

## Company Note

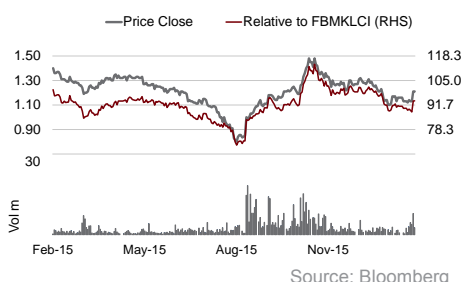
### I Malaysia

#### ADD (no change)

|                         |            |
|-------------------------|------------|
| Current price:          | RM1.21     |
| Target price:           | RM1.40     |
| Previous target:        | RM1.65     |
| Up/downside:            | 15.7%      |
| Reuters:                | MYRS.KL    |
| Bloomberg:              | MRC MK     |
| Market cap:             | US\$513.7m |
|                         | RM2,162m   |
| Average daily turnover: | US\$0.62m  |
|                         | RM2.68m    |
| Current shares o/s      | 1,783m     |
| Free float:             | 34.9%      |

#### Key changes in this note

- FY16F EPS cut by 38%
- FY17F EPS cut by 45%



| Price performance | 1M  | 3M    | 12M   |
|-------------------|-----|-------|-------|
| Absolute (%)      | 6.1 | -10.4 | -14.2 |
| Relative (%)      | 3.1 | -11.2 | -6.8  |

#### Analyst(s)



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## Malaysian Resources Corp

### Asset sale gains prop up FY15 profits

- FY15 full-year core net profit was below expectations due to core losses in 4Q15.
- Reported net profit was boosted by RM330m total net gain from property asset divestments.
- Challenges to property earnings could sustain; RM1bn sales target in 2016.
- EPS and target price cuts due to 20% placement dilution and timing of billings.
- Construction catalysts are potentially around the corner. Retain Add.

#### FY15 core earnings below expectations

FY15 core net profit of RM400k (excluding RM330m total net gain in asset sale) was substantially below our and consensus core net profit forecasts of RM77m-96m. The disappointment came from the surprise core net loss in 4Q15 which was due to weak property sales, cost overruns and job delays. Property billings were weak as KL-Sentral-based sale reached its tail-end by end-Sep. Property core EBIT margin of 15% in FY15 was still decent but still reflective of the tough outlook. Construction held steady at 5%.

#### Property outlook still cautious

MRCB achieved total sales of RM597m in FY15, which could have been stronger if not for the weaker sales in 2H15. The group targets RM1bn total property sales in 2016, but we believe there could be downside if new property launches and progress billings remain weak in 1H16. The RM1.6bn total unbilled sales as at end-2015 could largely mitigate any downside. Management's overall property outlook remains cautious in 2016. This was no big surprise and consistent with previous guidance.

#### Status of land deals secured last year

The group's strategy this year continues to be execution, mainly for the phase 1 of the Bukit Jalil Sport Complex refurbishment/privatisation deal. The over RM600m potential new funds from the 20% share placement will largely be earmarked to fund this venture. New guidance was that it expects the share placement to be completed by end 2Q16. Earnings contribution remains no sooner than FY18.

#### Factoring in dilution from 20% share placement

We now factor in the share dilution including the full conversion of warrants. The placement exercise, based on RM1.24/share, should raise as much as RM612m of which c.60% will be utilised for new land privatisation deals. The 36-45% slash in EPS also includes the 10-12% reduction in FY16-17 earnings as we reflect delays in progress billings, timing of new jobs, and a weaker property outlook but backed by a steady construction order book of RM1.3bn.

#### Add retained; Construction outlook looks buoyant

The weak results aside, key takeaways from the post-results briefing suggest that several tenders that are up for awards in the coming months could benefit MRCB. Potential catalysts are the likely contract wins for MRT 2 (viaduct) and various building jobs. MRCB is also likely to recognise a maiden PDP fee for LRT 3 in mid-2016. Our target price falls by 15% as we also update for balance sheet items, still based on a 30% RNAV discount. Construction newsflow should be positive for the share price in 1H16.

| Financial Summary              | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (RMm)                  | 1,515   | 1,697   | 1,954   | 2,110   | 2,280   |
| Operating EBITDA (RMm)         | 110.1   | 159.9   | 247.1   | 273.2   | 305.6   |
| Net Profit (RMm)               | 136.5   | 330.4   | 108.0   | 126.5   | 151.5   |
| Core EPS (RM)                  | 0.033   | 0.081   | 0.047   | 0.044   | 0.053   |
| Core EPS Growth                | NA      | 146%    | (43%)   | (5%)    | 20%     |
| FD Core P/E (x)                | 36.60   | 14.86   | 32.00   | 27.32   | 22.82   |
| DPS (RM)                       | 0.025   | 0.025   | 0.030   | 0.030   | 0.030   |
| Dividend Yield                 | 2.07%   | 2.07%   | 2.48%   | 2.48%   | 2.48%   |
| EV/EBITDA (x)                  | 46.99   | 30.21   | 22.16   | 22.28   | 19.79   |
| P/FCFE (x)                     | 7.8     | NA      | 195.2   | 43.1    | 29.3    |
| Net Gearing                    | 181%    | 155%    | 154%    | 153%    | 152%    |
| P/BV (x)                       | 1.36    | 1.20    | 1.99    | 2.01    | 2.03    |
| ROE                            | 3.61%   | 8.58%   | 6.12%   | 7.32%   | 8.84%   |
| % Change In Core EPS Estimates |         |         | (36.4%) | (44.6%) |         |
| CIMB/consensus EPS (x)         |         |         | 0.80    | 0.59    |         |

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

| FYE Dec (RM m)         | 4QFY15        | 4QFY14        | yoy %<br>chg | qoq %<br>chg   | 4QFY15<br>Cum | 4QFY14<br>Cum | yoy %<br>chg   | Prev.<br>FY15F | Comments                                     |
|------------------------|---------------|---------------|--------------|----------------|---------------|---------------|----------------|----------------|--|
| Revenue                | 388.2         | 487.2         | (20.3)       | 3.8            | 1,696.7       | 1,514.8       | 12.0           | 1,809.2        | Boosted by construction progress billings    |
| Operating costs        | (490.2)       | (527.9)       | (7.1)        | 51.5           | (1,866.8)     | (1,458.3)     | 28             | (1,620.9)      | Cost still at manageable level               |
| EBIT                   | (102.0)       | (40.7)        | 150          | (302.4)        | (170.1)       | 56.5          | (401.0)        | 188.3          | Weak sales and cost overrun                  |
| <b>EBIT margin (%)</b> | <b>(26.3)</b> | <b>(8.4)</b>  | <b>214</b>   | <b>(295.0)</b> | <b>(10.0)</b> | <b>3.7</b>    | <b>(368.7)</b> | <b>10.4</b>    | Below expectations                           |
| EBIT                   | (102.0)       | (40.7)        | 150          | (302.4)        | (170.1)       | 56.5          | (401.0)        |                | Property development core margin of 15%      |
| Interest expense       | (50.7)        | (45.5)        | 11.6         | 14.1           | (184.8)       | (171.2)       | 8.0            | (98.3)         | Total debt stood at RM3.4bn                  |
| Interest & invt inc    | 83.3          | 10.3          | 711.5        | 617.8          | 387.1         | 257.4         | 50.4           | 57.2           | RM330m total gains from asset sale in FY15   |
| Associates' contrib    | (0.2)         | (9.6)         | (98.0)       | (102.5)        | 7.9           | (24.3)        | 132.4          | (24.3)         | Above  |
| <b>Exceptionals</b>    | <b>70.0</b>   | <b>102.2</b>  | <b>-</b>     |                | <b>330.0</b>  | <b>102.2</b>  | <b>-</b>       | <b>-</b>       | RM70m gain from divesting Nu Sentral in 4Q15 |
| Pretax profit          | 0.4           | 16.6          | (97.7)       | (98.5)         | 370.1         | 220.6         | 67.8           | 132.8          | Core pretax profit of RM40.1m for FY15       |
| Tax                    | 38.6          | (18.0)        | (7.0)        | 306            | (6.1)         | (53.3)        | (88.6)         | (30.7)         | Reversal of deferred tax assets in 4Q15      |
| Tax rate (%)           | (10,248.0)    | 108.1         | (9,576.5)    | (13,943)       | 1.6           | 24.1          | (93.2)         | 23.1           | Offset by non-taxable gains                  |
| Minority interests     | (7.2)         | (12.2)        | (40.5)       | 236            | (33.6)        | (30.9)        | 8.9            | (14.9)         | Above expectations                           |
| <b>Net profit</b>      | <b>31.8</b>   | <b>(13.5)</b> | <b>335.1</b> | <b>618.0</b>   | <b>330.4</b>  | <b>136.5</b>  | <b>142.1</b>   | <b>95.9</b>    | FY15 core net profit of RM400k vs ours       |
| Core net profit        | (38.2)        | (115.7)       | (67.0)       | n.m.           | 0.4           | 34.3          | (98.9)         | 95.9           | consensus forecast of RM77-96m               |
| EPS (sen)              | 1.5           | (0.3)         | 600.0        | 368.8          | 18.5          | 8.9           | 107.2          | 5.4            | Results were below expectations              |
| Core EPS (sen)         | 1.5           | (0.3)         | 600.0        | 368.8          | 0.0           | 2.1           | (98.9)         | 5.4            |  |

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Segmental breakdown

| Revenue                          | FY15           | FY14           | YoY          | Comments  |
|----------------------------------|----------------|----------------|--------------|---|
| Engineering & construction       | 773.7          | 510.7          | 51%          | Driven by new orders (RM1.3bn)                                |
| Property development             | 724.0          | 876.4          | -17%         | Completion of major projects in KL Sentral                    |
| Infrastructure and environmental | 115.0          | 49.0           | 135%         | Recovery in contract flows                                    |
| Building services                | 74.6           | 77.5           | -4%          | Steady recurring revenues                                     |
| Investment holding and others    | 9.5            | 1.1            | 789%         | Lumpy recurring revenues                                      |
| <b>Total</b>                     | <b>1,696.7</b> | <b>1,514.8</b> | <b>12%</b>   |   |
| <b>EBIT</b>                      | <b>FY15</b>    | <b>FY14</b>    | <b>YoY</b>   |   |
| Engineering & construction       | 35.4           | 42.6           | -17%         | Cost overrun (estimated RM15m in 4Q15) and timing of new jobs |
| Property development             | 443.0          | 160.3          | 176%         | RM330m total net gain from disposing property assets in FY15  |
| Infrastructure and environmental | 58.6           | 20.3           | 189%         | Recovery in contract flows                                    |
| Building services                | 9.9            | 9.7            | 2%           | Profits tend to be lumpy                                      |
| Investment holding and others    | 6.8            | 82.0           | -92%         | Driven by dividend income                                     |
| <b>Total</b>                     | <b>553.7</b>   | <b>314.8</b>   | <b>76%</b>   |   |
| <b>EBIT margins</b>              | <b>FY15</b>    | <b>FY14</b>    | <b>% pts</b> |   |
| Engineering & construction       | 5%             | 8%             | -4%          | Sustainable margin of 4-5% in FY16                            |
| Property development             | 61%            | 18%            | 43%          | ex-disposal gain EBIT margin of 15% in FY15                   |
| Infrastructure and environmental | 51%            | 41%            | nm           | Typically higher project margins                              |
| Building services                | 13%            | 12%            | 1%           | Profits tend to be lumpy                                      |
| Investment holding and others    | 71%            | >100%          | nm           | Driven by dividend income                                     |
| <b>Total</b>                     | <b>33%</b>     | <b>21%</b>     | <b>12%</b>   |   |

SOURCES: CIMB, COMPANY REPORTS

**Figure 3: RNAV**

| <b>Assets</b>                                     | <b>Area (m sq ft)</b> | <b>Market value<br/>RM psf</b> | <b>RM m</b>    |
|---|-----------------------|--------------------------------|----------------|
| KL Sentral (64.4% owned)                          | 0.5                   | 1300.0                         | 638.2          |
| Other undeveloped land @ book value               | 2.9                   |                                | 347.9          |
| Seri Iskandar Township (70% JV stake)             | 174.2                 | 9                              | 1,480.7        |
| *PJ Land (Puncak Wangi Lot 8, PJ Sentral Lot 12)  | 0.52                  | 341.9                          | 177.4          |
| *Subang Jaya Land (Gapurna builders)              | 0.14                  | 290.6                          | 40.5           |
| *KL Land (Gapurna Land)                           | 0.77                  | 134.6                          | 103.4          |
| Penang Sentral (51% stake)                        |                       |                                | 83.0           |
| Lot 349 Briekfields                               |                       |                                | 168.0          |
| Bukit Rahman Putra                                |                       |                                | 83.0           |
| Eastern Dispersal Link (EDL), 14.5% IRR, 12% WACC |                       |                                | 1,350.3        |
| Construction Net profit (FY17) at 15x P/E         |                       |                                | 619.4          |
| Investment properties                             |                       |                                | 413.5          |
| Accociated companies and investments              |                       |                                | 248.1          |
| Net current asset less development properties     |                       |                                | 0.0            |
| Borrowings (4QFY15)                               |                       |                                | (3,387.4)      |
| Cash (4QFY15)                                     |                       |                                | 521.5          |
| MQ REIT & 32% stake                               |                       | 714.0                          | 228.5          |
| Kwasa Damansara MX 1 Land 70% stake               | 2.8                   | 335.0                          | 656.6          |
| <b>RNAV</b>                                       |                       |                                | <b>3,772.5</b> |
| No. of shares (m)                                 |                       |                                | 1,787.0        |
| Total outstanding warrants (expiry Sep 2018)      |                       |                                | 576.5          |
| Proceeds from warrants @RM2.30 strike price       |                       |                                | 1,326.0        |
| 20% placement proceeds @ RM1.24/share             |                       |                                | 612.1          |
| 20% new placement shares                          |                       |                                | 493.6          |
| FD no.of shares (m)                               |                       |                                | 2,857.1        |
| <b>FD RNAV (RM m)</b>                             |                       |                                | <b>5,710.6</b> |
| <b>FD RNAV/share (RM)</b>                         |                       |                                | <b>2.00</b>    |
| Discount to RNAV                                  |                       |                                | 30%            |
| <b>Target price (RM)</b>                          |                       |                                | <b>1.40</b>    |

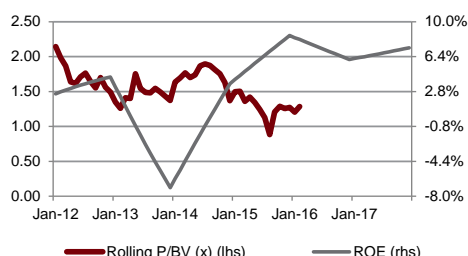
SOURCES: CIMB, COMPANY REPORTS

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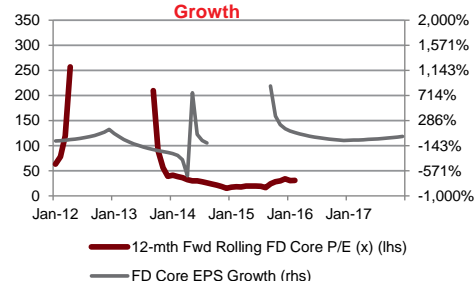
### Share price info

| Share px perf. (%)  | 1M  | 3M     | 12M   |
|---------------------|-----|--------|-------|
| Relative            | 3.1 | -11.2  | -6.8  |
| Absolute            | 6.1 | -10.4  | -14.2 |
| Major shareholders  |     | % held |       |
| EPF                 |     | 38.3   |       |
| Gapurna Sdn Bhd     |     | 16.7   |       |
| Lembaga Tabung Haji |     | 10.1   |       |

### P/BV vs ROE



### 12-mth Fwd FD Core P/E vs FD Core EPS Growth



### Profit & Loss

| (RMm)                                     | Dec-14A      | Dec-15A      | Dec-16F      | Dec-17F      | Dec-18F      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total Net Revenues</b>                 | <b>1,515</b> | <b>1,697</b> | <b>1,954</b> | <b>2,110</b> | <b>2,280</b> |
| <b>Gross Profit</b>                       | <b>1,515</b> | <b>1,697</b> | <b>1,954</b> | <b>2,110</b> | <b>2,280</b> |
| <b>Operating EBITDA</b>                   | <b>110</b>   | <b>160</b>   | <b>247</b>   | <b>273</b>   | <b>306</b>   |
| Depreciation And Amortisation             | (54)         | (59)         | (64)         | (69)         | (74)         |
| <b>Operating EBIT</b>                     | <b>57</b>    | <b>101</b>   | <b>183</b>   | <b>204</b>   | <b>231</b>   |
| Financial Income/(Expense)                | 86           | 73           | (37)         | (33)         | (28)         |
| Pretax Income/(Loss) from Assoc.          | (24)         | 8            | 8            | 9            | 9            |
| Non-Operating Income/(Expense)            | 0            | 0            | 0            | 0            | 0            |
| <b>Profit Before Tax (pre-EI)</b>         | <b>118</b>   | <b>182</b>   | <b>154</b>   | <b>180</b>   | <b>213</b>   |
| Exceptional Items                         | 102          | 188          | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>                     | <b>221</b>   | <b>370</b>   | <b>154</b>   | <b>180</b>   | <b>213</b>   |
| Taxation                                  | (53)         | (6)          | (29)         | (32)         | (36)         |
| Exceptional Income - post-tax             |              |              |              |              |              |
| <b>Profit After Tax</b>                   | <b>167</b>   | <b>364</b>   | <b>126</b>   | <b>148</b>   | <b>176</b>   |
| Minority Interests                        | (31)         | (34)         | (18)         | (21)         | (25)         |
| Preferred Dividends                       | 0            | 0            | 0            | 0            | 0            |
| FX Gain/(Loss) - post tax                 |              |              |              |              |              |
| Other Adjustments - post-tax              |              |              |              |              |              |
| <b>Net Profit</b>                         | <b>136</b>   | <b>330</b>   | <b>108</b>   | <b>127</b>   | <b>151</b>   |
| Recurring Net Profit                      | 59           | 145          | 108          | 127          | 151          |
| <b>Fully Diluted Recurring Net Profit</b> | <b>59</b>    | <b>145</b>   | <b>108</b>   | <b>127</b>   | <b>151</b>   |

### Cash Flow

| (RMm)                            | Dec-14A       | Dec-15A        | Dec-16F        | Dec-17F        | Dec-18F        |
|----------------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>EBITDA</b>                    | <b>110.1</b>  | <b>159.9</b>   | <b>247.1</b>   | <b>273.2</b>   | <b>305.6</b>   |
| Cash Flow from Inv. & Assoc.     |               |                |                |                |                |
| Change In Working Capital        | 22.3          | 64.2           | 27.9           | 48.8           | 53.1           |
| (Incr)/Decr in Total Provisions  |               |                |                |                |                |
| Other Non-Cash (Income)/Expense  |               |                |                |                |                |
| Other Operating Cashflow         | 0.7           | 0.0            | 0.0            | 0.0            | 0.0            |
| Net Interest (Paid)/Received     | 86.2          | 72.6           | (37.2)         | (32.8)         | (27.6)         |
| Tax Paid                         | (53.3)        | (6.1)          | (28.6)         | (32.3)         | (36.5)         |
| <b>Cashflow From Operations</b>  | <b>166.0</b>  | <b>290.6</b>   | <b>209.3</b>   | <b>256.9</b>   | <b>294.7</b>   |
| Capex                            | (10.0)        | (10.0)         | (10.0)         | (10.0)         | (10.0)         |
| Disposals Of FAs/subsidiaries    | 275.2         | 6.5            | 10.7           | 14.9           | 15.0           |
| Acq. Of Subsidiaries/investments | (236.1)       | 0.0            | 0.0            | 0.0            | 0.0            |
| Other Investing Cashflow         | (102.0)       | (171.4)        | (171.4)        | (171.4)        | (171.4)        |
| <b>Cash Flow From Investing</b>  | <b>(73.0)</b> | <b>(174.9)</b> | <b>(170.7)</b> | <b>(166.5)</b> | <b>(166.4)</b> |
| Debt Raised/(repaid)             | 181.9         | (296.3)        | (20.8)         | (10.2)         | (10.1)         |
| Proceeds From Issue Of Shares    | 0.1           | 0.0            | 0.0            | 0.0            | 0.0            |
| Shares Repurchased               | 0.0           | 0.0            | 0.0            | 0.0            | 0.0            |
| Dividends Paid                   | (17.6)        | (21.1)         | (21.1)         | (21.1)         | (21.1)         |
| Preferred Dividends              |               |                |                |                |                |
| Other Financing Cashflow         | (200.0)       | 62.3           | 29.5           | (31.7)         | (68.3)         |
| <b>Cash Flow From Financing</b>  | <b>(35.6)</b> | <b>(255.1)</b> | <b>(12.5)</b>  | <b>(63.0)</b>  | <b>(99.5)</b>  |
| Total Cash Generated             | 57.5          | (139.4)        | 26.1           | 27.4           | 28.7           |
| <b>Free Cashflow To Equity</b>   | <b>274.9</b>  | <b>(180.6)</b> | <b>17.7</b>    | <b>80.1</b>    | <b>118.1</b>   |
| <b>Free Cashflow To Firm</b>     | <b>264.2</b>  | <b>300.6</b>   | <b>136.9</b>   | <b>188.7</b>   | <b>226.6</b>   |

## BY THE NUMBERS

### Balance Sheet

| (RMm)                                | Dec-14A      | Dec-15A      | Dec-16F      | Dec-17F      | Dec-18F      |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents           | 664          | 524          | 550          | 577          | 606          |
| Total Debtors                        | 1,315        | 1,122        | 1,067        | 1,015        | 966          |
| Inventories                          | 43           | 63           | 63           | 63           | 63           |
| Total Other Current Assets           | 868          | 507          | 517          | 527          | 538          |
| <b>Total Current Assets</b>          | <b>2,890</b> | <b>2,216</b> | <b>2,197</b> | <b>2,183</b> | <b>2,173</b> |
| Fixed Assets                         | 230          | 337          | 344          | 351          | 358          |
| Total Investments                    | 949          | 662          | 641          | 621          | 602          |
| Intangible Assets                    | 269          | 317          | 317          | 317          | 317          |
| Total Other Non-Current Assets       | 2,302        | 3,079        | 3,054        | 3,029        | 3,004        |
| <b>Total Non-current Assets</b>      | <b>3,750</b> | <b>4,396</b> | <b>4,356</b> | <b>4,318</b> | <b>4,282</b> |
| Short-term Debt                      | 1,391        | 1,042        | 1,021        | 1,011        | 1,001        |
| Current Portion of Long-Term Debt    | 0            | 0            | 0            | 0            | 0            |
| Total Creditors                      | 1,152        | 1,188        | 1,165        | 1,141        | 1,119        |
| Other Current Liabilities            | 15           | 55           | 55           | 55           | 55           |
| <b>Total Current Liabilities</b>     | <b>2,557</b> | <b>2,285</b> | <b>2,241</b> | <b>2,207</b> | <b>2,174</b> |
| Total Long-term Debt                 | 1,235        | 1,287        | 1,287        | 1,287        | 1,287        |
| Hybrid Debt - Debt Component         |              |              |              |              |              |
| Total Other Non-Current Liabilities  | 1,179        | 1,194        | 1,194        | 1,194        | 1,194        |
| <b>Total Non-current Liabilities</b> | <b>2,414</b> | <b>2,480</b> | <b>2,480</b> | <b>2,480</b> | <b>2,480</b> |
| Total Provisions                     | 0            | 0            | 0            | 0            | 0            |
| <b>Total Liabilities</b>             | <b>4,971</b> | <b>4,766</b> | <b>4,721</b> | <b>4,688</b> | <b>4,655</b> |
| Shareholders' Equity                 | 1,590        | 1,793        | 1,739        | 1,720        | 1,706        |
| Minority Interests                   | 79           | 53           | 94           | 94           | 94           |
| <b>Total Equity</b>                  | <b>1,669</b> | <b>1,846</b> | <b>1,833</b> | <b>1,814</b> | <b>1,800</b> |

### Key Ratios

|                           | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth            | 61.0%   | 12.0%   | 15.2%   | 8.0%    | 8.0%    |
| Operating EBITDA Growth   | NA      | 45.3%   | 54.5%   | 10.5%   | 11.9%   |
| Operating EBITDA Margin   | 7.3%    | 9.4%    | 12.6%   | 12.9%   | 13.4%   |
| Net Cash Per Share (RM)   | (1.69)  | (1.61)  | (0.99)  | (0.97)  | (0.96)  |
| BVPS (RM)                 | 0.89    | 1.01    | 0.61    | 0.60    | 0.60    |
| Gross Interest Cover      | 0.33    | 0.55    | 1.87    | 2.08    | 2.35    |
| Effective Tax Rate        | 24.2%   | 1.6%    | 18.5%   | 18.0%   | 17.2%   |
| Net Dividend Payout Ratio | 51.4%   | 14.9%   | 19.6%   | 16.7%   | 13.9%   |
| Accounts Receivables Days | 236.5   | 259.1   | 200.0   | 175.4   | 154.3   |
| Inventory Days            | N/A     | N/A     | N/A     | N/A     | N/A     |
| Accounts Payables Days    | N/A     | N/A     | N/A     | N/A     | N/A     |
| ROIC (%)                  | 1.52%   | 2.63%   | 4.39%   | 4.93%   | 5.63%   |
| ROCE (%)                  | 5.91%   | 6.78%   | 4.69%   | 5.20%   | 5.86%   |
| Return On Average Assets  | (0.32%) | 1.56%   | 2.48%   | 2.76%   | 3.14%   |

### Key Drivers

| (RMm)                                    | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|--|---------|---------|---------|---------|---------|
| Outstanding Orderbook                    | 2,925   | 3,415   | 3,705   | 3,995   | 4,285   |
| Order Book Depletion                     | N/A     | 510     | 510     | 510     | 510     |
| Orderbook Replenishment                  | 350     | 1,000   | 800     | 800     | 800     |
| ASP (% chg, main prod./serv.)            | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit sales grth (% , main prod./serv.)   | N/A     | N/A     | N/A     | N/A     | N/A     |
| Util. rate (% , main prod./serv.)        | N/A     | N/A     | N/A     | N/A     | N/A     |
| ASP (% chg, 2ndary prod./serv.)          | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit sales grth (% , 2ndary prod./serv.) | N/A     | N/A     | N/A     | N/A     | N/A     |
| Util. rate (% , 2ndary prod./serv.)      | N/A     | N/A     | N/A     | N/A     | N/A     |

SOURCE: CIMB RESEARCH, COMPANY DATA

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#01

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1536 companies under coverage for quarter ended on 31 December 2015

|        | Rating Distribution (%) | Investment Banking clients (%) |
|--------|-------------------------|--------------------------------|
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#### Malaysian Resources Corp (MRC MK)



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.**

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BECL – Very Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, BMCL – Very Good, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HEMRAJ – Very Good, 2, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TESCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TMB – Excellent, 4, TPCH – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

**CIMB Recommendation Framework**
**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.

*\*Prior to December 2013 CIMB recommendation framework for 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 were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. 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.*