

# China / Hong Kong Company Update

## Sands China

Bloomberg: 1928 HK Equity | Reuters: 1928.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Feb 2024

### BUY

Last Traded Price (16 Feb 2024): HK\$24.50 (HSI : 16,340)  
Price Target 12-mth: HK\$43.00 (76% upside) (Prev HK\$37.92)

#### Analyst

Mavis Hui +852 36684188 mavis\_hui@dbs.com

#### What's New

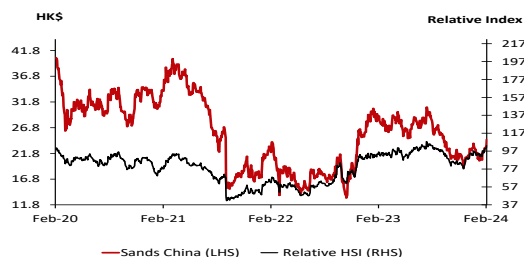
- 2023 delivered positive results across all operating segments, at US\$6.5bn revenue (+307%) and US\$2.2bn adj. EBITDA - in line
- Casino revenue soared 411% to US\$4.8bn, logging robust growth across all properties amid rising visitation. Revenue was also up strongly for rooms (+314%), mall (45%), food & beverage (+258%) and convention/ferry/retail (+238%)
- Maintain BUY with new TP of HK\$43 (15x FY24 EV/EBITDA)

### Decent results driven by strong visitation

#### Investment Thesis

**Continued leadership in mass gaming.** Sands China remains the leading player in the Macau gaming industry, thanks to its commanding presence in the mass gaming segment (2023: 27% market share) that also generates higher profitability. The company's EBITDA margin is amongst the highest in the sector. Sands China is also investing US\$1.2bn at The Londoner Macao to complete the renovation of Sheraton Hotel, Conrad Hotel and the Pacifica Gaming Hall by early 2025. This should elevate customer experience and further enhance its appeal to (premium) mass gamers ahead. By owning nearly 50% of the 5-star hotel inventory in Macau, and as a pioneer in retail (c.1.9m sf of shopping GFA) and MICE facilities (c.2m sf of exhibition & meeting space), Sands China should continue to leverage on its strong position to outperform in the medium-term.

#### Price Relative



**Robust recovery in visitation.** During the Chinese New Year (CNY) holiday (10-17 Feb 2024), total visitor numbers reached 1.358m (76% from Mainland China; 19% from HK), with average daily visitors up by 1.6-fold y-o-y to 170,000. In particular, Mainland visitor numbers of 129,000 per day had already surpassed the 2019 CNY level. Average hotel occupancy rate also hit 95% during the period, well ahead of expectations. Such strong momentum should further beef up mass gaming revenue in Macau, and Sands China continues to stand amongst the key beneficiaries.

#### Forecasts and Valuation

| FY Dec (US\$m)       | 2022A   | 2023A    | 2024F | 2025F |
|----------------------|---------|----------|-------|-------|
| Turnover             | 1,605   | 6,534    | 8,366 | 9,297 |
| EBITDA               | (413)   | 2,034    | 3,038 | 3,384 |
| Pre-tax Profit       | (1,588) | 741      | 1,937 | 2,391 |
| Net Profit           | (1,582) | 692      | 1,869 | 2,307 |
| Net Profit Gth (%)   | (51.0)  | N/A      | 170.1 | 23.4  |
| EPS (US\$)           | (0.20)  | 0.09     | 0.23  | 0.29  |
| EPS (HK\$)           | (1.53)  | 0.67     | 1.81  | 2.23  |
| EPS Gth (%)          | (50.9)  | N/A      | 170.1 | 23.4  |
| Diluted EPS (HK\$)   | (1.53)  | 0.67     | 1.81  | 2.23  |
| DPS (HK\$)           | 0.00    | 0.00     | 0.54  | 0.67  |
| BV Per Share (HK\$)  | (0.68)  | 0.00     | 1.26  | 2.82  |
| PE (X)               | nm      | 36.6     | 13.6  | 11.0  |
| P/Cash Flow (X)      | nm      | 9.4      | 7.5   | 9.9   |
| P/Free CF (X)        | nm      | 13.2     | 9.0   | 14.0  |
| EV/EBITDA (X)        | nm      | 15.9     | 9.9   | 8.6   |
| Net Div Yield (%)    | 0.0     | 0.0      | 2.2   | 2.7   |
| P/Book Value (X)     | nm      | nm       | 19.4  | 8.7   |
| Net Debt/Equity (X)  | CASH    | CASH     | 3.6   | 1.2   |
| ROAE(%)              | 226.0   | (17,300) | 143.3 | 79.0  |
| Earnings Rev (%)     |         |          | Nil   | New   |
| Consensus EPS (US\$) |         |          | 0.20  | 0.24  |
| Other Broker Recs:   |         | B:20     | S:0   | H:1   |

**Valuation.** 2023 revenue and adjusted EBITDA went in line with expectations, while net debt level was c.14% lower than our estimate. After fine-tuning our net debt projection and cutting it by a teens' rate, our new 12-month TP is HK\$43 (previous TP: HK\$37.92), still benchmarked to 15x FY24 EV/EBITDA (i.e., long-term sector average), offering 76% upside.

#### Key Risks

Weaker economic growth in China; resurgence of the pandemic; rising competition; unfavourable government regulations; etc.

#### At A Glance

|   |                  |
|---|------------------|
| Issued Capital (m shrs)                                   | 8,093            |
| Mkt Cap (HKm/US\$m)                                       | 198,279 / 25,347 |
| Major Shareholders (%)                                    |                  |
| Las Vegas Sands Corp                                      | 69.9             |
| Free Float (%)  | 30.1             |
| 3m Avg. Daily Val. (US\$m)                                | 36.74            |
| GICS Industry: Consumer Discretionary / Consumer Services |                  |

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

## Sands China

### Company Background

Sands China is a dominant player in the Macau gaming & entertainment industry. It operates integrated resorts with key reportable segments namely The Venetian Macao, The Londoner Macao (previously Sands Cotai Central), The Parisian Macao, The Plaza Macao, Sands Macao, and ferry & other operations. Sands China is a subsidiary of Las Vegas Sands Corp. which holds a 69.9% stake in the company.

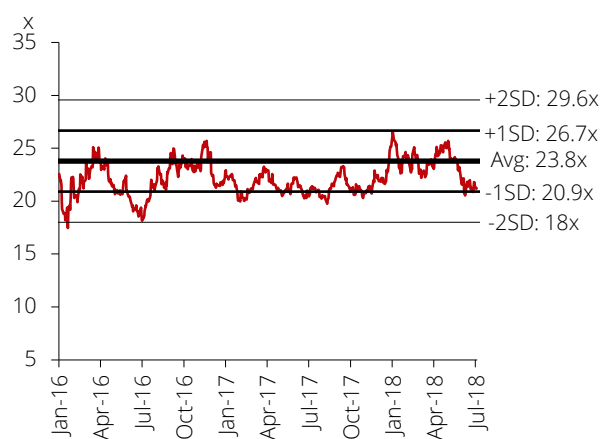
### Income Statement (US\$ m)

| FY Dec                     | 2022A          | 2023A        | % chg yoy    |
|----------------------------|----------------|--------------|--------------|
| Revenue                    | 1,605          | 6,534        | 307.1        |
| Cost of Goods Sold         | (541)          | (2,491)      | 360.4        |
| <b>Gross Profit</b>        | <b>1,064</b>   | <b>4,043</b> | <b>280.0</b> |
| Other Opng (Exp)/Inc       | (2,227)        | (2,818)      | 26.5         |
| <b>Operating Profit</b>    | <b>(1,163)</b> | <b>1,225</b> | <b>nm</b>    |
| Other Non Opg (Exp)/Inc    | 0              | 0            | nm           |
| Associates & JV Inc        | 0              | 0            | nm           |
| Net Interest (Exp)/Inc     | (425)          | (484)        | (13.9)       |
| Exceptional Gain/(Loss)    | 0              | 0            | nm           |
| <b>Pre-tax Profit</b>      | <b>(1,588)</b> | <b>741</b>   | <b>nm</b>    |
| Tax                        | 6              | (49)         | nm           |
| Minority Interest          | 0              | 0            | nm           |
| <b>Net Profit</b>          | <b>(1,582)</b> | <b>692</b>   | <b>nm</b>    |
| Net Profit before Except.  | (1,582)        | 692          | nm           |
| EBITDA                     | (413)          | 2,034        | nm           |
| <b>Margins &amp; Ratio</b> |                |              |              |
| Gross Margins (%)          | 66.3           | 61.9         |              |
| Opg Profit Margin (%)      | (72.5)         | 18.7         |              |
| Net Profit Margin (%)      | (98.6)         | 10.6         |              |

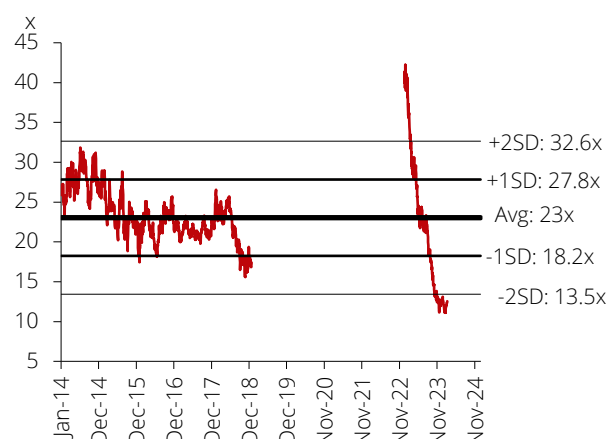
Source: Company, DBS HK

### Historical PE (Pre-Pandemic Period)

Forward PE band (x) (Pre-Pandemic Period)



PE band (x)



Source: Thomson Reuters, DBS HK

## Sands China

### Segmental Breakdown (US\$ m)

| FY Dec   | 2021A        | 2022A         | 2023A        | 2024F        | 2025F        |
|--|--------------|---------------|--------------|--------------|--------------|
| <b>Revenues (US\$ m)</b>                                       |              |               |              |              |              |
| The Venetian Macao   | 1,257        | 682           | 2,682        | 3,663        | 3,682        |
| Sands Cotai Central<br>(rebrand as The<br>Londoner since 2021) | 587          | 350           | 1,792        | 2,071        | 2,523        |
| The Parisian Macao   | 357          | 188           | 879          | 950          | 1,210        |
| The Plaza Macao  | 546          | 313           | 779          | 1,055        | 1,160        |
| Sands Macao  | 122          | 65            | 322          | 476          | 523          |
| Ferry and Other<br>Operations                                  | 20           | 21            | 95           | 166          | 216          |
| Inter - Segment revenue  | (15)         | (14)          | (15)         | (16)         | (17)         |
| <b>Total</b>   | <b>2,874</b> | <b>1,605</b>  | <b>6,534</b> | <b>8,366</b> | <b>9,297</b> |
| <b>Adjusted EBITDA (US\$ m)</b>                                |              |               |              |              |              |
| The Venetian Macao   | 297          | (25)          | 1,054        | 1,577        | 1,598        |
| Sands Cotai Central<br>(rebrand as The<br>Londoner since 2021) | (84)         | (189)         | 516          | 700          | 865          |
| The Parisian Macao   | (17)         | (103)         | 269          | 352          | 460          |
| The Plaza Macao  | 219          | 81            | 308          | 491          | 546          |
| Sands Macao  | (69)         | (81)          | 59           | 143          | 158          |
| Ferry and Other<br>Operations                                  | (5)          | (6)           | 19           | 27           | 35           |
| <b>Total</b>   | <b>341</b>   | <b>(323)</b>  | <b>2,225</b> | <b>3,289</b> | <b>3,662</b> |
| <b>Adjusted EBITDA Margins (%)</b>                             |              |               |              |              |              |
| The Venetian Macao   | 23.6         | (3.7)         | 39.3         | 43.0         | 43.4         |
| Sands Cotai Central<br>(rebrand as The<br>Londoner since 2021) | (14.3)       | (54.0)        | 28.8         | 33.8         | 34.3         |
| The Parisian Macao   | (4.8)        | (54.8)        | 30.6         | 37.0         | 38.0         |
| The Plaza Macao  | 40.1         | 25.9          | 39.5         | 46.5         | 47.0         |
| Sands Macao  | (56.6)       | (124.6)       | 18.3         | 30.0         | 30.2         |
| Ferry and Other<br>Operations                                  | (25.0)       | (28.6)        | 20.0         | 16.0         | 16.2         |
| <b>Total</b>   | <b>11.9</b>  | <b>(20.1)</b> | <b>34.1</b>  | <b>39.3</b>  | <b>39.4</b>  |

Source: Company, DBS HK

## Sands China

## Income Statement (US\$ m)

| FY Dec                     | 2021A          | 2022A          | 2023A        | 2024F        | 2025F        |
|----------------------------|----------------|----------------|--------------|--------------|--------------|
| Revenue                    | 2,874          | 1,605          | 6,534        | 8,366        | 9,297        |
| Cost of Goods Sold         | (1,051)        | (541)          | (2,491)      | (3,198)      | (3,554)      |
| <b>Gross Profit</b>        | <b>1,823</b>   | <b>1,064</b>   | <b>4,043</b> | <b>5,168</b> | <b>5,743</b> |
| Other Opng (Exp)/Inc       | (2,360)        | (2,227)        | (2,818)      | (2,891)      | (3,119)      |
| <b>Operating Profit</b>    | <b>(537)</b>   | <b>(1,163)</b> | <b>1,225</b> | <b>2,276</b> | <b>2,624</b> |
| Other Non Opng (Exp)/Inc   | (137)          | 0              | 0            | 0            | 0            |
| Associates & JV Inc        | 0              | 0              | 0            | 0            | 0            |
| Net Interest (Exp)/Inc     | (371)          | (425)          | (484)        | (339)        | (233)        |
| Dividend Income            | 0              | 0              | 0            | 0            | 0            |
| Exceptional Gain/(Loss)    | 0              | 0              | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>      | <b>(1,045)</b> | <b>(1,588)</b> | <b>741</b>   | <b>1,937</b> | <b>2,391</b> |
| Tax                        | (3)            | 6              | (49)         | (68)         | (84)         |
| Minority Interest          | 0              | 0              | 0            | 0            | 0            |
| Preference Dividend        | 0              | 0              | 0            | 0            | 0            |
| <b>Net Profit</b>          | <b>(1,048)</b> | <b>(1,582)</b> | <b>692</b>   | <b>1,869</b> | <b>2,307</b> |
| Net Profit before Except.  | (1,048)        | (1,582)        | 692          | 1,869        | 2,307        |
| EBITDA                     | 196            | (413)          | 2,034        | 3,038        | 3,384        |
| <b>Growth</b>              |                |                |              |              |              |
| Revenue Gth (%)            | 70.4           | (44.2)         | 307.1        | 28.0         | 11.1         |
| EBITDA Gth (%)             | N/A            | N/A            | N/A          | 49.4         | 11.4         |
| Opg Profit Gth (%)         | (56.7)         | 116.6          | (205.3)      | 85.8         | 15.3         |
| Net Profit Gth (%)         | 31.2           | (51.0)         | N/A          | 170.1        | 23.4         |
| <b>Margins &amp; Ratio</b> |                |                |              |              |              |
| Gross Margins (%)          | 63.4           | 66.3           | 61.9         | 61.8         | 61.8         |
| Opg Profit Margin (%)      | (18.7)         | (72.5)         | 18.7         | 27.2         | 28.2         |
| Net Profit Margin (%)      | (36.5)         | (98.6)         | 10.6         | 22.3         | 24.8         |
| ROAE (%)                   | (118.0)        | 226.0          | (17,300.0)   | 143.3        | 79.0         |
| ROA (%)                    | (10.4)         | (15.0)         | 6.7          | 15.0         | 17.0         |
| ROCE (%)                   | (15.7)         | (20.8)         | 2.3          | 15.1         | 17.6         |
| Div Payout Ratio (%)       | N/A            | N/A            | 0.0          | 30.0         | 30.0         |
| Net Interest Cover (x)     | (1.4)          | (2.7)          | 2.5          | 6.7          | 11.2         |

Source: Company, DBS HK

## Interim Income Statement (US\$ m)

| FY Dec                   | 2H2021       | 1H2022       | 2H2022       | 1H2023       | 2H2023       |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue                  | 1,252        | 915          | 690          | 2,895        | 3,639        |
| Cost of Goods Sold       | (434)        | (316)        | (225)        | (1,108)      | (1,383)      |
| <b>Gross Profit</b>      | <b>818</b>   | <b>599</b>   | <b>465</b>   | <b>1,787</b> | <b>2,256</b> |
| Other Oper. (Exp)/Inc    | (1,168)      | (1,173)      | (1,054)      | (1,354)      | (1,464)      |
| <b>Operating Profit</b>  | <b>(350)</b> | <b>(574)</b> | <b>(589)</b> | <b>433</b>   | <b>792</b>   |
| Other Non Opng (Exp)/Inc | 0            | 0            | 0            | 0            | 0            |
| Associates & JV Inc      | 0            | 0            | 0            | 0            | 0            |
| Net Interest (Exp)/Inc   | (183)        | (188)        | (237)        | (260)        | (224)        |
| Exceptional Gain/(Loss)  | 0            | 0            | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>    | <b>(533)</b> | <b>(762)</b> | <b>(826)</b> | <b>173</b>   | <b>568</b>   |
| Tax                      | (134)        | 2            | 4            | 2            | (51)         |
| Minority Interest        | 0            | 0            | 0            | 0            | 0            |
| <b>Net Profit</b>        | <b>(667)</b> | <b>(760)</b> | <b>(822)</b> | <b>175</b>   | <b>517</b>   |
| Net profit bef Except.   | (667)        | (760)        | (822)        | 175          | 517          |
| <b>Growth</b>            |              |              |              |              |              |
| Revenue Gth (%)          | 49.2         | (43.5)       | (44.9)       | 216.4        | 427.4        |
| Opg Profit Gth (%)       | (44.4)       | 203.7        | 68.3         | (175.4)      | (234.5)      |
| Net Profit Gth (%)       | 17.3         | (99.5)       | (23.2)       | N/A          | N/A          |
| <b>Margins</b>           |              |              |              |              |              |
| Gross Margins (%)        | 65.3         | 65.5         | 67.4         | 61.7         | 62.0         |
| Opg Profit Margins (%)   | (28.0)       | (62.7)       | (85.4)       | 15.0         | 21.8         |
| Net Profit Margins (%)   | (53.3)       | (83.1)       | (119.1)      | 6.0          | 14.2         |

Source: Company, DBS HK

## Sands China

## Balance Sheet (US\$ m)

| FY Dec                        | 2021A         | 2022A         | 2023A         | 2024F         | 2025F         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Fixed Assets              | 8,477         | 7,904         | 7,339         | 7,121         | 7,105         |
| Invt in Associates & JVs      | 0             | 0             | 0             | 0             | 0             |
| Other LT Assets               | 725           | 791           | 1,236         | 1,236         | 1,236         |
| Cash & ST Invt                | 678           | 790           | 1,361         | 3,620         | 4,734         |
| Inventory                     | 15            | 19            | 26            | 23            | 19            |
| Debtors                       | 183           | 145           | 296           | 502           | 511           |
| Other Current Assets          | 16            | 913           | 0             | 0             | 0             |
| <b>Total Assets</b>           | <b>10,094</b> | <b>10,562</b> | <b>10,258</b> | <b>12,501</b> | <b>13,605</b> |
| ST Debt                       | 18            | 1,963         | 16            | 16            | 16            |
| Creditors                     | 1,071         | 908           | 1,299         | 2,286         | 1,777         |
| Other Current Liab            | 5             | 0             | 57            | 57            | 57            |
| LT Debt                       | 7,946         | 8,218         | 8,312         | 8,312         | 8,312         |
| Other LT Liabilities          | 166           | 173           | 578           | 526           | 524           |
| Shareholder's Equity          | 888           | (700)         | (4)           | 1,304         | 2,919         |
| Minority Interests            | 0             | 0             | 0             | 0             | 0             |
| <b>Total Cap. &amp; Liab.</b> | <b>10,094</b> | <b>10,562</b> | <b>10,258</b> | <b>12,501</b> | <b>13,605</b> |
| Non-Cash Wkg. Capital         | (862)         | 169           | (1,034)       | (1,819)       | (1,303)       |
| Net Cash/(Debt)               | (7,286)       | (9,391)       | (6,967)       | (4,708)       | (3,594)       |
| Debtors Turn (avg days)       | 23.2          | 33.0          | 16.5          | 21.9          | 20.1          |
| Creditors Turn (avg days)     | 1,229.3       | (1,585.7)     | 281.9         | 342.6         | 232.1         |
| Inventory Turn (avg days)     | 17.2          | (33.2)        | 5.6           | 3.4           | 2.5           |
| Asset Turnover (x)            | 0.3           | 0.2           | 0.6           | 0.7           | 0.7           |
| Current Ratio (x)             | 0.8           | 0.7           | 1.2           | 1.8           | 2.8           |
| Quick Ratio (x)               | 0.8           | 0.3           | 1.2           | 1.7           | 2.8           |
| Net Debt/Equity (X)           | 8.2           | CASH          | CASH          | 3.6           | 1.2           |
| Net Debt/Equity ex MI (X)     | 8.2           | CASH          | CASH          | 3.6           | 1.2           |
| Capex to Debt (%)             | 7.2           | 2.1           | 9.3           | 6.5           | 8.9           |
| Z-Score (X)                   | 4.6           | 4.6           | 4.7           | NA            | NA            |

Source: Company, DBS HK

## Cash Flow Statement (US\$ m)

| FY Dec                         | 2021A        | 2022A        | 2023A        | 2024F        | 2025F        |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Pre-Tax Profit                 | (1,045)      | (1,588)      | 741          | 1,937        | 2,391        |
| Dep. & Amort.                  | 733          | 750          | 809          | 762          | 760          |
| Tax Paid                       | (5)          | 0            | 0            | 0            | 0            |
| Assoc. & JV Inc/(loss)         | 0            | 0            | 0            | 0            | 0            |
| (Pft)/ Loss on disposal of FAs | 0            | 0            | 0            | 0            | 0            |
| Chg in Wkg.Cap.                | (310)        | (1,030)      | 1,202        | 785          | (516)        |
| Other Operating CF             | 715          | 1,395        | (57)         | (120)        | (85)         |
| <b>Net Operating CF</b>        | <b>88</b>    | <b>(473)</b> | <b>2,695</b> | <b>3,364</b> | <b>2,549</b> |
| Capital Exp.(net)              | (577)        | (214)        | (772)        | (544)        | (744)        |
| Other Invt.(net)               | (57)         | (2)          | 0            | 0            | 0            |
| Invt in Assoc. & JV            | 0            | 0            | 0            | 0            | 0            |
| Div from Assoc & JV            | 0            | 0            | 0            | 0            | 0            |
| Other Investing CF             | 0            | (109)        | 0            | 0            | 0            |
| <b>Net Investing CF</b>        | <b>(634)</b> | <b>(325)</b> | <b>(772)</b> | <b>(544)</b> | <b>(744)</b> |
| Div Paid                       | 0            | 0            | 0            | (561)        | (692)        |
| Chg in Gross Debt              | 902          | 2,199        | 0            | 0            | 0            |
| Capital Issues                 | 0            | 0            | 0            | 0            | 0            |
| Other Financing CF             | (536)        | (378)        | 0            | 0            | 0            |
| <b>Net Financing CF</b>        | <b>366</b>   | <b>1,821</b> | <b>0</b>     | <b>(561)</b> | <b>(692)</b> |
| Currency Adjustments           | 0            | 0            | 0            | 0            | 0            |
| Chg in Cash                    | (180)        | 1,023        | 1,923        | 2,259        | 1,113        |
| Opg CFPS (US\$)                | 0.05         | 0.07         | 0.18         | 0.32         | 0.38         |
| Free CFPS (US\$)               | (0.06)       | (0.08)       | 0.24         | 0.35         | 0.22         |

Source: Company, DBS HK

**Sands China**

**Target Price & Ratings 12-mth History**



| S.No. | Date      | Closing Price | 12-mth Target Price | Rating |
|-------|-----------|---------------|---------------------|--------|
| 1:    | 14-Aug-23 | HK\$28.60     | HK\$37.92           | Buy    |

Source: DBS HK

Analyst: Mavis Hui

DBS Group Research recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date 19 Feb 2024 11:14:21 (HKT)

Dissemination Date: 19 Feb 2024 15:01:15 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

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**Sands China**

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**DBS Bank (Hong Kong) Limited**

13<sup>th</sup> Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

**Sands China**

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**DBS Regional Research Offices**

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**HONG KONG**

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,  
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

**SINGAPORE**

DBS Bank Ltd

Contact: Andy Sim

12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

**INDONESIA**

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

**THAILAND**

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

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