3%	3.8%	4.3%
R&D to revenue ratio	4.3%	6.1%	5.5%	4.9%	4.7%	4.6%
Selling and marketing expenses to revenue ratio	8.1%	9.6%	8.3%	7.3%	7.1%	7.0%
Administrative expenses to revenue ratio	5.2%	5.5%	4.9%	4.2%	4.0%	4.0%
SG&A cost to sales	17.9%	22.1%	19.5%	17.1%	16.5%	16.4%
Taxation rate	-2.2%	-16.7%	-6.0%	12.0%	14.0%	14.0%
+/- change %						
Gross margin	-0.5%	-4.4%	1.5%	0.0%	0.3%	0.4%
Operating margin	-1.5%	-9.3%	3.9%	2.2%	0.7%	0.6%
Net profit margin	-0.6%	-9.2%	3.3%	1.7%	0.6%	0.5%
Recurring net profit margin	-0.5%	-9.7%	3.8%	1.7%	0.6%	0.5%
SG&A to sales	1.6%	4.2%	-2.6%	-2.5%	-0.5%	-0.2%

SOURCES: CIMB, COMPANY REPORTS

Figure 13: Sector comparison

Bloomberg			Price	Target Price	Market Cap	Core P/E (x)		3-year EPS	P/BV (x)	ROE (%)	EV/EBITDA (x)	Yield (%)
Company	Ticker	Recom.	(local curr)	(local curr)	(US\$ m)	CY2014	CY2015	CAGR (%)	CY2014	CY2014	CY2014	CY2014
Handset vendors - listed in Hong Kong												
Coolpad Group	2369 HK	ADD	3.87	6.00	1,062	10.7	8.8	37.3%	2.37	24.7%	5.6	1.1%
Lenovo Group	992 HK	HOLD	8.8	8.70	11,812	26.4	19.4	n.a.	3.56	13.8%	14.1	2.4%
TCL Communication	2618 HK	ADD	8.52	10.90	1,308	11.0	8.3	0.6	2.69	27.2%	8.2	3.2%
ZTE Corp - H	763 HK	NOT RATED	16.56	n.a.	7,343	17.6	14.5	n.a.	1.83	5.4%	11.4	1.4%
Average						16.4	12.8	n.a.	2.61	17.8%	9.8	2.0%
Handset vendors - listed overseas												
Apple	AAPL US	NOT RATED	532	n.a.	474,270	12.2	11.2	1.3%	3.48	26.6%	5.6	2.4%
Blackberry	BB CN	NOT RATED	8.06	n.a.	3,845	n.a.	n.a.	n.a.	1.20	-17.2%	n.a.	0.0%
HTC Corp	2498 TT	REDUCE	159.5	97	4,422	n.a.	n.a.	n.a.	1.79	-3.0%	n.a.	0.0%
LG Electronics	066570 KS	ADD	69900	85000	11,002	13.7	8.7	104.5%	0.93	7.1%	4.2	0.6%
Nokia	NOK1V FH	NOT RATED	5.4	n.a.	28,017	25.2	19.8	n.a.	2.43	-7.6%	12.0	2.1%
Samsung Electronic	005930 KS	ADD	1407000	1700000	199,327	7.9	7.2	6.6%	1.33	18.4%	3.1	1.2%
Average (not including Blackberry, HTC and Nokia)						11.3	9.0	0.4	1.91	17.4%	4.3	1.4%
Handset components - listed in Hong Kong												
AAC Technologies	2018 HK	HOLD	42.90	34	6,795	17.0	15.3	10.7%	4.67	29.7%	12.3	2.4%
BYD Electronic	285 HK	NOT RATED	5.04	n.a.	1,465	10.7	9.1	37.8%	0.97	6.9%	3.7	1.0%
FIH Mobile Ltd	2038 HK	NOT RATED	4.22	n.a.	4,133	20.2	16.0	n.a.	1.03	2.0%	4.2	0.0
Sunny Optical Tech	2382 HK	NOT RATED	9.10	n.a.	1,288	13.8	11.2	22.0%	2.27	13.7%	8.4	2.1%
Tongda Group	698 HK	ADD	1.00	1.38	705	10.3	7.9	26.8%	1.74	17.9%	7.0	3.2%
Truly International	732 HK	NOT RATED	5.46	n.a.	2,053	8.6	7.1	44.1%	1.88	19.7%	5.1	3.6%
Average						13.4	11.1	28.3%	2.09	15.0%	6.8	2.1%
Handset components - listed overseas												
Largan Precision	3008 TT	ADD	1755	1900	7,767	19.0	15.8	18.7%	6.05	35.8%	12.6	1.7%
LG Innotek	011070 KS	ADD	111500	144000	2,264	30.5	15.2	137.4%	1.99	6.1%	5.4	0.0%
Liteon Tech	2301 TT	ADD	46	51	3,563	11.4	9.9	12.3%	1.42	12.7%	4.6	5.8%
Partron	091700 KS	ADD	14650	29000	763	6.1	4.6	23.1%	1.99	37.7%	3.3	2.7%
Silicon Works	108320 KS	ADD	23400	34000	366	8.5	7.9	16.4%	1.28	16.0%	3.4	3.4%
Simplo Technology	6121 TT	ADD	150	149	1,521	13.1	12.6	4.7%	2.29	18.2%	8.4	4.3%
Average						14.8	11.0	35.4%	2.50	21.1%	6.3	3.0%
Casings / EMS - listed overseas												
Catcher Technology	2474 TT	HOLD	263.00	226.00	6,514	13.8	12.9	4.6%	2.40	18.3%	7.2	2.9%
Foxconn Technology	2354 TT	REDUCE	76.50	54.00	3,298	14.1	12.7	7.9%	1.38	10.2%	5.1	1.8%
Hon Hai Precision	2317 TT	ADD	88.60	100.00	38,379	9.6	8.5	9.3%	1.41	15.8%	6.2	2.3%
Jabil	JBL US	NOT RATED	17.79	n.a.	3,616	18.7	9.8	n.a.	1.44	11.4%	5.7	1.8%
Janus Dongguan precision	300083 CH	NOT RATED	18.75	n.a.	605	19.1	13.4	42.9%	2.37	8.1%	n.a.	0.3%
Pagetrone	4938 TT	ADD	47.00	50.00	3,599	10.4	9.0	10.5%	1.01	10.1%	3.4	4.3%
Wistron Corporation	3231 TT	HOLD	25.90	25.00	2,032	10.7	10.0	5.1%	0.93	8.8%	8.2	6.9%
Average						13.8	10.9	13.4%	1.56	11.8%	6.0	2.9%
Semiconductor												
SMIC	981 HK	HOLD	0.67	0.67	2,784	37.1	17.4	-5.6%	1.08	3.0%	5.6	0.0%
MediaTek Inc	2454 TT	REDUCE	477	360	24,719	16.8	18.4	7.7%	3.41	21.4%	11.4	4.5%
Average						26.9	17.9	1.1%	2.25	12.2%	8.5	2.3%
Telecom equipment - listed in Hong Kong												
China Comm Services	552 HK	NOT RATED	3.78	n.a.	3,377	8.0	7.3	5.9%	0.91	9.6%	3.9	4.0%
Comba Telecom	2342 HK	REDUCE	2.17	2.42	427	91.7	27.5	n.a.	0.90	1.0%	14.9	0.0%
Average						49.9	17.4	5.9%	0.90	5.3%	9.4	2.0%
Integrated telecom operators - China												
China Mobile	941 HK	REDUCE	69.75	57.45	181,851	11.1	11.4	-9.4%	1.35	12.7%	3.0	4.0%
China Telecom	728 HK	ADD	3.60	4.46	37,579	10.2	7.9	25.5%	0.80	8.1%	2.8	2.4%
China Unicom	762 HK	ADD	10.38	17.07	31,845	15.0	11.2	28.8%	0.86	6.0%	3.0	2.4%
Average						12.1	10.2	15.0%	1.00	8.9%	3.0	2.9%

SOURCES: Bloomberg, CIMB

Profit & Loss

(HK\$m)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Net Revenues	19,362	27,403	31,049	32,818
Gross Profit	3,672	5,207	5,980	6,459
Operating EBITDA	482	1,279	1,662	1,937
Depreciation And Amortisation	-191	-253	-270	-284
Operating EBIT	291	1,026	1,392	1,652
Financial Income/(Expense)	8	-12	-16	-9
Pretax Income/(Loss) from Assoc.	-2	5	8	10
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	298	1,019	1,384	1,654
Exceptional Items	1	0	0	0
Pre-tax Profit	298	1,019	1,384	1,654
Taxation	18	-122	-194	-231
Exceptional Income - post-tax				
Profit After Tax	316	897	1,191	1,422
Minority Interests	-3	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	313	897	1,191	1,422
Normalised Net Profit	315	897	1,191	1,422
Fully Diluted Normalised Profit	313	897	1,191	1,422

Balance Sheet

(HK\$m)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Cash And Equivalents	1,840	1,796	2,377	3,309
Total Debtors	7,221	10,220	11,580	12,239
Inventories	2,649	3,748	4,233	4,451
Total Other Current Assets	156	142	142	142
Total Current Assets	11,866	15,906	18,332	20,141
Fixed Assets	1,070	1,161	1,234	1,294
Total Investments	82	82	82	82
Intangible Assets	1,210	1,210	1,210	1,210
Total Other Non-Current Assets	195	195	195	195
Total Non-current Assets	2,557	2,648	2,722	2,781
Short-term Debt	2,205	2,355	2,505	2,655
Current Portion of Long-Term Debt				
Total Creditors	7,508	10,621	11,996	12,613
Other Current Liabilities	1,508	1,598	1,695	1,766
Total Current Liabilities	11,221	14,574	16,195	17,035
Total Long-term Debt	196	196	196	196
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	8	12	13	14
Total Non-current Liabilities	204	208	209	210
Total Provisions	85	85	85	85
Total Liabilities	11,510	14,866	16,490	17,329
Shareholders' Equity	2,909	3,684	4,560	5,589
Minority Interests	4	4	4	4
Total Equity	2,913	3,688	4,564	5,593

Cash Flow

(HK\$m)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	482	1,279	1,662	1,937
Cash Flow from Inv. & Assoc.	2	-5	-8	-10
Change In Working Capital	-1,020	-984	-470	-260
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	166	109	115	119
Net Interest (Paid)/Received	-105	-42	-44	-47
Tax Paid	18	-122	-194	-231
Cashflow From Operations	-457	235	1,061	1,507
Capex	-350	-300	-300	-300
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	113	29	29	38
Cash Flow From Investing	-237	-271	-271	-262
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	-34	-116	-314	-417
Preferred Dividends				
Other Financing Cashflow	274	188	453	-47
Cash Flow From Financing	240	72	139	-464
Total Cash Generated	-454	36	928	782
Free Cashflow To Equity	-694	-36	789	1,245
Free Cashflow To Firm	-589	6	834	1,292

Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	60.9%	41.5%	13.3%	5.7%
Operating EBITDA Growth	NA	165%	30%	17%
Operating EBITDA Margin	2.49%	4.67%	5.35%	5.90%
Net Cash Per Share (HK\$)	-0.48	-0.65	-0.28	0.39
BVPS (HK\$)	2.50	3.17	3.92	4.81
Gross Interest Cover	2.77	24.58	31.38	35.18
Effective Tax Rate	0.0%	12.0%	14.0%	14.0%
Net Dividend Payout Ratio	37.2%	35.0%	35.0%	35.0%
Accounts Receivables Days	79.1	89.3	98.5	102.1
Inventory Days	45.51	52.60	58.10	60.29
Accounts Payables Days	73.32	76.93	84.97	88.17
ROIC (%)	6.8%	22.1%	23.4%	25.3%
ROCE (%)	5.8%	18.0%	20.8%	21.3%

Rolling FD P/E (x)



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.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

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, underwriting or placement 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.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. 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. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her 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.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Australia	CIMB Securities (Australia) Limited	Australian Securities & Investments Commission
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
Indonesia	PT CIMB Securities Indonesia	Financial Services Authority of Indonesia
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Taiwan	CIMB Securities Limited, Taiwan Branch	Financial Supervisory Commission
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of April 24, 2014 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) Catcher Technology, China Mobile Limited, China Telecom, China Unicom, Foxconn Technology, Hon Hai Precision, Largan Precision, Liteon Tech, MediaTek Inc, Pegatron, Simplo Technology, Wistron Corp

(ii) As of April 24, 2014, the analyst(s) who prepared this report, has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) 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. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in 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. 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 Securities (Australia) Limited ("CSAL") (ABN 84 002 768 701, AFS Licence number 240 530). CSAL is a Market Participant of ASX Ltd, a Clearing Participant of ASX Clear Pty Ltd, a Settlement Participant of ASX Settlement Pty Ltd, and, a participant of Chi X Australia Pty Ltd. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth)) 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 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 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 Conduct 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).

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

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 Conduct 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 Conduct 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 Research Pte Ltd ("CIMBR"). Recipients of this report are to contact CIMBR 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 Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBR 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, CIMBR 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 CIMBR.

As of April 24, 2014, CIMBR does not have a proprietary position in the recommended securities in this report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea.

The views and opinions in this research report are our own as of the date hereof and are subject to change, and 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 investment instruments and it is not intended as a solicitation for the purchase of any financial investment instrument.

This publication is strictly confidential and is for private circulation only, and 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 Korea.

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 or a placement 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 Conduct 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.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 – 100	80 – 89	70 – 79	Below 70 or	No Survey Result
Description:		Excellent	Very Good	Good	N/A

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 and Europe: In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is

authorised and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X 7YB. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are persons that are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (c) are persons falling within Article 49 (2) (a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom; or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

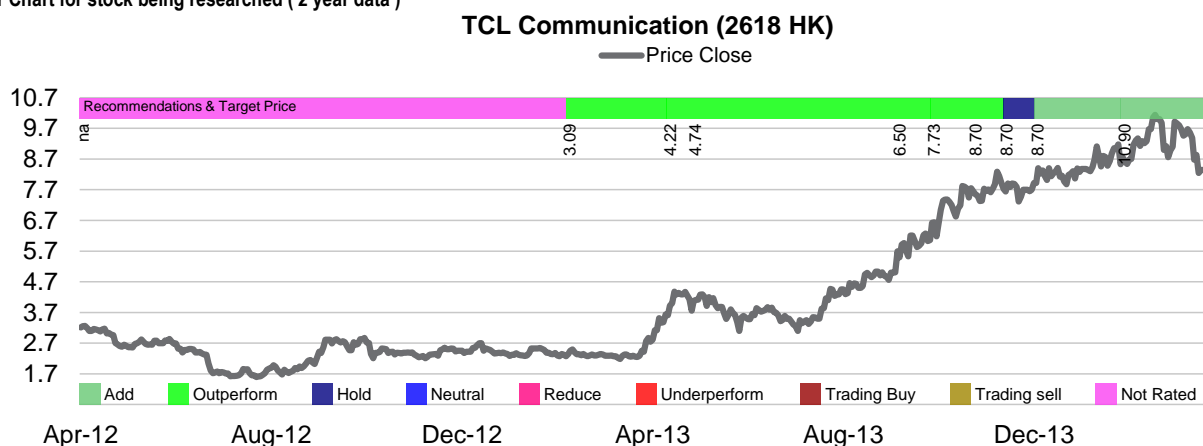
Only where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not be subject to any prohibition on dealing ahead of the dissemination of investment research.

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 Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (Australia) Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "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 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 a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. 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.

Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2014		
1358 companies under coverage for quarter ended on 31 March 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy/Add	52.6%	5.9%
Neutral/Hold	31.7%	5.4%
Underperform/Sell/Trading Sell/Reduce	15.7%	5.2%

Spitzer Chart for stock being researched (2 year data)



As at the time of publishing this report CIMB is phasing in an absolute recommendation structure for stocks (Framework #1). Please refer to all frameworks for a definition of any recommendations stated in this report.

CIMB Recommendation Framework #1

Stock Ratings

Definition

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock.

Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

CIMB Stock Recommendation Framework #2 *

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 3% 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 3% or more over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay 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 Research Pte Ltd (Co. Reg. No. 198701620M)

CIMB Stock Recommendation Framework #3 **

Outperform	Expected positive total returns of 10% or more over the next 12 months.
Neutral	Expected total returns of between -10% and +10% over the next 12 months.
Underperform	Expected negative total returns of 10% or more over the next 12 months.
Trading Buy	Expected positive total returns of 10% or more over the next 3 months.
Trading Sell	Expected negative total returns of 10% or more over the next 3 months.

** This framework only applies to stocks listed on the Korea Exchange, 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.

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.

AAV – Good, **ADVANC** – Excellent, **AMATA** – Very Good, **ANAN** – Good, **AOT** – Excellent, **AP** – Very Good, **BANPU** – Excellent, **BAY** – Excellent, **BBL** – Excellent, **BCH** – Good, **BCP** – Excellent, **BEC** – Very Good, **BGH** – not available, **BJC** – Very Good, **BH** – Very Good, **BIGC** – Very Good, **BTS** – Excellent, **CCET** – Very Good, **CENDEL** – Very Good, **CK** – Excellent, **CPALL** – Very Good, **CPF** – Excellent, **CPN** – Excellent, **DELTA** – Very Good, **DTAC** – Excellent, **EGCO** – Excellent, **GLOBAL** – Good, **GLOW** – Very Good, **GRAMMY** – Excellent, **HANA** – Excellent, **HEMRAJ** – Excellent, **HMPRO** – Very Good, **INTUCH** – Excellent, **ITD** – Very Good, **IVL** – Excellent, **JAS** – Very Good, **KAMART** – not available, **KBANK** – Excellent, **KKP** – Excellent, **KTG** – Excellent, **LH** – Very Good, **LPN** – Excellent, **MAJOR** – Very Good, **MAKRO** – Very Good, **MCOT** – Excellent, **MINT** – Excellent, **PS** – Excellent, **PSL** – Excellent, **PTT** – Excellent, **PTTGC** – Excellent, **PTTEP** – Excellent, **QH** – Excellent, **RATCH** – Excellent, **ROBINS** – Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** – Excellent, **SCC** – Excellent, **SCCC** – Very Good, **SIRI** – Very Good, **SPALI** – Excellent, **STA** – Good, **STEC** – Very Good, **TCAP** – Excellent, **THAI** – Excellent, **THCOM** – Excellent, **TICON** – Very Good, **TISCO** – Excellent, **TMB** – Excellent, **TOP** – Excellent, **TRUE** – Excellent, **TTW** – Excellent, **TUF** – Very Good, **VGI** – Excellent, **WORK** – Good.