

29 August 2014 | 14 pages

Real Estate/Property  
Asia | China

# KWG Prop (1813.HK)

## Buy: Growth Clarity Shines Amid Market Uncertainty

- **1H14 results analyst meeting:** Overall, KWG's 1H result reaffirms its creditable growth visibility and operational stability, which we believe are valued by investors in an uncertain market. A pledge to reduce the company's leverage and debt scale also should keep it defensive in a market downturn. Valuation (5.5x PER and 35% NAV disc), even on our conservative estimates, looks undemanding. Affirm Buy.
- **Chairman: "High-growth" target in FY14-15 unchanged:** With around 20-25% profit growth locked-in for FY14, the Chairman believes the current landbank can underpin another 20-25% sales growth (attrib. RMB25bn+) in FY15, which we believe could stand out in an upcoming market consolidation, especially given mgt's track record of achieving a prudent balance between margin and balance sheet.
- **2H14 focus – lower total debt and net gearing by year-end:** 1) Asset turnover to be enhanced to achieve sales growth (internal target much higher than RMB21bn attrib. sales target); 2) Net gearing and total debt scale targeted to be lower by FY14; 3) After plentiful acquisitions in 1H, KWG will be more selective in the land market in 2H; and 4) Investment property holdings will be ramped up.
- **Opportunistic forays in land market; net margin hurdle of over 15%:** KWG acquired total attrib. 1,088ksqm for RMB6.7bn in 1H14 with many sites bought at base price or at a modest premium. Chairman cited that KWG will be opportunistic in land acquisitions in 2H and will focus on profitability rather than scalability, targeting a net margin for new projects of at least 15%.
- **Current landbank of attrib. 10.7msm in 9 cities:** Current landbank is sufficient for 5-6 years' development. Seven more sites were added in 1H14 with 1,088ksqm attrib. GFA for a total of 6,688mn (AV: RMB6,145psm). KWG will continue to focus mainly on the cities in which it currently operates.

<b>Buy</b>	<b>1</b>
Price (28 Aug 14)	HK\$5.76
Target price	HK\$6.19
Expected share price return	7.5%
Expected dividend yield	5.4%
<b>Expected total return</b>	<b>12.8%</b>
Market Cap	HK\$16,970M
	US\$2,190M

### Price Performance (RIC: 1813.HK, BB: 1813 HK)



### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RmbM)	(Rmb)	(%)	(x)	(x)	(%)	(%)
2012A	1,951	0.674	4.9	6.8	0.9	13.6	3.3
2013A	2,343	0.810	20.1	5.6	0.7	14.2	6.4
2014E	2,406	0.832	2.7	5.5	0.7	12.9	5.5
2015E	2,012	0.695	-16.4	6.6	0.6	10.0	4.2
2016E	1,913	0.661	-4.9	6.9	0.6	9.0	3.6

Source: Powered by dataCentral

### Marco Sze

+852-2501-2466  
marco.sze@citi.com

### Oscar Choi

+852-2501-2737  
oscar.choi@citi.com

### See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Certain products (not inconsistent with the author's published research) are available only on Citi's portals.

Fiscal year end 31-Dec	2012	2013	2014E	2015E	2016E
<b>Valuation Ratios</b>					
P/E adjusted (x)	6.8	5.6	5.5	6.6	6.9
P/E reported (x)	5.5	4.8	5.5	6.6	6.9
P/BV (x)	0.9	0.7	0.7	0.6	0.6
Dividend yield (%)	3.3	6.4	5.5	4.2	3.6
<b>Per Share Data (Rmb)</b>					
EPS adjusted	0.674	0.810	0.832	0.695	0.661
EPS reported	0.832	0.951	0.832	0.695	0.661
BVPS	5.282	6.159	6.700	7.146	7.616
NAVps ordinary	na	na	na	na	na
DPS	0.150	0.290	0.249	0.191	0.165
<b>Profit &amp; Loss (RmbM)</b>					
<b>Net operating income (NOI)</b>	<b>3,617</b>	<b>3,503</b>	<b>4,307</b>	<b>3,609</b>	<b>3,403</b>
G&A expenses	-869	-982	-1,109	-963	-959
Other Operating items	398	813	841	717	609
<b>EBIT including associates</b>	<b>3,145</b>	<b>3,335</b>	<b>4,039</b>	<b>3,363</b>	<b>3,053</b>
Non-oper./net int./except.	620	370	-89	-90	-69
<b>Pre-tax profit</b>	<b>3,766</b>	<b>3,705</b>	<b>3,950</b>	<b>3,273</b>	<b>2,984</b>
Tax	-1,333	-954	-1,530	-1,145	-1,039
Extraord./Min. Int./Pref. Div.	-27	1	-14	-116	-32
<b>Reported net income</b>	<b>2,406</b>	<b>2,751</b>	<b>2,406</b>	<b>2,012</b>	<b>1,913</b>
Adjusted earnings	1,951	2,343	2,406	2,012	1,913
Adjusted EBIT	2,667	2,450	3,123	2,568	2,361
Adjusted EBITDA	2,748	2,522	3,198	2,647	2,444
<b>Growth Rates (%)</b>					
NOI	-19.8	-3.1	22.9	-16.2	-5.7
EBIT adjusted	-28.9	-8.1	27.5	-17.8	-8.0
EPS adjusted	4.9	20.1	2.7	-16.4	-4.9
<b>Cash Flow (RmbM)</b>					
<b>Operating cash flow</b>	<b>3,189</b>	<b>2,057</b>	<b>532</b>	<b>5,197</b>	<b>4,277</b>
Depreciation/amortization	81	71	75	79	83
Net working capital	-37	-1,666	-1,883	3,242	2,262
<b>Investing cash flow</b>	<b>-969</b>	<b>43</b>	<b>-1,028</b>	<b>-439</b>	<b>-276</b>
Capital expenditure	0	0	0	0	0
Acquisitions/disposals	-1,016	0	-1,137	-563	-427
<b>Financing cash flow</b>	<b>80</b>	<b>2,387</b>	<b>486</b>	<b>-2,581</b>	<b>-1,920</b>
Borrowings	2,356	4,715	3,322	382	862
Dividends paid	-658	-434	-850	-814	-579
<b>Change in cash</b>	<b>2,300</b>	<b>4,487</b>	<b>-10</b>	<b>2,177</b>	<b>2,081</b>
<b>Balance Sheet (RmbM)</b>					
<b>Total assets</b>	<b>48,864</b>	<b>61,590</b>	<b>68,005</b>	<b>70,834</b>	<b>71,583</b>
Cash & cash equivalent	4,927	9,414	9,405	11,582	13,663
Net fixed assets	9,251	10,169	11,232	11,716	12,061
<b>Total liabilities</b>	<b>33,511</b>	<b>43,748</b>	<b>48,593</b>	<b>50,108</b>	<b>49,492</b>
Total Debt	16,191	20,905	24,227	24,610	25,472
<b>Shareholders' funds</b>	<b>15,353</b>	<b>17,842</b>	<b>19,412</b>	<b>20,725</b>	<b>22,091</b>
<b>Profitability/Solvency Ratios</b>					
EBIT margin adjusted (%)	27.6	25.9	22.5	19.2	17.2
ROE adjusted (%)	13.6	14.2	12.9	10.0	9.0
ROA adjusted (%)	4.2	4.2	3.7	2.9	2.7
Net debt to equity (%)	73.4	64.4	76.4	62.9	53.5
Interest coverage (x)	120.7	14.7	35.9	29.3	35.4

# Growth Clarity Shines Amid Market Uncertainty

## Development Strategy and Operational Focus – Visibility for 20-25% profit growth in FY14-16E

- **Chairman: "High-growth" target in FY14-15 unchanged:** With around 20-25% profit growth locked-in for FY14 (and likely for FY15 based FY14's sales growth), the Chairman believes the current landbank can underpin another 20-25% sales growth (attri. RMB25bn+) in FY15, which we believe could stand out in an upcoming market consolidation, especially given mgt's track record of achieving a prudent balance between margin and balance sheet.
- **2H14 focus – lower total debt and net gearing by year-end:** 1) Asset turnover to be enhanced to achieve sales growth (internal target much higher than RMB21bn attrib. sales target); 2) Net gearing and total debt scale targeted to be lower by FY14; 3) After plentiful acquisitions in 1H, KWG will be more selective in the land market in 2H; and 4) Investment property holdings will be ramped up.
- **Changed mindset about sales** – Management has its changed mindset from "saving the best for last" to being "sales-oriented", but with a minimum 15% project net margin. It presents more clarity on growth with the new mindset.
- **2H14 landbanking – opportunism to reign:** KWG acquired total attributable RMB6.7bn for 1,088ksqm in 1H14 with many sites bought at base or low-premium prices. Chairman cited that KWG shall be more selective in 2H to underpin FY15/FY16 growth with more acquisitions.
- **Chairman confident on FY14 sales target of RMB21bn (attributable),** owing to 1) ample resources in 2H14 – RMB19bn (implied conservative 58% sale-through); 2) 7+ new projects to boost total projects on sale to 38 projects (vs 24 in FY13); 3) Faster asset turnover after product standardization. It takes just 8-10 months from land acquisitions to pre-sales; 4) Small-medium size units to remain sales anchor (74% below 140sqm).
- **For FY14 sales, Guangzhou** will remain key contributor with around RMB8-9bn (RMB4.0bn in 1H14 vs. RMB2.0bn 1H14). New markets like Nanning and Hangzhou are still at an early stage and are not heavily relied on to achieve the overall sales target.
- **1H14 gearing temporarily up again, but full year will remain disciplined:** Given more acquisitions in 1H14 (at RMB6.7bn), KWG geared up in 1H14, but mgt is comfortable to control at 60-70% by end FY14.
- **On profitability,** KWG is confident it will remain a "high-margin" developer, standing out with mid-30% GPM being maintained in the mid to long term (net margin 15%+).
- **1H14 landbanking** – After a relatively quiet FY13 (total attributable RMB5.88bn was spent in land market for 1,781ksqm, with private negotiation/M&A as the major channels), KWG made more opportunistic acquisitions in 1H14 (RMB6.7bn for attrib. GFA 1,088ksqm) at base prices or low premiums.
- **New city penetration** – After entering Nanning in 2013, KWG entered Hangzhou in Jan 2014. Other cities like Nanjing and Ningbo (must be city centre), Fujian are

also on the radar screen. New projects must ensure reasonable margin (15-20% net margin) and swiftly generate cashflow.

- **Product line standardization** – As a key operational focus in the short-term, KWG will continue to enhance product standardization. It aims to deliver top-tier design and fit-outs while achieving meaningful savings on capex. 1H14 recognized construction cost psm decreased to RMB3,769psm, from RMB3,807psm in 1H13. More initiatives to reduce costs are underway.
- **Shorten launch times** – At the moment, it takes just 8–10 months from land acquisition to pre-sales. Nanning Core of Center project was acquired in Sep 2013 and launched in Jul 2014. Hangzhou Science City III site was acquired in Jan 2014 with an expected first launch in Oct 2014.
- **Current attrib. landbank of 10.7msm in 9 cities: average land cost RMB3,200psm.** Sufficient for 5-6 years' development. 7 more sites were added in 1H14 with 1,088ksqm attributable GFA for 6,688mn (AV: RMB6,145psm). The newly acquired sites are mostly in prime cities: three in BJ, two in GZ, and one each in Hangzhou and Nanning.
- **1H14 actual GFA delivery 462ksqm** vs. FY14 GFA delivery target: ~1.3msm (FY13 actual 1.04msm). Consistent with the budget (around 30-40% in 1H14).
- **1H14 actual GFA commencement: 1.0 msm** vs. FY14 GFA commencement target: 1.8msm (1.5msm in FY13)

Figure 1. KWG – Land Acquisitions in 1H14

No	City	Name of Project	Chinese	Attrib. interest	Total Attri GFA (sqm)	Total Attr Land Cost (RMB mn)	AV (RMB psm)
1	Guangzhou	Guangzhou Pazhou Project	广州市海珠区项目	50%	50,000	227	4,540
2	Guangzhou	Guangzhou Finance City Project	广州市天河区金融城	33%	102,000	1,284	12,588
3	Hangzhou	Hangzhou Science City III	杭州市余杭区项目	100%	106,000	734	6,925
4	Beijing	Beijing Changping Project	北京市昌平项目	33%	91,000	713	7,835
5	Beijing	Beijing's Tongzhou Project	北京市通州项目	100%	128,000	1,617	12,633
6	Beijing	Beijing's Tongzhou District, Canal centre	北京市通州区运河核心区	100%	125,000	1,429	11,432
7	Nanning	Nanning Core of Center		87%	486,000	684	1,407
<b>Total</b>					<b>1,088,000</b>	<b>6,688</b>	<b>6,688</b>

Source: Citi Research

## Results Highlights - Solid 1H; Resilient Margin with Growth Clarity

Figure 2. KWG – Highlights of 1H14 results

	1H14 RMB'mn	1H13 RMB'mn	Change RMB'mn	%
Revenue	5,434	4,645	789	17%
Gross Profit	1,940	1,667	273	16%
GP margin	35.7%	35.9%		-0.2%pts
Net profit	1,344	1,357	(12)	-1%
Net profit margin	24.7%	29.2%		-4.5%pts
Core net profit	1,147	1,002	145	14%
Core net profit margin	21.1%	21.6%		-0.5%pts
Share of JCE revenue	948	1,587	-639	-40%
Core net profit margin (adjusted for JCE/ Asso)	18.0%	16.1%		1.9%pts
Basic EPS (RMB cents)	46.5	46.9	-0.4	-1%
Core EPS (RMB cents)	39.6	34.6	5.0	14%

Source: Company, Citi Research

- **Core earnings up 14.5% yoy, slightly above expectation** — 1H14 core profit was RMB1,147m (+14.5% yoy), representing 48% of our FY estimate of RMB2.4bn.
- **Revenue up 17% to RMB5.43bn** — The growth in revenue was driven by higher ASP of RM13,102psm (1H13: RMB11,272psm) while GFA delivered (421ksqm) in 1H14 was slightly lower (1H13: 477.1ksqm).
- **Solid margin protection (GPM35.7%; core NM 21.1%)** — Gross margin maintained at 35.7% (36.2% in FY13 and 35.9% in 1H13), while the core profit margin came in at 21.1% (24.7% in FY13 and 21.6% in 1H13).
- **Core profit margin (adjusted for JCE/Asso)** — The core profit margin was also kept well at 18.0% in 1H14 vs. 16.1% in 1H13 and 18.7% in FY13.
- **Net gearing up to 70.4% but still manageable** — 1H14 net gearing (including MI) edged up to 70.4% from 56.3% at end-13 after seven new quality sites were acquired (mostly at base/ low premium) at RMB6.7bn (attri) for 1.1msm. Cash RMB10.1bn, flat HoH.
- **Land acquisition totaled attrib. 1,088ksqm for RMB6.7bn:** In 1H14, KWG acquired a total of 7 sites (3 in BJ, 2 in GZ, 1 each in Hangzhou and Nanning) with attributable GFA of 1,088ksqm for RMB6,688mn.

### **Sales and Earnings Outlook – RMB21bn sales target (attributable) is comfortable with potential upside**

- KWG is confident of achieving its full-year attributable sales target of RMB21bn (RMB29bn in gross terms), with 55% already secured in 7M14.
- **KWG achieved RMB10.0bn contracted sales in 1H14**, up 24% yoy, achieving 48% of its full-year attributable sales target of RMB21bn. This represents one of the highest run-rates to target in the industry.
- **1H14, overall sale-through rate was 63%**(vs. 71% in FY13 and 60% in FY12), based on RMB10.0bn attributable sales out of RMB16bn saleable resources.
- 7M14 attributable sales amounted to RMB11.5bn, up 25% and representing 55% of its RMB21bn sales target.
- **7 brand new projects were launched in 1H14**, with a total of 31 projects contributing to sales in the first half. The company plans another 7 new projects in the second half, bringing total no. of projects to 38.
- **2H14 saleable resources will be RMB19bn** (RMB6bn b/f from 1H14), vs. RMB16bn in 1H14. To achieve the remaining RMB11bn sales target in 2H, the implied 58% sales-through is very conservative (vs. 71% in FY13 and 60% in FY12).
- **Unrecognized sales of RMB17bn as of Jun-14**, with corresponding GPM of 30-35% (ASP expected to rebound from FY13 level).
- **In 2H14, seven new projects are to be launched:** By the end of the year, the total no. of saleable projects will have increased to 38 (vs 31 projects on sale by Jun-14 and 24 projects by end-FY13).

- **2H14 saleable resources breakdown by unit size:** <90sqm; 90-140sqm; >140sqm - 45%:29%:26%
- **2H14 saleable resources breakdown by project type:** Residential; Serviced apartments; Office; Retail - 54%:27%:11%:8%

## Financial Position and Liquidity – Better than expected gearing and cash levels after active land acquisition

Figure 3. KWG – Financial Position

	Jun-2014 RMB'mn	Dec-2013 RMB'mn	Jun-2013 RMB'mn
Cash on hand	10,108	10,859	8,288
Total Debts	22,957	20,905	20,082
Net debt	12,848	10,047	11,795
Shareholders' equity (Incl MI)	18,253	17,842	16,351
<b>Net Debt to Equity Ratio</b>	<b>70.4%</b>	<b>56.3%</b>	<b>72.1%</b>

Source: Company, Citi Research

- **Net gearing up after active land acquisition:** Net gearing (incl. MI) 70.4% (end-13: 56.3, 1H13: 72.1%, End-12: 63.5%) and total cash on hand RMB10.1bn (end-13: 10.9bn, 1H13: RMB8.3bn, End-12: RMB6.4bn), while total debt scale controlled at RMB23.0bn (End-13: RMB20.9bn, 1H13: RMB20bn, End-12: RMB16.2bn).
- **JCE/ Asso level:** Total debt RMB3.6bn (vs cash of RMB1.0bn)
- **Seizure of debt market window:** KWG issued 5-year US\$400mn senior notes in July at 8.25% - the lowest coupon ever achieved by KWG in the bond market. The proceeds are for redemption of higher-interest 12.50% bonds issued in 2010. In Jan 2014, KWG issued 5-year senior notes of US\$600 million at 8.975% p.a.
- **KWG has notably reduced interest rates on senior notes:** The interest on USD senior notes has dropped from 13.25% in 2012 and 8.625% in 2013 to 8.975%/8.250% in Jan/Jul 2014.
- **No trust loan are o/s now**
- **FY14 borrowing cost expected to edge down:** Weighted average cost of all borrowings was lowered to 8.3% in 1H14 (vs. 8.8% in FY13, c. 8.8% in 1H13 and FY12: ~9%). The average bank borrowing cost was at 7.1% in 1H14.
- **In 1H14, cash inflow was RMB9.1bn** (91%+ cash collection, inc b/f) while outflows included land premium of RMB6.5bn, construction capex of RMB3.3bn, RMB0.65bn for SG&A, RMB1.1bn for finance cost and RMB1.2bn for tax. Net operating cash outflow of RMB3.7bn due to more land premium payment.
- Total o/s land premium was RMB950mn by 1H14, but payable in FY16-17.
- 1H14 cash collection was at 80% for period sales.
- **In FY14, guided cash outflow** items included committed land premiums of RMB6.7bn (for existing o/s), construction capex of RMB5.7bn, RMB1.3bn for SG&A, RMB1.8bn for finance cost and RMB2.0bn for tax. Total cash outflow is RMB17.5bn.

- In FY14, we expect cash inflow of RMB20bn from sales proceeds. Net inflow of c. RMB20bn. **This implies positive RMB2.5bn operating cash flow in FY14.**

**Figure 4. KWG- Est. Cash Flow in in 1H14 and FY14 (RMBbn)**

<b>Inflow:</b>	<b>1H14</b>	<b>FY14</b>
Sales Proceeds (based on RMB21bn target) and others	9.1	20.0
<b>Total inflow</b>	<b>9.1</b>	<b>20.0</b>
<b>Outflow:</b>		
Committed land premium	6.5	6.7
Construction CAPEX	3.3	5.7
Tax	1.2	2.0
Finance costs	1.1	1.8
SG&A and others	0.65	1.3
<b>Total outflow</b>	<b>12.8</b>	<b>17.5</b>
<b>Net cash inflow before new land acquisitions</b>	<b>-3.7</b>	<b>2.5</b>

Source: Company; Citi Research Estimates

## KWG Prop

### Company description

Established in 1995, KWG Property is one of the leading property developers focusing on mid to high-end properties, with premium quality developments in prime locations in Guangzhou. After 19 years of development, the group has an efficient property development system, as well as a balanced product portfolio that includes mid- and high-end residential properties, Grade-A office buildings, villas, serviced apartments, five-star hotels and retail shops. Currently, the group has expanded into high-potential markets outside of Guangzhou. Apart from the existing projects in Suzhou, Chengdu and Beijing, the group is gradually expanding to cities near Suzhou, Chengdu, Beijing, Hangzhou, Nanning, and Hainan. The company possesses a landbank of more than 10mn sqm in eight key cities.

### Investment strategy

We rate KWG shares Buy with a Target Price of HK\$6.19, based on a 30% discount to our 2014E NAV of HK\$8.84/share. With its quality products and well-managed financial position, KWG should continue to embark on landbanking activities in Guangzhou and other parts of China, driving further NAV growth, in our view. KWG fits into our positive view on the high-quality China developers. We believe that having weathered the cyclical market ups and downs in the past few years, KWG is well equipped to hunt for further opportunities at reasonable costs in order to generate further earnings growth. The high-quality landbank portfolio with exposure to prime cities as well as a growing investment properties basket should also be recognized by the market.

### Valuation

Our Target Price of HK\$6.19/sh is based on a discount of 30% to our FY14E NAV of HK\$8.84/sh. We use this level of NAV discount due to more conservative ASP assumptions and thus higher NAV realizability. Discount to NAV is the most widely used method to value Hong Kong and China property stocks. NAV measures the value of a stock based on the market value of its assets; for a property company those would be its development and investment properties. The NAV discount is then adjusted for the 'realizability' of those assets and growth potential in that NAV; the more realizable the NAV is, or the larger the growth potential the NAV carries, the lower the discount to NAV should be. Our Target Price also represents 0.75x our estimated book value at end-2014E. We believe this is justified by KWG's quality landbank, strong sales capability, strong brand identity in China, and good product quality.



Figure 5. KWG – Breakdown of NAV

	NAV (HK\$m)	NAV (HK\$/Share)	% of NAV	% of GAV
<b>Development Properties</b>				
Residential	33,112	11.45	129.5%	74.1%
Retail	665	0.23	2.6%	1.5%
Office	4,279	1.48	16.7%	9.6%
Serviced Apartment	438	0.15	1.7%	1.0%
<b>Subtotal Development Prop</b>	<b>38,495</b>	<b>13.31</b>	<b>150.6%</b>	<b>86.2%</b>
<b>Investment Properties</b>				
Office	1,975	0.68	7.7%	4.4%
Retail	3,125	1.08	12.2%	7.0%
Hotels	1,083	0.37	4.2%	2.4%
<b>Subtotal Investment Prop</b>	<b>6,184</b>	<b>2.14</b>	<b>24.2%</b>	<b>13.8%</b>
<b>Gross Asset Value (GAV)</b>	<b>44,679</b>	<b>15.44</b>	<b>174.8%</b>	<b>100.0%</b>
Net Cash/(Debt)	(16,521)	(5.71)	-64.6%	-37.0%
Potential LAT Liabilities	(2,591)	(0.90)	-10.1%	-5.8%
<b>NAV</b>	<b>25,566</b>	<b>8.84</b>	<b>100.0%</b>	<b>57.2%</b>

Source: Citi Research

## Risks

Fundamentally, KWG is exposed principally to property markets in mainland China, mainly Guangdong, Beijing, Tianjin, Chengdu, Suzhou, Shanghai, and Hainan. The most notable downside risks are economy- and policy-related. With regard to economic risks, any weaker-than-expected GDP growth for the Chinese and/or global economy, and the risk of a hard landing in the domestic economy could negatively affect buyers' sentiment in China's property markets, leading to weak demand, which could render our sales and earnings estimates for KWG unrealizable. In addition, any stronger-than expected pickup in inflation could result in a sharp rise in interest rates, affecting housing affordability for homebuyers. High housing prices tend to attract austerity measures, which could further damp sentiment in the housing market and render our sales and earnings estimates for KWG unrealizable. Any of these risks could prevent the shares from reaching our Target Price.

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

## IMPORTANT DISCLOSURES

### KWG Prop (1813.HK)

#### Ratings and Target Price History Fundamental Research

Analyst: Marco Sze



	Date	Rating	Target Price	Closing Price
1	7-Oct-11	Stock rating system changed		
2	7-Oct-11	*1	8.72	2.65
3	31-Oct-11	1	*6.22	3.42
4	12-Feb-12	1	*6.14	3.89
5	29-Feb-12	1	*6.19	4.72
6	12-Jun-12	1	*5.67	5.14

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	19-Aug-12	1	*5.71	4.36
8	27-Nov-12	1	*7.08	5.24
9	3-Jan-13	1	*7.38	6.50
10	17-Jul-13	1	*7.14	4.24
11	12-Aug-13	1	*7.15	4.59
12	20-Oct-13	1	*7.20	5.04

	Date	Rating	Target Price	Closing Price
13	25-Nov-13	1	*7.32	4.56
14	19-Jan-14	1	*6.30	4.20
15	17-Mar-14	1	*6.34	3.61
16	21-Jul-14	1	*6.19	5.02

Rating/target price changes above reflect Eastern Standard Time

### KWG Prop (1813.HK)

#### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Marco Sze



	Date	Rating	Target Price	Closing Price
1	10-Nov-11	*ADD MP	-	2.90

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	13-Aug-12	*REM MP	-	4.43

Rating/target price changes above reflect Eastern Standard Time

Citi acts as a joint bookrunner for KWG Property Holdings Ltd's proposed USD subordinated perpetual capital securities offering.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of KWG Prop. This position reflects information available as of the prior business day.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from KWG Prop.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from KWG Prop in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): KWG Prop.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: KWG Prop.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: KWG Prop.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at [https://www.citivelocity.com/cvr/epublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/epublic/citi_research_disclosures). Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

## Citi Research Equity Ratings Distribution

Data current as of 30 Jun 2014

	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	40%	12%	0%	100%	0%
% of companies in each rating category that are investment banking clients	55%	53%	46%	0%	54%	0%

### Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

**Investment Ratings:** Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Prior to May 1, 2014 Citi Research may have also assigned a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may have highlighted a specific near-term catalyst or event impacting the company or the market that was anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) may have indicated the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may have been different from and did not affect a stock's fundamental equity rating, which reflected a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls corresponded to a buy recommendation and least preferred calls corresponded to a sell recommendation. Any stock not assigned to a most preferred or least preferred call was considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we corresponded NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we did not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

### NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Asia

Marco Sze; Oscar Choi

### OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 28 August 2014 04:10 PM on the issuer's primary market.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal

amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

**Important Disclosures for Bell Potter Customers:** Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

**The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by.** The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. 1202, 12th Floor, FIFC, G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051 Corporate Identity Number: U99999MH2000PTC126657 Tel:+9102261759999 Fax:+9102261759961. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its



website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of

publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures).

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters.

---

© 2014 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---