

25 May 2016

Basic Materials | Materials

Eonmetall Group

Not Rated

Gaining Traction On Equipment & Machinery

Eonmetall's 1Q16 results were spectacular, boosted by a surge in earnings from its machinery & equipment segment. Although we expect earnings to normalise in the remaining quarters of 2016, we see growth potential for both its steel products and machinery divisions, driven by capacity expansion and decent demand respectively. We estimate the value of the stock at MYR0.90/share, pegging it to 8x 2016F P/E.

A midstream and downstream steel player. Eonmetall produces both flat steel and secondary flat steel products as well as steel machinery and equipment. This allows the company to operate more competitively – relatively speaking – when compared to pure downstream steel players.

Capacity expansion. At end-2015, Eonmetall doubled up its secondary flat steel products capacity to 30,000 tonnes pa by moving to a new manufacturing facility, as well as installing new machineries and equipment. Currently, the company exports about 40% of its steel products, with Asia and the Middle East being its main export markets. With a bigger capacity, Eonmetall aims to increase its steel exports to 70% by widening its market share in new markets such as Myanmar, Indonesia and Bangladesh. We think this is a positive step because its old plant setup had reached a utilisation rate of ~80%. A plant expansion can also help it achieve economies of scale, in our view.

1Q boosted by the machinery & equipment division. Eonmetall's 1Q16 net profit surged to MYR11.4m (1Q15: MYR84,000) on the back of an 113.8% YoY revenue growth. This was mainly attributable to the strong performance of its machinery & equipment segment, which saw partial recognition of one patented palm oil fibre extraction plant (or solvent extraction plant (SEP)), which is under construction, as well as higher orders received for a new metalwork machine.

Outlook. We expect Eonmetall's earnings to normalise in the remaining quarters of 2016. However, we believe that its steel products capacity expansion and decent demand for machinery and equipment should sustain its earnings growth going forward. We forecast for Eonmetall to register earnings of MYR19.3m-22.8m for FY16-18 on the back of a revenue CAGR of 19.2%. This is mainly premised on our expectations for:

- i. Higher steel products sales volume post capacity expansion;
- ii. Organic growth for its metalwork machines;
- iii. Delivery of one SEP pa.

Investment case. We have a NOT RATED call on Eonmetall. We estimate a fair value of MYR0.90 (94% upside) for the stock, pegging to 8x 2016F P/E. The target P/E is in line with the company's historical P/E and at the lower end of the industry P/E average of 8-14x in FY13-15.

Target Price:	NA
Price:	MYR0.465
Market Cap:	USD19.0m
Bloomberg Ticker:	EONM MK

Share Data

Avg Daily Turnover (MYR/USD)	0.19m/0.05m
52-wk Price low/high (MYR)	0.19 - 0.47
Free Float (%)	19
Shares outstanding (m)	169
Estimated Return	NA

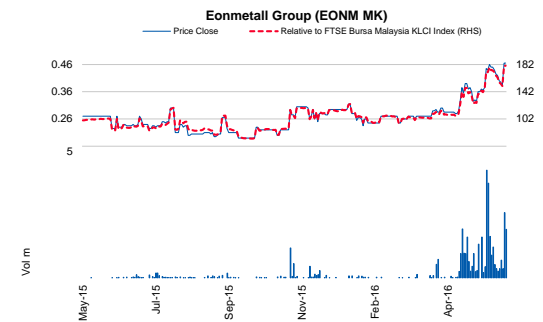
Shareholders (%)

Eonmetall Corporation SB	49.8
Goh Cheng Huat	18.0

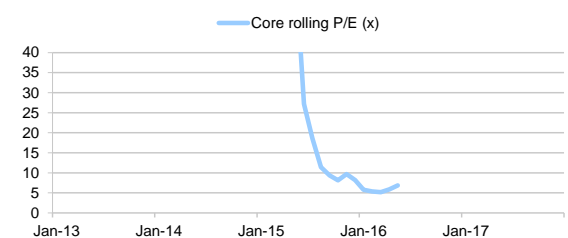
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	57.6	24.0	78.8	75.5	72.2
Relative	61.5	29.4	81.1	78.6	81.3

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Total turnover (MYRm)	64	80	116	124	135
Reported net profit (MYRm)	(2.8)	6.2	19.3	20.5	22.8
Recurring net profit (MYRm)	(3.1)	6.2	19.3	20.5	22.8
Recurring net profit growth (%)	(29.5)	na	212.6	6.2	11.3
Recurring EPS (MYR)	(0.02)	0.04	0.11	0.12	0.13
Recurring P/E (x)	na	12.9	4.1	3.9	3.5
P/B (x)	0.55	0.54	0.47	0.42	0.38
P/CF (x)	na	20.2	3.8	6.3	8.4
EV/EBITDA (x)	19.9	8.1	3.1	2.7	2.4
Return on average equity (%)	(1.9)	4.2	12.2	11.5	11.4
Net debt to equity (%)	36.1	36.8	23.7	17.4	13.9
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

Analyst

Ng Suk Yee
+603 9207 7604
ng.suk.yee@rhbgroup.com



Financial Exhibits

Financial model updated on : 2016-05-24.

Asia	Financial summary	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Malaysia	Recurring EPS (MYR)	(0.02)	0.04	0.11	0.12	0.13
Basic Materials	EPS (MYR)	(0.02)	0.04	0.11	0.12	0.13
Eonmetall Group	BVPS (MYR)	0.84	0.87	0.98	1.10	1.23
Bloomberg EONM MK	Weighted avg adjusted shares (m)	171	171	171	171	171
Not Rated						
	Valuation metrics	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Valuation basis	Recurring P/E (x)	na	12.9	4.1	3.9	3.5
8x 2016F P/E.	P/E (x)	na	12.9	4.1	3.9	3.5
	P/B (x)	0.55	0.54	0.47	0.42	0.38
Key drivers	FCF Yield (%)	(11.6)	(1.7)	18.9	8.7	4.5
i. Capacity expansion;	EV/EBITDA (x)	19.9	8.1	3.1	2.7	2.4
ii. New metalwork machine development;	EV/EBIT (x)	137	12	4	3	3
iii. Supportive CPO price.						
Key risks	Income statement (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
i. Unfavourable policy changes in the steel industry;	Total turnover	64	80	116	124	135
ii. Weak global economic growth;	Gross profit	11	18	40	43	47
iii. Unfavourable movement of commodity prices.	EBITDA	5	13	28	30	33
	Depreciation and amortisation	(4)	(4)	(4)	(4)	(4)
	Operating profit	1	9	24	26	28
	Net interest	(3)	(3)	(3)	(3)	(3)
	Exceptional income - net	0	0	0	0	0
	Pre-tax profit	(2)	6	21	23	25
	Taxation	(0)	1	(2)	(2)	(3)
	Minority interests	(0)	(0)	(0)	(0)	(0)
	Recurring net profit	(3)	6	19	20	23
Company Profile	Cash flow (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Eonmetall is involved in:	Change in working capital	(4.3)	(4.7)	(2.4)	(12.0)	(17.7)
i. The manufacturing of metalwork and industrial process machinery and equipment;	Cash flow from operations	(3.1)	3.9	20.9	12.7	9.4
ii. Globally accepted quality flat steel products and secondary steel products.	Capex	(6.1)	(5.3)	(5.9)	(5.7)	(5.8)
	Cash flow from investing activities	3.1	(2.6)	(5.9)	(5.7)	(5.8)
	Cash flow from financing activities	(0.7)	3.5	4.5	(5.1)	0.0
	Balance sheet (MYRm)	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Total cash and equivalents	2	2	22	23	27
	Tangible fixed assets	103	102	104	105	106
	Total investments	31	31	31	32	32
	Total other assets	2	2	2	2	2
	Total assets	208	227	250	266	290
	Short-term debt	37	46	52	48	49
	Total liabilities	65	78	82	77	78
	Shareholders' equity	144	149	168	188	211
	Minority interests	0	0	0	0	0
	Total equity	144	149	168	189	212
	Net debt	52	55	40	33	29
	Total liabilities & equity	208	227	250	266	290
	Key metrics	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
	Revenue growth (%)	(15.5)	23.7	45.2	7.0	9.0
	Recurrent EPS growth (%)	(29.5)	na	212.6	6.2	11.3
	Gross margin (%)	17.6	22.7	34.5	34.6	34.8
	Operating EBITDA margin (%)	7.9	16.1	24.4	24.4	24.3
	Net profit margin (%)	(4.3)	7.7	16.7	16.5	16.9
	Capex/sales (%)	9.4	6.6	5.1	4.6	4.3
	Interest cover (x)	0.22	2.66	7.43	8.02	9.17

Source: Company data, RHB

Gaining Traction On Equipment & Machinery

A midstream and downstream steel player

Eonmetall is a midstream and downstream steel player that produces flat steel products (such as cold rolled steel, mainly for internal consumption) and secondary flat steel items (such as steel storage systems/racking). The company is also involved in the designing and fabrication of metalwork and industrial process machinery (ie its patented SEP for the palm oil industry). The steel products manufacturing and trading business remains Eonmetall's main revenue generator, contributing about 70% of its topline over the past five years.

Eonmetall was founded by major shareholder and executive director Dato' Goh Cheng Huat in 1990. Dato' Goh has extensive experience in the steel industry. He was also the founder of Leader Steel Holdings. Eonmetall is currently led by CEO Mr Yeoh Cheng Chye, who joined the company in 1999.

Figure 1: Eonmetall's production capacities

Product type	Annual capacity
Flat steel	i. 120,000 tonnes for cold rolled steel ii. 50,000 tonnes for galvanised coils
Secondary flat steel products	30,000 tonnes
Metalwork machinery	~ 50 units
SEP	~ 10 units

Source: Company data, RHB

In the past, the Government put in place several measures with the aim of protecting domestic producers. These measures included high import duties (up to a maximum of 50%) and the imposition of an import licence on long and flat products. This caused some midstream and downstream steel players to operate on rather thin margins.

On 1 Aug 2009, the International Trade and Industry Ministry announced the exemption of import duties on certain products, namely:

- i. The raw materials used for the production of finished goods for the export market, irrespective of local availability;
- ii. Products for which grades and specifications are not produced locally for the local market;
- iii. Products used as raw materials to produce zero-duty finished goods.

In general, Eonmetall is able to pass on the increase/decrease in steel raw material prices to its end-customers to a certain extent. This allows the company to operate more competitively – relatively speaking – when compared to the pure downstream steel players.

Capacity expansion on steel products

In end-2015, Eonmetall moved to a new secondary flat steel manufacturing facility that has a larger production space. At the same time, it partially rented out its old plant to a third party. The capex for the new facility was incurred years ago. Hence, management only needed to install the machinery and equipment to double up its steel products capacity to 30,000 tonnes pa.

Currently, Eonmetall exports about 40% of its steel products, with the United Arab Emirates (UAE), Saudi Arabia, Singapore and Sri Lanka as its main export markets. With a bigger capacity, the company aims to increase its steel exports to 70%. It plans to do this by widening its market share in new markets like Myanmar, Indonesia and Bangladesh, amongst others. We view this as a positive because Eonmetall's old plant capacity was already 80% utilised, and the company, in our view, can achieve economies of scale by having a larger capacity.

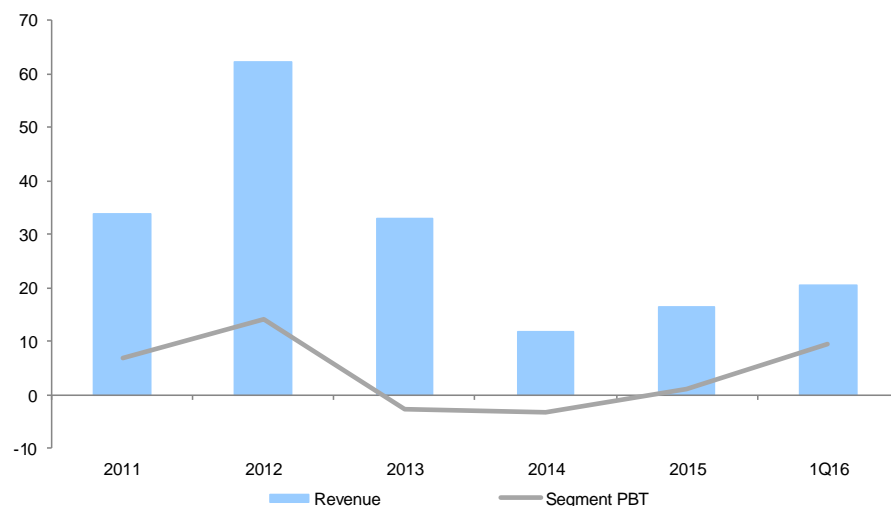
Although export markets are more competitive and harder to penetrate, we think its strategy to expand overseas could be beneficial to its business risk diversification and currency risk management strategies. This is because the stronger USD has a net negative impact on Eonmetall. This is as about 70% of its cost of sales (mainly imported steel raw materials) is denominated in USD. By comparison to only 30% of its revenue is in the US currency.

Strong rebound from the machinery & equipment segment

Eonmetall's 1Q16 net profit surged to MYR11.4m from MYR84,000 in 1Q15. This was on the back of an 113.8% YoY revenue growth.

The strong performance was mainly attributable to its machinery & equipment segment, which saw the partial recognition of one SEP unit that is currently under construction, as well as higher orders received for a new metalwork machine. As a result, the segment reported revenue and PBT of about MYR20.5m and MYR9.4m respectively. By comparison, it booked a MYR4.4m revenue and a loss before tax of MYR1.2m in 1Q15.

Figure 2: Eonmetall's machinery and equipment segment revenue and PBT (MYRm)



Source: Company data, RHB

Eonmetall owns the patent for a solvent extraction technique for mesocarp fibres, which expires in 2023/2024 in Malaysia, Indonesia and India. The company also holds the pioneer status for this technology until 2018. These SEPs mainly cater to palm oil mills with capacities of at least 60 tonnes per hour. They are fueled by steam and electricity.

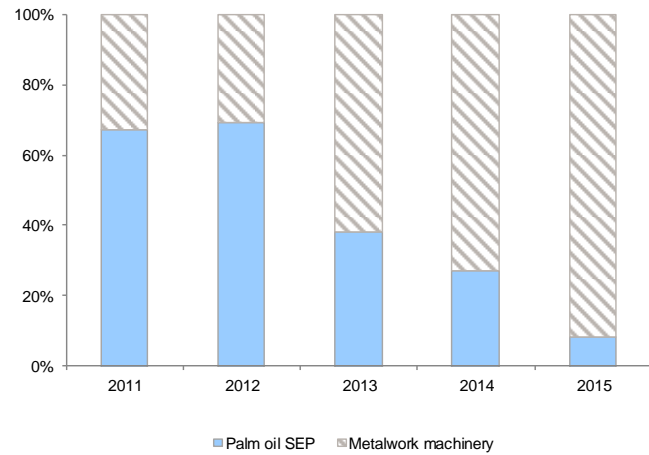
Assuming CPO prices range between MYR2,200-2,400 per tonne – and 70% mill availability – the payback period for an SEP unit is about 3-4 years.

Eonmetall has delivered 2-3 units pa of SEPs on average since 2007, except for the period between 2013 and 2015, which was due to low CPO prices (Figures 3 & 4).

To date, Eonmetall has constructed 18 plants in Malaysia and Indonesia, of which 15 have commissioned operations and the rest are pending for commissioning. Its existing clientele base includes Kuala Lumpur Kepong (KLK MK, BUY, TP: MYR26.40), Kim Loong Resources, Far East Holdings, Felcra and several privately-owned palm oil mills.

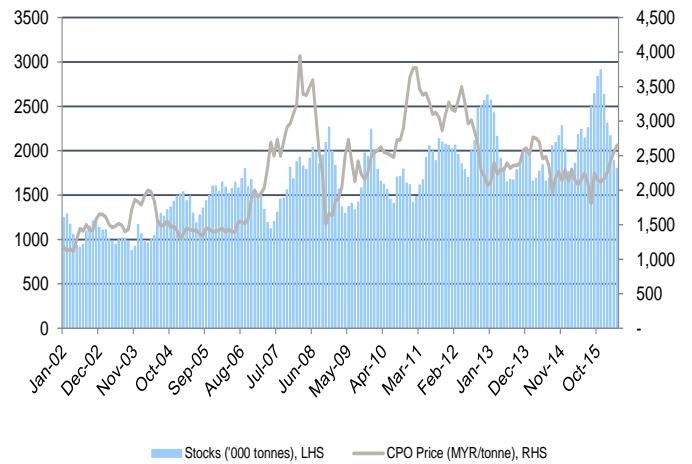
Based on our in-house average CPO prices forecast of MYR2,500-2,565 for 2016-2018, we expect Eonmetall's SEP operations to likely gain traction. There are more than 400 palm oil mills in Malaysia, so we think our assumption of one SEP job per year is reasonably conservative. We note that the company is in discussions with an existing client for two SEP jobs. If awarded, we estimate the revenue to come in more meaningfully in 2017.

Figure 3: Revenue breakdown between SEPs and metalwork machinery



Source: Company data, RHB

Figure 4: Malaysia's palm stockpile and CPO price movements



Source: Malaysian Palm Oil Board (MPOB)

Outlook

We forecast for Eonmetall to register earnings of MYR19.3m-22.8m for FY16-18 on the back of a revenue CAGR of 19.2%. This is mainly premised on our expectations of higher steel products sales volume post capacity expansion, organic growth for its metalwork machines and delivery of one SEP pa. We also expect no major capex to be incurred in the medium term, considering that the company just ramped up its steel product production capacity.

Eonmetall used to pay a DPS of between 1.75 sen and 3.6 sen before 2013. Given the still uncertain macroeconomic outlook, we do not expect the company to distribute any dividends in the medium term.

Key risks to our assumptions include:

- i. Any unfavourable policy changes in the steel industry;
- ii. A significant downturn in the global economy;
- iii. Unfavourable price movements of commodities like steel and crude oil.

Valuation

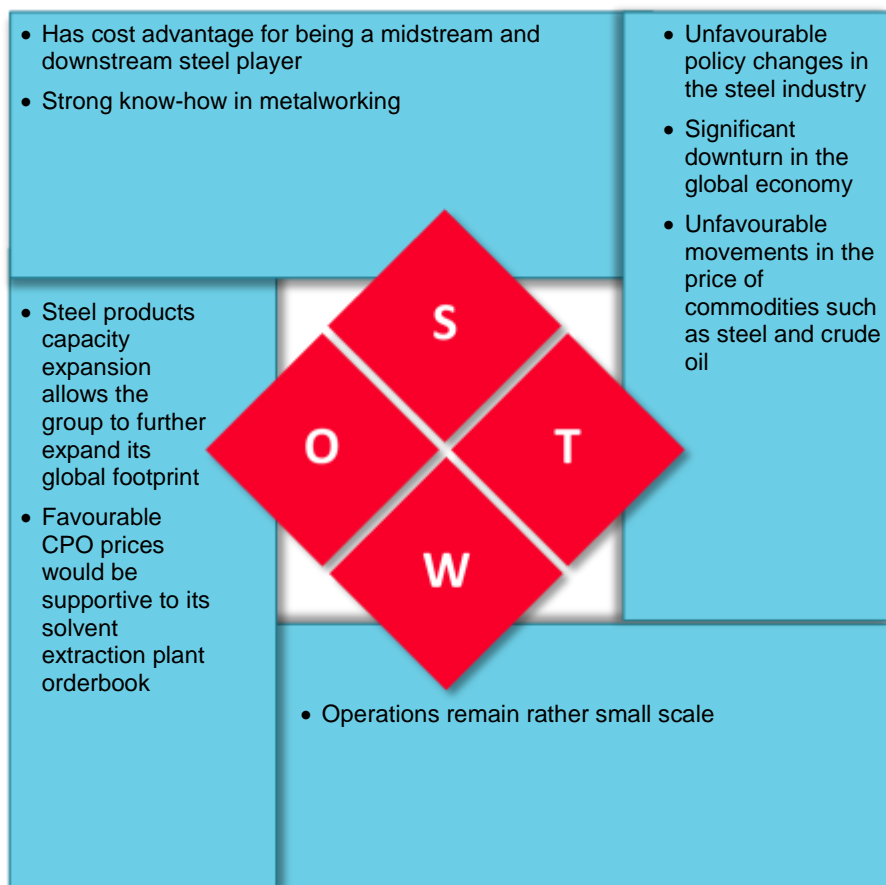
We value Eonmetall at MYR0.90 by pegging 8x P/E to 2016F EPS. We think our target P/E multiple is justifiable, as it is in line with the company's historical P/E. It is also at the lower end of the industry average PE of 8-14x during the FY13-15 period (Figure 4).

Figure 4: Peer comparison

Name	FYE	Price (MYR)	Mkt cap (USDm)	P/E			P/BV			ROE (%)	Net gearing (%)	Div. yield (%)
				FY13	FY14	FY15	FY13	FY14	FY15	FY15	FY15	FY15
Ann Joo	Dec	1.04	126	42.9	22.9	NA	0.5	0.5	0.4	-13.6	133.6	0.0
CSC	Dec	1.37	123	15.7	NA	7.4	0.6	0.5	0.5	7.3	-30.1	7.3
Southern Steel	Jun	0.99	101	17.3	31.4	NA	0.9	0.7	0.5	-14.5	118.4	0.0
Pantech	Feb	0.56	83	6.1	9.0	10.4	1.0	1.2	1.0	9.7	33.8	4.0
Hiap Teck	Jul	0.27	46	16.5	11.9	NA	0.4	0.6	0.3	-8.4	52.7	1.6
Lion Industries	Jun	0.35	58	NA	NA	NA	0.2	0.2	0.1	-10.1	7.3	0.0
Leon Fuat	Dec	0.50	37	5.2	5.7	7.6	0.7	0.7	0.6	8.1	69.5	3.3
Masteel	Dec	0.57	34	8.2	13.3	NA	0.4	0.4	0.2	-9.2	63.8	1.7
Mycron	Jun	0.46	31	7.0	NA	5.0	0.2	0.3	0.3	4.1	45.3	0.0
FACB	Jun	1.03	21	16.3	1.7	18.1	0.6	0.5	0.4	2.3	-67.1	2.4
Kinsteel	Jun	0.08	20	NA	NA	3.1	0.5	NA	1.1	NA	179.5	0.0
Melewar	Jun	0.36	19	NA	NA	NA	0.3	0.2	0.2	-10.3	35.1	0.0
YKGI	Dec	0.22	19	NA	NA	NA	0.7	0.5	0.4	-8.4	88.9	0.0
Lysaght	Dec	3.82	39	8.4	12.0	9.6	1.1	1.4	1.3	15.0	-53.0	0.0
Perstima	Mar	5.94	143	11.5	11.0	10.0	1.0	1.4	1.2	12.5	0.1	8.2
Ave (ex-Eonmetall)				14.1	13.2	8.9	0.6	0.6	0.6	-1.1	45.2	1.9
Eonmetall	Dec	0.47	19	7.7	NA	8.1	0.3	0.3	0.3	4.2	36.8	0.0

Source: Bloomberg, RHB. Prices as at 24 May 2016

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2016-05-24			

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this

report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

RHB and/or its affiliates and/or their directors, officers, associates, connected parties and/or employees, may have, or have had, interests in the securities or qualified holdings, in subject company(ies) mentioned in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, RHB and/or its affiliates may have, or have had, business relationships with the subject company(ies) mentioned in this report and may from time to time seek to provide investment banking or other services to the subject company(ies) referred to in this research report. As a result, investors should be aware that a conflict of interest may exist.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

RESTRICTIONS ON DISTRIBUTION

Malaysia

This report is issued and distributed in Malaysia by RHB Research Institute Sdn Bhd. The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHB Research Institute Sdn Bhd has no obligation to update its opinion or the information in this report.

Thailand

This report is issued and distributed in the Kingdom of Thailand by RHB Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia

This report is issued and distributed in Indonesia by PT RHB Securities Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Research Institute Singapore Pte Ltd and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these categories of investors, RHB Research Institute Singapore Pte Ltd and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of RHB Research Institute Singapore Pte Ltd's interest and/or its representative's interest in securities). Recipients of this report in Singapore may contact RHB Research Institute Singapore Pte Ltd in respect of any matter arising from or in connection with the report.

Hong Kong

This report is issued and distributed in Hong Kong by RHB Securities Hong Kong Limited (興業金融證券有限公司) (CE No.: ADU220) ("RHBSHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact RHB Securities Hong Kong Limited.

United States

This report was prepared by RHB and is being distributed solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act"). RHB is not registered as a broker-dealer in the United States and does not offer brokerage services to U.S. persons. Any order for the purchase or sale of the securities discussed herein that are listed on Bursa Malaysia Securities Berhad must be placed with and through Auerbach Grayson ("AG"). Any order for the purchase or sale of all other securities discussed herein must be placed with and through such other registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6.

This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable.

Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of Auerbach Grayson AG or such other registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading.

Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States.

The financial instruments discussed in this report may not be suitable for all investors.

Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

OWNERSHIP AND MATERIAL CONFLICTS OF INTEREST**Malaysia**

RHB does not have qualified shareholding (1% or more) in the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries are not liquidity providers or market makers for the subject company (ies) covered in this report except for:

a) -

RHB and/or its subsidiaries have not participated as a syndicate member in share offerings and/or bond issues in securities covered in this report in the last 12 months except for:

a) -

RHB has not provided investment banking services to the company/companies covered in this report in the last 12 months except for:

a) -

Thailand

RHB Securities (Thailand) PCL and/or its directors, officers, associates, connected parties and/or employees, may have, or have had, interests and/or commitments in the securities in subject company(ies) mentioned in this report or any securities related thereto. Further, RHB Securities (Thailand) PCL may have, or have had, business relationships with the subject company(ies) mentioned in this report. As a result, investors should exercise their own judgment carefully before making any investment decisions.

Indonesia

PT RHB Securities Indonesia is not affiliated with the subject company(ies) covered in this report both directly or indirectly as per the definitions of affiliation above.

Pursuant to the Capital Market Law (Law Number 8 Year 1995) and the supporting regulations thereof, what constitutes as affiliated parties are as follows:

1. Familial relationship due to marriage or blood up to the second degree, both horizontally or vertically;
2. Affiliation between parties to the employees, Directors or Commissioners of the parties concerned;
3. Affiliation between 2 companies whereby one or more member of the Board of Directors or the Commissioners are the same;
4. Affiliation between the Company and the parties, both directly or indirectly, controlling or being controlled by the Company;
5. Affiliation between 2 companies which are controlled, directly or indirectly, by the same party; or
6. Affiliation between the Company and the main Shareholders.

PT RHB Securities Indonesia is not an insider as defined in the Capital Market Law and the information contained in this report is not considered as insider information prohibited by law.

Insider means:

- a. a commissioner, director or employee of an Issuer or Public Company;
- b. a substantial shareholder of an Issuer or Public Company;
- c. an individual, who because of his position or profession, or because of a business relationship with an Issuer or Public Company, has access to inside information; and
- d. an individual who within the last six months was a Person defined in letters a, b or c, above.

Singapore

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or associated companies do not make a market in any securities covered in this report, except for:

- (a) -

The staff of RHB Research Institute Singapore Pte Ltd and its subsidiaries and/or its associated companies do not serve on any board or trustee positions of any issuer whose securities are covered in this report, except for:

- (a) -

RHB Research Institute Singapore Pte Ltd and/or its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer of the securities covered in this report or any other relationship (including a shareholding of 1% or more in the securities covered in this report) that may create a potential conflict of interest, except for:

- (a) -

Hong Kong

RHBSHK or any of its group companies may have financial interests in relation to an issuer or a new listing applicant (as the case may be) the securities in respect of which are reviewed in the report, and such interests aggregate to an amount equal to or more than (a) 1% of the subject company's market capitalization (in the case of an issuer as defined under paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code of Conduct"); and/or (b) an amount equal to or more than 1% of the subject company's issued share capital, or issued units, as applicable (in the case of a new listing applicant as defined in the Code of Conduct). Further, the analysts named in this report or their associates may have financial interests in relation to an issuer or a new listing applicant (as the case may be) in the securities which are reviewed in the report.

RHBSHK or any of its group companies may make a market in the securities covered by this report.

RHBSHK or any of its group companies may have analysts or their associates, individual(s) employed by or associated with RHBSHK or any of its group companies serving as an officer of the company or any of the companies covered by this report.

RHBSHK or any of its group companies may have received compensation or a mandate for investment banking services to the company or any of the companies covered by this report within the past 12 months.

Note: The reference to "group companies" above refers to a group company of RHBSHK that carries on a business in Hong Kong in (a) investment banking; (b) proprietary trading or market making; or (c) agency broking, in relation to securities listed or traded on The Stock Exchange of Hong Kong Limited.

Kuala Lumpur	Hong Kong	Singapore
RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693	RHB Securities Hong Kong Ltd. 12 th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	RHB Research Institute Singapore Pte Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Bangkok
PT RHB Securities Indonesia Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	RHB (China) Investment Advisory Co. Ltd. Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax : +(66) 2 862 9799