

# Zhaojin Mining Industry

## Good cost control, bad balance sheet management

- We upgrade Zhaojin to In-Line on good cost control and a more favourable gold price environment.
- Production costs in 1H14 were down 10% YoY in new mines, offset by a 3% increase in headquarter mines. Overall unit costs were down 0.6% YoY.
- Management is confident of delivering 9% production growth this year and keeping costs flat in 2H14 from the 1H14 levels.
- Zhaojin is now trading at 1.2x 2014E PBR, 17x PER and 13.6x EV/EBITDA, which we think fully reflects the company's growth and good cost control.

**1H14 results down on lower gold prices and higher interest expenses.** Zhaojin reported 1H14 net profit of RMB 324mn, up 8.2% YoY; however, recurring earnings were down 22% YoY driven by a 10.5% YoY fall in gold prices and higher interest expenses, compensated by 12.3% growth in mine gold production and a 0.6% drop in unit costs.

**Business outlook.** Management is confident of achieving 536koz gold production in 2014, up 9% YoY. Management also guided for flat costs in 2H14 from 1H14, but higher production growth from new mines (which have higher costs) means management needs to tightly control costs to keep costs flat.

**Higher gearing caps acquisition potential.** Net debt to equity rose to 115% from 103% in 2013. This higher gearing caps the company's acquisition potential, in our view, although Zhaojin said it still has a healthy pipeline of acquisition opportunities that are being discussed.

**Gold price outlook.** Our commodity team's gold price forecast is USD 1,300/oz for 2015. Gold could be helped by geopolitical risks and continued buying from central banks, but the weak jewellery consumption data in 2Q14 (down 30% YoY from a high base, according to the World Gold Council) shows that consumers are now more rational about their gold purchases.

**Valuation.** After factoring in lower costs and higher YTD gold prices, we revise up our 2014E earnings to RMB 665mn from RMB 356mn. We also revise up our PT to HKD 4.57 (from HKD 4.16).

### IN-LINE (from UNDERPERFORM)

PRICE as of 19 Aug 2014      PRICE TARGET  
**HKD 4.99**      **HKD 4.57**

<b>Bloomberg code</b>	<b>Reuters code</b>
1818 HK	1818.HK
<b>Market cap</b>	<b>12-month range</b>
HKD 14,799mn (USD 1,909mn)	HKD 4.12 - 7.64

**EPS adj. est. change**    2014E    87.0%    2015E    21.9%

Year-end: December	2013	2014E	2015E	2016E
Sales (RMB mn)	6,344	6,363	6,280	6,587
EBITDA (RMB mn)	1,070	1,078	955	1,138
EBIT (RMB mn)	1,323	1,354	1,243	1,443
Pre-tax profit (RMB mn)	994	841	835	1,000
Net profit adj. (RMB mn)	747	665	613	735
FCF (RMB mn)	(1,426)	(472)	(179)	821
EPS adj. (RMB)	0.25	0.22	0.21	0.25
DPS (RMB)	0.07	0.07	0.06	0.07
Book value/share (RMB)	2.84	3.00	3.14	3.32
EPS growth adj. (%)	-64.3	-11.0	-7.8	19.8
DPS growth (%)	-69.1	-9.4	-7.8	19.8
EBITDA margin (%)	16.9	16.9	15.2	17.3
EBIT margin (%)	20.8	21.3	19.8	21.9
Net margin adj. (%)	11.8	10.4	9.8	11.2
Div. payout (%)	30.0	30.0	30.0	30.0
Net gearing (%)	103.7	111.2	113.9	106.8
ROE (%)	8.7	7.7	6.7	7.7
ROCE (%)	10.3	9.8	8.1	9.1
EV/sales (x)	3.9	3.5	3.6	3.4
EV/EBITDA (x)	23.3	20.9	23.7	19.7
PBR (x)	1.2	1.3	1.2	1.1
<b>PER adj. (x)</b>	<b>23.8</b>	<b>17.6</b>	<b>18.0</b>	<b>14.9</b>
<b>Dividend yield (%)</b>	<b>1.2</b>	<b>1.7</b>	<b>1.7</b>	<b>2.0</b>

Source: Company, Standard Chartered Research estimates

### Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	5	16	-25
Relative to index	-2	5	-33
Relative to sector	-	-	-
Major shareholder	Shandong Zhaojin Group (37.8%)		
Free float	30%		
Average turnover (USD)	3,733,058		

Source: Company, FactSet

**Yan Chen, CFA**  
 +852 3983 8518  
 Equity Research  
 Standard Chartered Bank (HK) Limited

**Wei Ouyang**  
 +852 3983 8519  
 Equity Research  
 Standard Chartered Bank (HK) Limited

**Benjamin Wang**  
 +852 3983 8532  
 Equity Research  
 Standard Chartered Bank (HK) Limited

Important disclosures can be found in the Disclosures Appendix

All rights reserved. Standard Chartered Bank 2014

<http://research.standardchartered.com>



## Lower costs, higher gearing

### 1H14 results highlights: Solid cost management

1H14 net profit was RMB 324mn, up 8% compared to RMB 300mn in 1H13. However, this includes a RMB 13mn loss on return for gold and gold leasing, RMB 26mn of reversal of provisions, whereas the company booked RMB 97mn of provisions in 1H13. Net of these one-off items, net profit was actually down 22% YoY. This is mainly due to significantly higher finance costs that were partially offset by an increased share of profits from JVs.

- Revenue reached RMB 2.8bn, up 20% YoY, driven by higher production of gold and higher volumes of buy-and-sale gold. Self-produced gold reached 245koz, up 12% YoY, while the average realised gold price declined 11% to RMB 260/g.
- Zhaojin's cost of sales reached RMB 1.8bn, up 37% YoY. The significant increase in COGS is primarily due to a significant increase in sales volumes of gold from smelting and tolling arrangements that increased to 170koz, up 42% YoY. Comparatively, production volumes of gold from Zhaojin's own mines also increased, but to a lower extent, by 12% to 245koz. Overall gold production increased by 21%.
- Selling and distribution costs increased to RMB 51mn, up 23% YoY, which is in line with the higher gold production.
- Administrative and other operating expenses was RMB 450mn, down 14% YoY. We applaud management's efforts to reduce costs and think a 14% decrease in administrative costs is substantial.
- Other expenses dropped to RMB 83mn, down 48% YoY from RMB 160mn in 1H13. This was mainly because Zhaojin booked a RMB 97mn provision on inventories in 1H13.
- JV profits: Zhaojin booked RMB 20mn in profits from its JV's copper operations in 1H14, up from only RMB 2mn last year.
- Interest expenses increased significantly to RMB 255mn, up 57% YoY. This is mainly due to higher interest on bank borrowings that increased to RMB 164mn in 1H14, up 40% YoY from RMB 117mn in 1H13. The company also booked a RMB 46mn interest expense related to gold leasing in 1H14, while there was none in the same period last year.
- No dividend for 1H14.

Figure 1: 1H14 results highlights

RMB mn	1H14	1H13	YoY %
<b>P&amp;L summary</b>			
Revenue	2,845	2,371	20.0%
Gross profit	1,030	1,042	-1.1%
gross profit margin	36.2%	43.9%	-7.7%
EBIT	612	640	-4.3%
EBIT margin	22%	27%	-20.3%
Net profit	324	300	8.2%
net profit margin	11%	13%	-1%
<b>Key stats</b>			
Mine gold production(koz)	245	218	12.3%
Realised gold price (RMB/g)	260	290	-10.5%
Unit cost (RMB/g) -total	134	135	-0.6%
Unit cost (RMB/g) -cash	99	100	-1.5%

Source: company, Standard Chartered Research



## 2H14 outlook from management meeting

- **Production:** Management said production at its self-owned mines is likely to remain stable, but production at its extra-group mines could increase as some mines that were under maintenance would resume operations. Its full-year target is still 950koz, of which 647koz is mined gold and 563koz is from self-owned mines.
- **Costs:** Management indicated that production costs at headquarter mines increased 3% YoY in 1H14 mainly due to higher staff costs. However, production costs for the mines outside of its headquarter declined 10% in 1H14 with the ramp-up of production at related mines. Management indicated that efficiency at intra-group level is already high and further cost cutting is difficult.
- **Capex:** 1H14 capex was about RMB 1.1bn. Excluding M&A, capex for 2H14 would amount to between RMB 300mn and RMB 350mn, according to management. The company is currently looking at three projects, but has not made any decisions yet. In any case, total capex for 2014 will likely be below RMB 1.9bn, management said.
- **Debt:** According to management, Zhaojin would have RMB 4.8bn of unutilised bank facilities that could be drawn based on its needs.
- **Effective interest rate:** The company indicated that its average interest rate was 5.3% in 1H14.

## Earnings and price target revision

After factoring in lower costs and higher YTD gold prices, we revise up our 2014E earnings to RMB 665mn from RMB 356mn. We also revise up our price target to HKD 4.57 (from HKD 4.16). We upgrade Zhaojin to In-Line from Underperform on good cost control and a better gold price environment.

But for prospective ROE of 7% and 6.1% in 2014 and 2015, respectively, we think Zhaojin is fairly valued at 1.2x 2014E PBR, 17x PER and 13.6x EV/EBITDA.

Figure 2: Our new forecast and key assumptions

Key assumptions	Unit	New				Old		
		2013A	2014E	2015E	2015E	2014E	2015E	2016E
Gold production volume	koz	486	530	553	578	530	542	554
Gold price	USD/oz	1,411	1,295	1,300	1,350	1,225	1,300	1,350
Gold production cost in RMB	RMB/gram	132	135	138	140	139	141	142
Gold production cost in USD	USD/oz	689	702	751	774	738	771	796
<b>P&amp;L estimate</b>								
Revenue	RMB mn	6,344	6,363	6,280	6,587	5,969	6,192	6,304
EBIT	RMB mn	1,323	1,354	1,243	1,443	933	1,103	1,216
EBIT margin		20.8%	21.3%	19.8%	21.9%	15.6%	17.8%	19.3%
Net profit	RMB mn	734	665	613	735	356	503	557
Net margin		11.6%	10.4%	9.8%	11.2%	6.0%	8.1%	8.8%
EPS	RMB	0.248	0.224	0.207	0.248	0.120	0.170	0.188

Source: Company, Standard Chartered Research estimates



## Income statement (RMB mn)

Year-end: Dec	2012	2013	2014E	2015E	2016E
Sales	7,603	6,344	6,363	6,280	6,587
Gross profit	2,894	1,576	1,629	1,530	1,748
SG&A	(872)	(918)	(919)	(883)	(858)
Other income	726	665	643	596	553
Other expenses	0	0	0	0	0
<b>EBIT</b>	<b>2,749</b>	<b>1,323</b>	<b>1,354</b>	<b>1,243</b>	<b>1,443</b>
Net interest	(219)	(342)	(513)	(407)	(443)
Associates	10	21	0	0	0
Other non-operational	125	(7)	0	0	0
Exceptional items	0	0	0	0	0
<b>Pre-tax profit</b>	<b>2,665</b>	<b>994</b>	<b>841</b>	<b>835</b>	<b>1,000</b>
Taxation	(618)	(226)	(202)	(209)	(250)
Minority interests	(123)	(33)	26	(13)	(16)
Exceptional items after tax	0	0	0	0	0
<b>Net profit</b>	<b>1,924</b>	<b>734</b>	<b>665</b>	<b>613</b>	<b>735</b>
<b>Net profit adj.</b>	<b>2,058</b>	<b>747</b>	<b>665</b>	<b>613</b>	<b>735</b>
<b>EBITDA</b>	<b>2,603</b>	<b>1,070</b>	<b>1,078</b>	<b>955</b>	<b>1,138</b>
EPS (RMB)	0.66	0.25	0.22	0.21	0.25
EPS adj. (RMB)	0.71	0.25	0.22	0.21	0.25
DPS (RMB)	0.24	0.07	0.07	0.06	0.07
Avg fully diluted shares (mn)	2,919	2,966	2,966	2,966	2,966

## Balance sheet (RMB mn)

Year-end: Dec	2012	2013	2014E	2015E	2016E
Cash	1,351	1,036	1,851	1,081	1,239
Short-term investments	0	0	0	0	0
Accounts receivable	845	974	974	974	974
Inventory	2,011	2,504	2,504	2,504	2,504
Other current assets	173	424	424	424	424
<b>Total current assets</b>	<b>4,380</b>	<b>4,938</b>	<b>5,753</b>	<b>4,983</b>	<b>5,141</b>
PP&E	7,373	9,476	11,100	12,312	12,684
Intangible assets	4,558	4,816	4,816	4,816	4,816
Associates and JVs	0	0	0	0	0
Other long-term assets	1,657	4,143	4,143	4,143	4,143
<b>Total long-term assets</b>	<b>13,588</b>	<b>18,435</b>	<b>20,059</b>	<b>21,272</b>	<b>21,643</b>
<b>Total assets</b>	<b>17,968</b>	<b>23,372</b>	<b>25,812</b>	<b>26,255</b>	<b>26,785</b>
Short-term debt	3,168	8,399	8,399	8,399	8,399
Accounts payable	408	648	648	648	648
Other current liabilities	1,379	1,675	1,675	1,675	1,675
<b>Total current liabilities</b>	<b>4,954</b>	<b>10,723</b>	<b>10,723</b>	<b>10,723</b>	<b>10,723</b>
Long-term debt	57	1,117	3,117	3,117	3,117
Convertible bonds	2,683	1,192	1,192	1,192	1,192
Deferred tax	0	0	0	0	0
Other long-term liabilities	1,026	1,019	1,019	1,019	1,019
<b>Total long-term liabilities</b>	<b>3,766</b>	<b>3,327</b>	<b>5,327</b>	<b>5,327</b>	<b>5,327</b>
<b>Total liabilities</b>	<b>8,720</b>	<b>14,050</b>	<b>16,050</b>	<b>16,050</b>	<b>16,050</b>
Shareholders' funds	8,404	8,426	8,891	9,321	9,835
Minority interests	844	897	871	885	900
<b>Total equity</b>	<b>9,248</b>	<b>9,323</b>	<b>9,763</b>	<b>10,205</b>	<b>10,735</b>
<b>Total liabilities and equity</b>	<b>17,968</b>	<b>23,372</b>	<b>25,812</b>	<b>26,255</b>	<b>26,785</b>
Net debt (cash)	4,557	9,672	10,856	11,626	11,468
Year-end shares (mn)	2,919	2,966	2,966	2,966	2,966

Source: Company, Standard Chartered Research estimates

## Cash flow statement (RMB mn)

Year-end: Dec	2012	2013	2014E	2015E	2016E
EBIT	2,749	1,323	1,354	1,243	1,443
Depreciation & amortisation	(146)	(253)	(276)	(287)	(305)
Net interest	219	342	513	407	443
Tax paid	(618)	(226)	(202)	(209)	(250)
Changes in working capital	(1,429)	(431)	0	0	0
Others	930	120	39	168	168
<b>Cash flow from operations</b>	<b>1,705</b>	<b>875</b>	<b>1,428</b>	<b>1,321</b>	<b>1,498</b>
Capex	(2,338)	(2,300)	(1,900)	(1,500)	(677)
Acquisitions & Investments	0	0	0	0	0
Disposals	0	0	0	0	0
Others	(1,042)	(2,142)	0	0	0
<b>Cash flow from investing</b>	<b>(3,380)</b>	<b>(4,442)</b>	<b>(1,900)</b>	<b>(1,500)</b>	<b>(677)</b>
Dividends	(628)	(807)	(199)	(184)	(220)
Issue of shares	0	0	0	0	0
Change in debt	3,754	3,170	2,000	0	0
Other financing cash flow	(284)	(493)	(513)	(407)	(443)
<b>Cash flow from financing</b>	<b>1,787</b>	<b>3,254</b>	<b>1,288</b>	<b>(591)</b>	<b>(663)</b>
<b>Change in cash</b>	<b>111</b>	<b>(313)</b>	<b>816</b>	<b>(770)</b>	<b>158</b>
Exchange rate effect	0	0	0	0	0
<b>Free cash flow</b>	<b>(633)</b>	<b>(1,426)</b>	<b>(472)</b>	<b>(179)</b>	<b>821</b>

## Financial ratios and other

Year-end: Dec	2012	2013	2014E	2015E	2016E
<b>Operating ratios</b>					
Gross margin (%)	38.1	24.8	25.6	24.4	26.5
EBITDA margin (%)	34.2	16.9	16.9	15.2	17.3
EBIT margin (%)	36.2	20.8	21.3	19.8	21.9
Net margin adj. (%)	27.1	11.8	10.4	9.8	11.2
Effective tax rate (%)	23.2	22.8	24.0	25.0	25.0
Sales growth (%)	32.4	-16.6	0.3	-1.3	4.9
Net income growth (%)	15.8	-61.8	-9.4	-7.8	19.8
EPS growth (%)	15.6	-62.4	-9.4	-7.8	19.8
EPS growth adj. (%)	14.8	-64.3	-11.0	-7.8	19.8
DPS growth (%)	14.3	-69.1	-9.4	-7.8	19.8
<b>Efficiency ratios</b>					
ROE (%)	25.7	8.7	7.7	6.7	7.7
ROCE (%)	24.5	10.3	9.8	8.1	9.1
Asset turnover (x)	0.5	0.3	0.3	0.2	0.2
Op. cash/EBIT (x)	0.6	0.7	1.1	1.1	1.0
Depreciation/capex (x)	-0.1	-0.1	-0.1	-0.2	-0.5
Inventory days	160.5	172.8	193.1	192.4	188.9
Accounts receivable days	32.8	52.3	55.9	56.6	54.0
Accounts payable days	75.4	40.4	50.0	49.8	48.9
<b>Leverage ratios</b>					
Net gearing (%)	49.3	103.7	111.2	113.9	106.8
Debt/capital (%)	45.4	84.6	84.2	81.8	79.1
Interest cover (x)	12.6	3.9	2.6	3.1	3.3
Debt/EBITDA (x)	1.7	7.7	10.9	13.3	11.2
Current ratio (x)	0.9	0.5	0.5	0.5	0.5
<b>Valuation</b>					
EV/sales (x)	4.2	3.9	3.5	3.6	3.4
EV/EBITDA (x)	12.3	23.3	20.9	23.7	19.7
EV/EBIT (x)	11.7	18.8	16.7	18.2	15.5
PER (x)	15.0	24.3	17.6	18.0	14.9
PER adj. (x)	14.0	23.8	17.6	18.0	14.9
PBR (x)	3.4	1.2	1.3	1.2	1.1
Dividend yield (%)	2.4	1.2	1.7	1.7	2.0



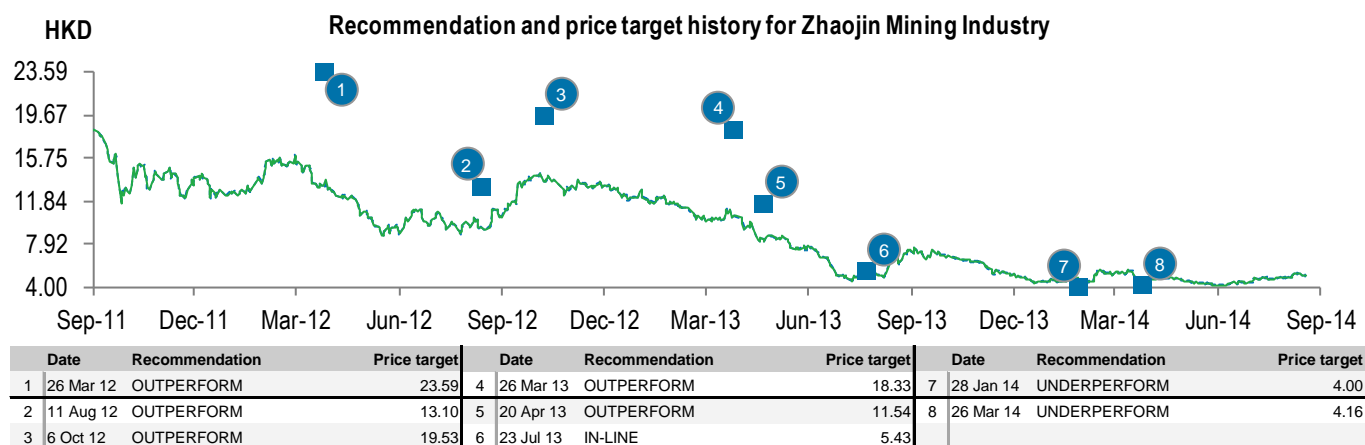
## Disclosures appendix

The information and opinions in this report were prepared by Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Singapore Branch, Standard Chartered Securities (India) Limited, Standard Chartered Securities Korea Limited and/or one or more of its affiliates (together with its group of companies, "SCB") and the research analyst(s) named in this report. THIS RESEARCH HAS NOT BEEN PRODUCED IN THE UNITED STATES.

**Analyst Certification Disclosure:** The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

Where "disclosure date" appears below, this means the day prior to the report date. All share prices quoted are the closing price for the business day prior to the date of the report, unless otherwise stated.

SCB makes a market in securities issued by the following companies: Zhaojin Mining Industry Co. Ltd. Class H.



Source: FactSet prices, SCB recommendations and price targets

### Recommendation Distribution and Investment Banking Relationships

	% of covered companies currently assigned this rating	% of companies assigned this rating with which SCB has provided investment banking services over the past 12 months
OUTPERFORM	55.8%	10.4%
IN-LINE	33.0%	10.1%
UNDERPERFORM	11.2%	8.1%

As of 30 June 2014

### Research Recommendation

Terminology	Definitions
OUTPERFORM (OP)	The total return on the security is expected to outperform the relevant market index by 5% or more over the next 12 months
IN-LINE (IL)	The total return on the security is not expected to outperform or underperform the relevant market index by 5% or more over the next 12 months
UNDERPERFORM (UP)	The total return on the security is expected to underperform the relevant market index by 5% or more over the next 12 months

SCB uses an investment horizon of 12 months for its price targets.

**Additional information, including disclosures, with respect to any securities referred to herein will be available upon request. Requests should be sent to scer@sc.com.**

**Global Disclaimer:** Standard Chartered Bank and/or its affiliates ("SCB") makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections, and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SCB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SCB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SCB and/or its affiliates or its respective officers, directors, employee benefit programmes or employees, including persons involved in the preparation or issuance of this document may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities



or financial instruments referred to in this document and on the SCB Research website or have a material interest in any such securities or related investments, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments. SCB has in place policies and procedures and physical information walls between its Research Department and differing public and private business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SCB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. SCB also makes no representation or warranty as to the accuracy nor responsible for any information or data contains on any third party's website. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

**Country-Specific Disclosures** - If you are receiving this document in any of the countries listed below, please note the following:

**United Kingdom and European Economic Area:** SCB is authorised in the United Kingdom by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This communication is not directed at Retail Clients in the European Economic Area as defined by Directive 2004/39/EC. Nothing in this document constitutes a personal recommendation or investment advice as defined by Directive 2004/39/EC. **Australia:** The Australian Financial Services Licence for Standard Chartered Bank is Licence No: 246833 with the following Australian Registered Business Number (ARBN: 097571778). Australian investors should note that this communication was prepared for "wholesale clients" only and is not directed at persons who are "retail clients" as those terms are defined in sections 761G and 761GA of the Corporations Act 2001 (Cth). **Bangladesh:** This research has not been produced in Bangladesh. The report has been prepared by the research analyst(s) in an autonomous and independent way, including in relation to SCB. THE SECURITIES MENTIONED IN THIS REPORT HAVE NOT BEEN AND WILL NOT BE REGISTERED IN BANGLADESH AND MAY NOT BE OFFERED OR SOLD IN BANGLADESH WITHOUT PRIOR APPROVAL OF THE REGULATORY AUTHORITIES IN BANGLADESH. **Botswana:** This document is being distributed in Botswana by, and is attributable to, Standard Chartered Bank Botswana Limited which is a financial institution licensed under the Section 6 of the Banking Act CAP 46:04 and is listed in the Botswana Stock Exchange. **Brazil:** SCB disclosures pursuant to the Securities and Exchange Commission of Brazil ("CVM") Instruction 483/10: This research has not been produced in Brazil. The report has been prepared by the research analyst(s) in an autonomous and independent way, including in relation to SCB. THE SECURITIES MENTIONED IN THIS DOCUMENT HAVE NOT BEEN AND WILL NOT BE REGISTERED PURSUANT TO THE REQUIREMENTS OF THE SECURITIES AND EXCHANGE COMMISSION OF BRAZIL AND MAY NOT BE OFFERED OR SOLD IN BRAZIL EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS AND IN COMPLIANCE WITH THE SECURITIES LAWS OF BRAZIL. **Germany:** In Germany, this document is being distributed by Standard Chartered Bank Germany Branch which is also regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Hong Kong:** This document, except for any portion advising on or facilitating any decision on futures contracts trading, is being distributed in Hong Kong by, and is attributable to, Standard Chartered Bank (Hong Kong) Limited 渣打銀行 (香港) 有限公司 which is regulated by the Hong Kong Monetary Authority. **India:** This document is being distributed in India by Standard Chartered Securities (India) Limited, which is a SEBI-registered broker and a member of the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. Registered Address: 2nd Floor, 23-25 M. G. Road, Fort, Mumbai - 400 001. India | Telephone No: 022 - 6135 5999 | Fax No: 022 - 6135 5900 | <http://www.standardcharteredtrade.co.in> | Email: [mitesh.thakkar1@sc.com](mailto:mitesh.thakkar1@sc.com) | CIN: U65990MH1994PLC079263. **Indonesia:** The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or represent that any such future movements will not exceed those shown in any illustration. **Kenya:** Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya. This document is intended for use only by Professional Clients and should not be relied upon by or be distributed to Retail Clients. **Korea:** This document is being distributed in Korea by, and is attributable to, Standard Chartered Securities Korea Limited which is regulated by the Financial Supervisory Service. **Macau:** This document is being distributed in Macau Special Administrative Region of the Peoples' Republic of China, and is attributable to, Standard Chartered Bank (Macau Branch) which is regulated by Macau Monetary Authority. **New Zealand:** New Zealand Investors should note that this document was prepared for "wholesale clients" only within the meaning of section 5C of the Financial Advisers Act 2008. This document is not directed at persons who are "retail clients" as defined in the Financial Advisers Act 2008. This document does not form part of any offer to the public in New Zealand. **Philippines:** This document may be distributed in the Philippines by, and is attributable to, Standard Chartered Bank (Philippines) which is regulated by the Bangko Sentral ng Pilipinas. This document is for information purposes only and does not offer, sell, offer to sell or distribute securities in the Philippines that are not registered with the Securities and Exchange Commission unless such offer or sale qualifies as an exempt transaction under Section 10 of the Securities Regulation Code. **Singapore:** This document is being distributed in Singapore by Standard Chartered Bank Singapore Branch only to accredited investors, expert investors or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact Standard Chartered Bank Singapore Branch in relation to any matters arising from, or in connection with, this document. **South Africa:** SCB is licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002. SCB is a Registered Credit Provider in terms of the National Credit Act 34 of 2005 under registration number NCRC4. **Thailand:** This document is intended to circulate only general information and prepare exclusively for the benefit of Institutional Investors with the conditions and as defined in the Notifications of the Office of the Securities and Exchange Commission relating to the exemption of investment advisory service, as amended and supplemented from time to time. It is not intended to provide for the public. **United States:** Except for any documents relating to foreign exchange, FX or global FX, Rates or Commodities, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of Standard Chartered Securities (North America) Inc., 1095 Avenue of the Americas, New York, N.Y. 10036, US, tel +1 212 667 0700. WE DO NOT OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS EITHER (A) THOSE SECURITIES ARE REGISTERED FOR SALE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH ALL APPROPRIATE U.S. STATE AUTHORITIES; OR (B) THE SECURITIES OR THE SPECIFIC TRANSACTION QUALIFY FOR AN EXEMPTION UNDER THE U.S. FEDERAL AND STATE SECURITIES LAWS NOR DO WE OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS (i) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL ARE PROPERLY REGISTERED OR LICENSED TO CONDUCT BUSINESS; OR (ii) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL QUALIFY FOR EXEMPTIONS UNDER APPLICABLE U.S. FEDERAL AND STATE LAWS.

© Copyright 2014 Standard Chartered Bank and its affiliates. All rights reserved. All copyrights subsisting and arising out of all materials, text, articles and information contained herein is the property of Standard Chartered Bank and/or its affiliates, and may not be reproduced, redistributed, amended, modified, adapted, transmitted in any form, or translated in any way without the prior written permission of Standard Chartered Bank.