

16 May 2017

Property | Real Estate Oper & Svcs

## AWC Bhd

**Not Rated**

### A Small-Cap Company With Global Ambitions

**AWC has a strong outstanding orderbook of MYR1.15bn as at 1 Jan 2017. We believe the company is moving in the right direction to win more contracts in the future, driven by synergies across all its divisions, ie facilities, environment and engineering. Its *STREAM AWCS* system provides robust margins for the group with a strong presence in Malaysia, Singapore, the UAE, and Hong Kong. Based on 2018F P/E of 13x (below the 3-year historical forward sector average of 15x), we value AWC at MYR1.62. We do not have a rating on the stock.**

**Solid facilities management division.** Prospects at the facilities management division remain solid, with recently-renewed concessions to provide integrated facilities management (IFM) services to the Southern Region (comprising the states of Johor, Malacca, Negeri Sembilan) and the Sarawak state building. We believe the concessions would provide a stable stream of revenue in the facilities segment for the next 10 years, with the company receiving MYR52m pa for the first five years, followed by MYR59m pa for the remaining five years. As AWC also carries out IFM work under the commercial and healthcare segment, we believe the segment should continue to account for 39-43% of FY17F-19F revenue.

**Huge potential for environment division.** This division's earnings more than doubled in FY16, due to improvements in all the geographical regions (Malaysia, Singapore, the UAE and Hong Kong). Significantly, its *STREAM AWCS* system has been installed in the underground areas of Al Raha beach. As the beach area is currently only 15% occupied, AWC is expected to pull in over MYR150-200m worth of contracts over the next 10 years. Similarly, in Singapore, the Housing & Development Board (HDB) has made it compulsory to have the waste collection system installed in all its future buildings, as well as its old buildings going through major renovations. We expect AWC to continue to benefit from strong demand for automated pneumatic waste collection systems (AWCS) in the future.

**Plumbing & rainwater harvesting expert.** The engineering division has recently expanded with the completion of the acquisition of two new companies – Qudotech SB (Qudotech) and DD Techniche SB (DDT). After the acquisitions, Qudotech managed to secure close to MYR100m worth of contracts for plumbing works. We expect plumbing and rain water harvesting to provide synergies to AWC and present cross-selling opportunities.

**Strong orderbook.** Revenue in 1HFY17 (Jun) rose 46% YoY, while earnings increased by an exponential 113% YoY. We expect its results to continue to be strong, driven by a large outstanding orderbook of MYR1.15bn as at 1 Jan 2017 with approximately MYR428m to be recognised up to 30 Jun 2018. We expect *STREAM AWCS* to continue to gain momentum from securing contracts for high-profile developments in Malaysia, Singapore, Hong Kong and Abu Dhabi.

**Key risks** include non-renewal of concessions (especially from the Federal Government), failure to secure similar jobs in the future, and poor execution of projects which may lead to reputational risk thereby negatively affecting the future flow of orders.

Forecasts and Valuations	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
Total turnover (MYRm)	128	249	304	339	379
Reported net profit (MYRm)	7.8	17.1	23.5	25.9	30.5
Recurring net profit (MYRm)	7.8	17.1	23.5	25.9	30.5
Recurring net profit growth (%)	16.9	118.2	37.4	10.2	17.5
Recurring EPS (MYR)	0.03	0.08	0.10	0.12	0.14
DPS (MYR)	na	0.03	0.03	0.04	0.04
Recurring P/E (x)	32.9	15.1	11.0	10.0	8.5
P/B (x)	2.83	2.43	2.09	1.67	1.45
Dividend Yield (%)	na	2.2	3.0	3.3	3.9
Return on average equity (%)	9.2	17.3	20.4	18.6	18.2
Return on average assets (%)	5.2	8.7	9.1	9.0	9.6
Net debt to equity (%)	(43.9)	(32.3)	(30.1)	(31.2)	(35.4)
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

Target Price:	N/A
Price:	MYR1.15
Market Cap:	USD69.3m
Bloomberg Ticker:	AWCF MK

#### Share Data

Avg Daily Turnover (MYR/USD)	2.24m/0.50m
52-wk Price low/high (MYR)	0.68 - 1.15
Free Float (%)	47
Shares outstanding (m)	225
Estimated Return	NA

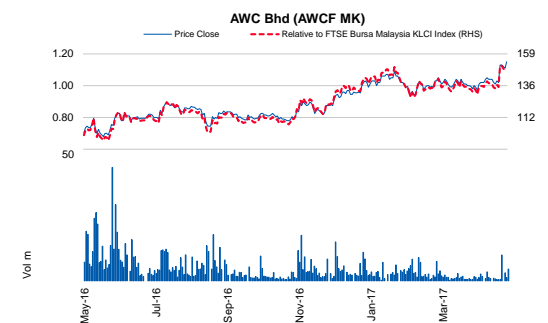
#### Shareholders (%)

K-Capital Sdn Bhd	30.4
EVLI Fund Management	4.6

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	21.7	17.3	13.9	36.1	62.0
Relative	13.5	14.7	10.0	27.2	52.9

Source: Bloomberg



Source: Bloomberg

#### Analyst

Muhammad Syafiq Bin Mohd Salam  
+603 9280 8867

[muhammad.syafiq.mohd@rhbgroupp.com](mailto:muhammad.syafiq.mohd@rhbgroupp.com)



## Financial Exhibits

Financial model updated on : 2017-05-15.

Asia		<b>Financial summary</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
Malaysia		Recurring EPS (MYR)	0.03	0.08	0.10	0.12	0.14
Property		EPS (MYR)	0.03	0.08	0.10	0.12	0.14
<b>AWC Bhd</b>		DPS (MYR)	0.00	0.03	0.03	0.04	0.04
Bloomberg	AWCF MK	BVPS (MYR)	0.41	0.47	0.55	0.69	0.79
<b>Buy</b>		Weighted avg adjusted shares (m)	225	225	225	225	225
<b>Valuation basis</b>		<b>Valuation metrics</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
P/E		Recurring P/E (x)	32.9	15.1	11.0	10.0	8.5
		P/E (x)	32.9	15.1	11.0	10.0	8.5
		P/B (x)	2.83	2.43	2.09	1.67	1.45
		FCF Yield (%)	(1.5)	0.5	2.6	0.7	6.6
		Dividend Yield (%)	0.0	2.2	3.0	3.3	3.9
		EV/EBITDA (x)	28.2	8.0	5.9	5.0	4.0
		EV/EBIT (x)	34.5	8.5	6.2	5.2	4.1
<b>Key drivers</b>							
STREAM AWCS is an internationally-recognised brand with a presence in Malaysia, Singapore, HK and Abu Dhabi.							
<b>Key risks</b>							
Delays in projects and slower pick-up in green technology.							
<b>Company Profile</b>							
AWC is an investment holding company that provides integrated facilities management and engineering services.							
		<b>Income statement (MYRm)</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
		Total turnover	128	249	304	339	379
		Gross profit	41	78	94	104	117
		EBITDA	8	30	40	45	54
		Depreciation and amortisation	(1)	(2)	(2)	(2)	(2)
		Operating profit	7	28	38	44	52
		Net interest	(0)	0	0	0	(0)
		Income from associates & JVs	0	0	0	0	0
		Pre-tax profit	13	30	40	44	51
		Taxation	(1)	(6)	(8)	(9)	(11)
		Minority interests	(4)	(6)	(8)	(9)	(10)
		Recurring net profit	8	17	24	26	30
		<b>Cash flow (MYRm)</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
		Change in working capital	21.9	(9.0)	(12.9)	(20.6)	(9.4)
		Cash flow from operations	(2.4)	3.8	9.2	4.2	19.6
		Capex	(1.5)	(2.4)	(2.4)	(2.4)	(2.4)
		Cash flow from investing activities	26.6	(9.3)	2.6	2.6	2.7
		Proceeds from issue of shares	4.7	3.5	0.0	0.0	0.0
		Dividends paid	0.0	0.0	(5.6)	(7.7)	(8.5)
		Cash flow from financing activities	3.9	2.3	(5.6)	(7.7)	(8.5)
		Cash at beginning of period	25.4	53.6	44.7	55.9	67.6
		Net change in cash	28.1	(3.2)	6.2	(0.9)	13.8
		Ending balance cash	53.6	50.3	50.9	55.0	81.4
		<b>Balance sheet (MYRm)</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
		Total cash and equivalents	54	45	56	68	84
		Tangible fixed assets	8	10	13	13	14
		Intangible assets	9	30	30	30	30
		Total investments	3	3	3	3	3
		Total assets	153	241	277	302	334
		Short-term debt	2	0	5	5	5
		Total long-term debt	0	1	5	5	5
		Other liabilities	3	3	2	2	4
		Total liabilities	36	105	124	118	127
		Shareholders' equity	92	107	124	155	179
		Minority interests	25	29	29	29	29
		Total equity	117	135	153	184	208
		Net debt	(51)	(44)	(46)	(57)	(74)
		Total liabilities & equity	153	241	277	302	334
		<b>Key metrics</b>	<b>Jun-15</b>	<b>Jun-16</b>	<b>Jun-17F</b>	<b>Jun-18F</b>	<b>Jun-19F</b>
		Revenue growth (%)	7.1	94.1	22.4	11.5	11.6
		Recurrent EPS growth (%)	16.6	117.7	37.4	10.2	17.5
		Gross margin (%)	32.0	31.5	30.8	30.7	31.0
		Operating EBITDA margin (%)	6.4	12.1	13.2	13.4	14.1
		Net profit margin (%)	6.1	6.9	7.7	7.6	8.0
		Dividend payout ratio (%)	0.0	32.9	32.9	32.9	32.9
		Capex/sales (%)	1.1	1.0	0.8	0.7	0.6
		Interest cover (x)	13.3	54.5	119.9	89.7	63.9

Source: Company data, RHB

## Harnessing Green Growth

### Company background

AWC is an investment holding company that provides integrated facilities management (IFM) and engineering services, specialising in quality engineering services. The company provides total asset management services, such as integrated facilities management and engineering services to building owners. It is also an international leader in the design and supply of AWCS, with a proven track record in Malaysia, Singapore and the Middle East. Known for harnessing new technology, AWC is provider of green building services, offering energy management solutions.

### Management

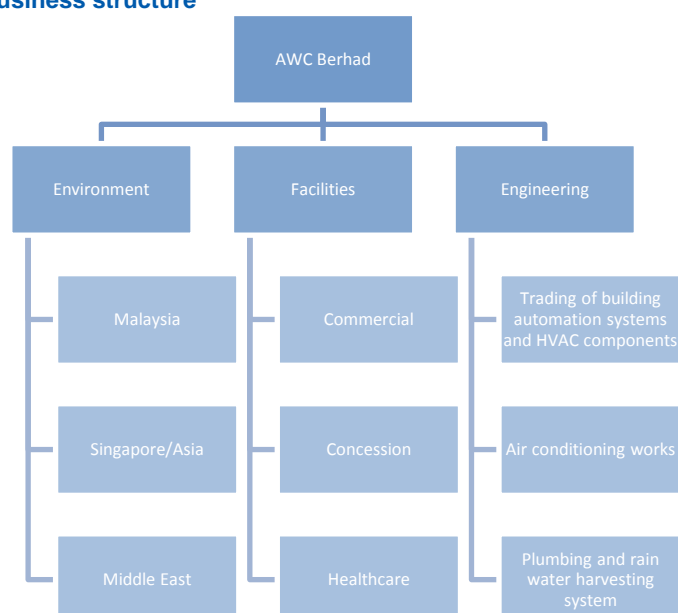
All three divisions are helmed by three different managing directors (MDs)/CEOs with more than 20 years of experience in their respective areas. The group is led by its MD, Dato' Ahmad Kabeer since May 2013, who is also the largest shareholder in the company. He is a former banker from the Bank of Nova Scotia and is a lecturer at Universiti Sains Malaysia.

- i. **Facilities division – Nik Adnan bin Nik Mohd Salleh** is responsible for the day-to-day running of all three segments in the division, ie concession, commercial and healthcare. He has more than 20 years of experience in waste collection and public cleansing management. Prior to joining AWC in 2012, he held various senior management positions in Propel-Johnson Control SB, Alam Flora SB and Saudi ASMA Environmental Solutions in Jeddah.
- ii. **Engineering division – Tan Siew Kheng** is the founder and MD of Qudotech and DDT. AWC completed the acquisition of 100% of both these companies in Oct 2015. He has extensive experience in resident engineering as well as experience in the management and construction of hotels, hospitals, golf resorts, as well as high rise offices and condominium.
- iii. **Environment division – Chea Thean Teik** has 20 years of experience in the area of buildings' mechanical & electrical (M&E) services, mechanical handling engineering, project management & contract administration, central vacuum systems and automated waste collection systems.

### Business structure

The business structure of the group is divided into three divisions, namely environment, facilities and engineering. All the businesses for these divisions are carried out by a few other subsidiaries.

Figure 1: AWC's business structure



Source: Company data

### Facilities division

This segment focuses on IFM services for buildings and facilities. This includes biomedical, facilities engineering maintenance services, security and cleaning services. The main source of income from this division is derived from the concession from the Federal Government to provide IFM to the Southern Region (Negeri Sembilan, Melaka and Johor) as well as Sarawak state.

This concession has recently been renewed by the Government at an improved rate of MYR52m pa for the first five years, then stepped up to MYR59m pa for the remaining five years. The renewed concession duration is effective from 1 Jan 2016 to 31 Dec 2025, for a total contract value of MYR555m.

On top of the concession, the group recently introduced a critical asset refurbishment programme (CARP) for government buildings. This programme includes repairs, refurbishments and replacement of critical assets in the buildings. The programme is worth MYR14m pa for 10 years, amounting to a total contract value of MYR140m.

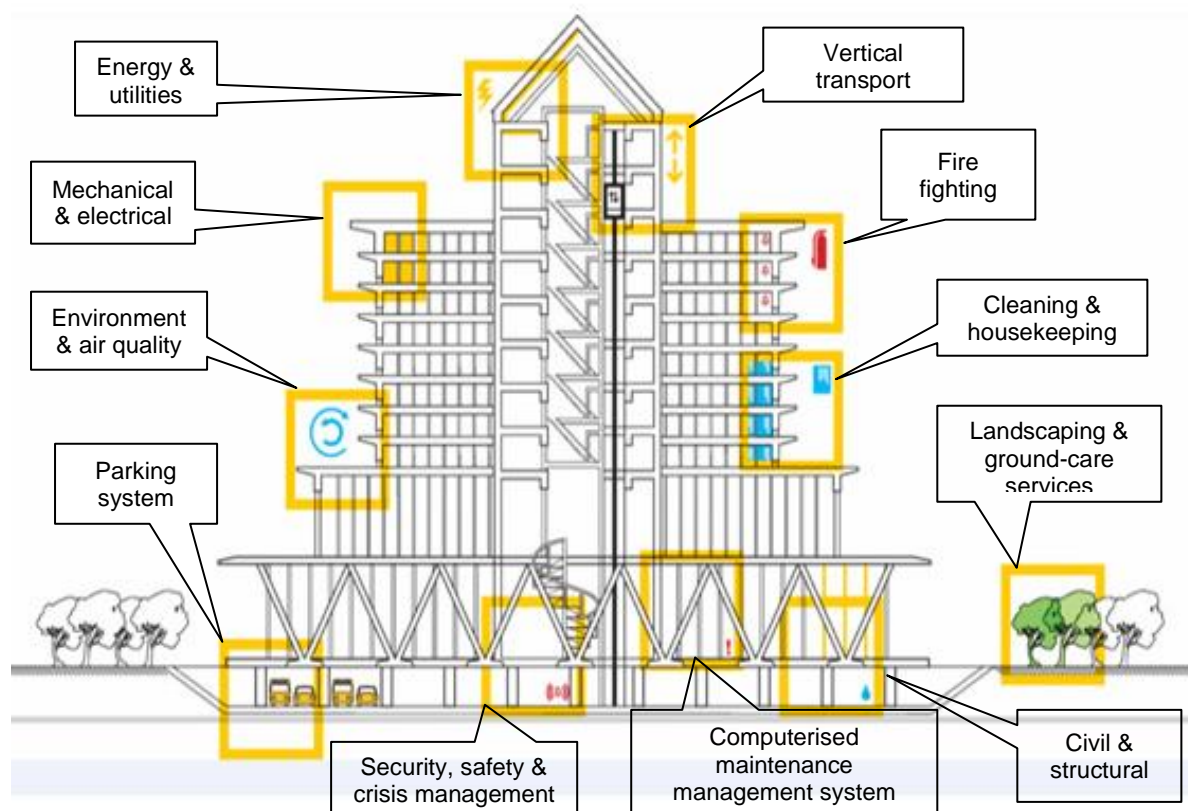
Besides government buildings, this division also actively carries out its services to the commercial and healthcare segments, with contracts ranging from one to three years. The ongoing projects in the division include Menara Celcom, Lembaga Pelabuhan Bintulu, Hospital Rehabilitasi Cheras, Menara Felda, Menara Persekutuan Melaka, the Customs Immigration and Quarantine Complex, Cheras Leisure Mall and Hospital Shah Alam.

This division contributed 39% (MYR96.7m) of overall group revenue in FY16, with 55% (MYR51.3m) of that derived from the government concession.

Subsidiaries involved in this division include:

- i. Ambang Wira SB;
- ii. AWC Facility Management SB;
- iii. Environmental & Landscape Services SB.

**Figure 2: Facilities division – services scope**



Source: Company data

### Environment division

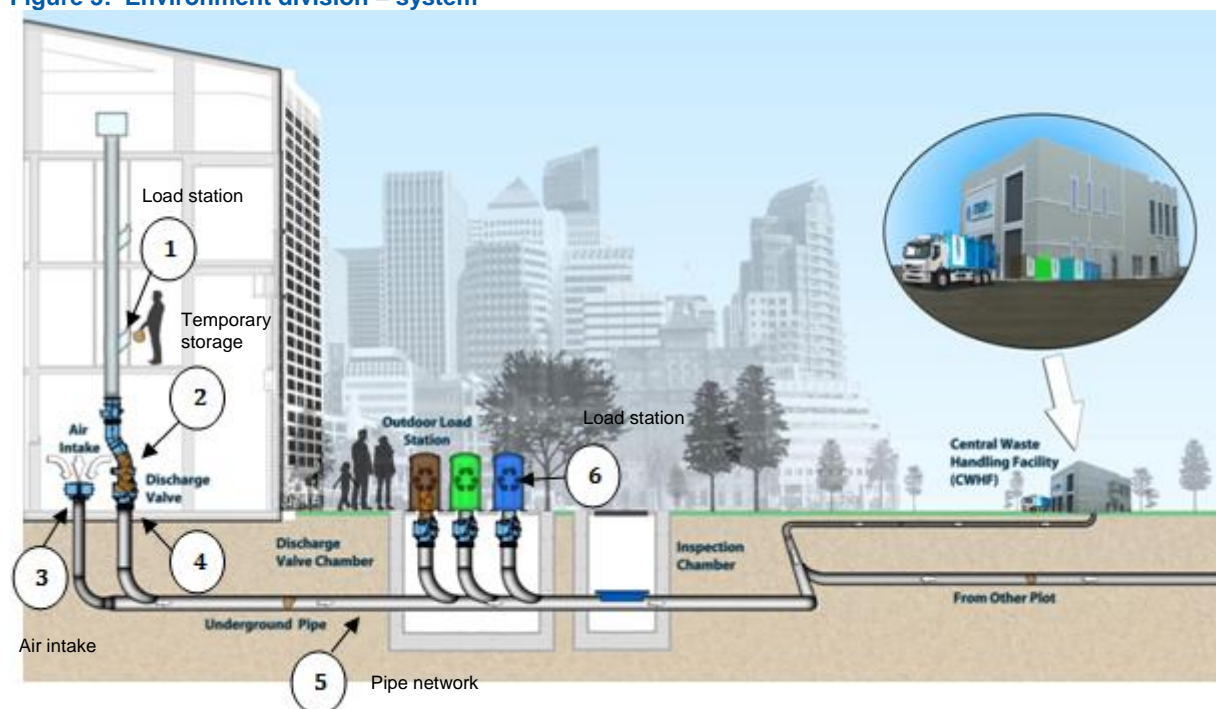
The environment division is the only division that has a strong global presence. It was started by its founder, Sri Skanda Rajah, as a vacuum company offering central vacuum systems by the name of Nexa. In 1993, the brand name *STREAM* was established to cover the range of products of the company, including waste material collection. After attracting a joint venture (JV) partner in Aldes Corporation of France in 1996, the company renamed itself Nexaldes. The JV has led to the business expanding to over 25 countries.

In 2004, AWC acquired a controlling stake in Nexaldes. After the acquisition, it expanded into the Middle East and now has a regional office in the UAE. The waste collection system has now become a major part of AWC's business. The division designs, supplies, installs, tests and commissions the automated pneumatic waste collection system under the brand *STREAM AWCS*, with ongoing projects in Malaysia, Singapore, Hong Kong and the Middle East.

Significantly, the *STREAM* system was installed in the underground areas of Al Raha beach in 2007. As the beach area is currently only 15% occupied, we expect AWC to pull in over MYR150-200m worth of contracts over the next 10 years. Similarly, in Singapore, the Housing & Development Board has made it compulsory to have the AWCS installed in all its future buildings as well as its old buildings that are going through major renovations. We expect AWC to continue to benefit from strong demand for AWCS in the future.

This division more than doubled its earnings in FY16, due to improvements in all the geographical regions it covers (Malaysia, Singapore UAE and Hong Kong). Although this division contributed 30% of group revenue in FY16, it contributed 55% of the group's net profit. This is mainly due to its lucrative net margin of 17.5%.

**Figure 3: Environment division – system**



Source: Company



Figure 4: Al Raha beach, Abu Dhabi



Source: Company

## Engineering division

The engineering division is divided into two subsections:

- i. The distribution of several international brands of building controls and engineering components for heating, ventilation & air conditioning (HVAC) systems;
- ii. Plumbing and water harvesting after the completion of the acquisition of two new companies, namely Qudotech and DDT in Oct 2015.

In the HVAC subsection, ongoing projects include Xiamen University, Capital City 21 Johor, Lake Point Residence 2, Elite Pavilion and Education Hub in Singapore. On the plumbing and water harvesting subsection, post-acquisition, Qudotech managed to secure close to MYR100m worth of contracts for plumbing works. These include some high-profile projects such as KL118 Tower, The Astaka, Iskandar Malaysia, Puteri Cove Residences, The Sentral Residence and Signature Tower, Tun Razak Exchange.

This division contributed about 31% of the group's revenue in FY16. We expect the plumbing and rain water harvesting subsection to provide synergies for AWC and present cross-selling opportunities to win more contracts.

## Investment Thesis

**Strong orderbook.** Revenue in 1HFY17 rose 46% YoY while profit expanded by a greater 113% YoY. We expect results to continue to be strong, driven by a large outstanding orderbook of MYR1.15bn as at 1 Jan 2017. Approximately MYR428m of that is to be recognised up to 30 Jun 2018. We imputed FY17-19 growth of 10-15% pa in all business divisions for FY18 and FY19.

We expect *STREAM AWCS* to continue to gain momentum from securing contracts for high-profile developments in Malaysia, Singapore, Hong Kong and Abu Dhabi, while long concession terms in the facilities division should provide long-term earnings visibility. We forecast AWC to achieve a 3-year net profit CAGR of 21% for FY16-19F.

**Balance sheet/cash flows.** The company has been in a net cash position for many years, given management's prudent balance sheet approach. As at Dec 2016, AWC was able to maintain its strong net cash position of MYR86.4m.

**Dividend.** Despite having no fixed dividend policy, AWC paid 2.5 sen of dividend in FY16, which translated to a dividend payout of 32.9%. We expect a payout ratio of at least 20% going forward, based on our forecast for FY17-19.

## Valuation And Recommendation

We value the stock based on 2018F P/E of 13x, which is at a discount to the 3-year historical forward sector P/E average of 15.1x. We believe this is undemanding, considering AWC's projected robust earnings CAGR.

We like AWC for its huge potential in the environment division, and the company's strong outstanding orderbook of MYR1.15bn. Our fair value for the stock is MYR1.62 per share.

Figure 5: Peer comparison

Name	Bloomberg ticker	Market Cap (USDm)	Rating	Price (MYRm)	Core P/E FY17F (x)	Core P/E FY18F (x)	ROE FY17F (%)	ROE FY18F (%)	Dividend yield	Net Gearing	3-year historical forward P/E (x)
AWC Bhd	AWCF MK	67	Not Rated	1.15	13.73	12.39	16.3	16.5	2.6%	Net cash	9.69
UEM Edgenta	UEME MK	600	BUY	3.13	12.96	11.31	13.5	14.1	4.8%	23%	14.82
GFM Services	GFM MK	70	Not Rated	0.72	18.59	NA	NA	NA	2.1%	Net cash	15.38
<b>Average ex-AWC</b>					<b>15.78</b>				<b>3.4%</b>		<b>15.1</b>

Note: Based on share price data as of mid-day 15 May 2017

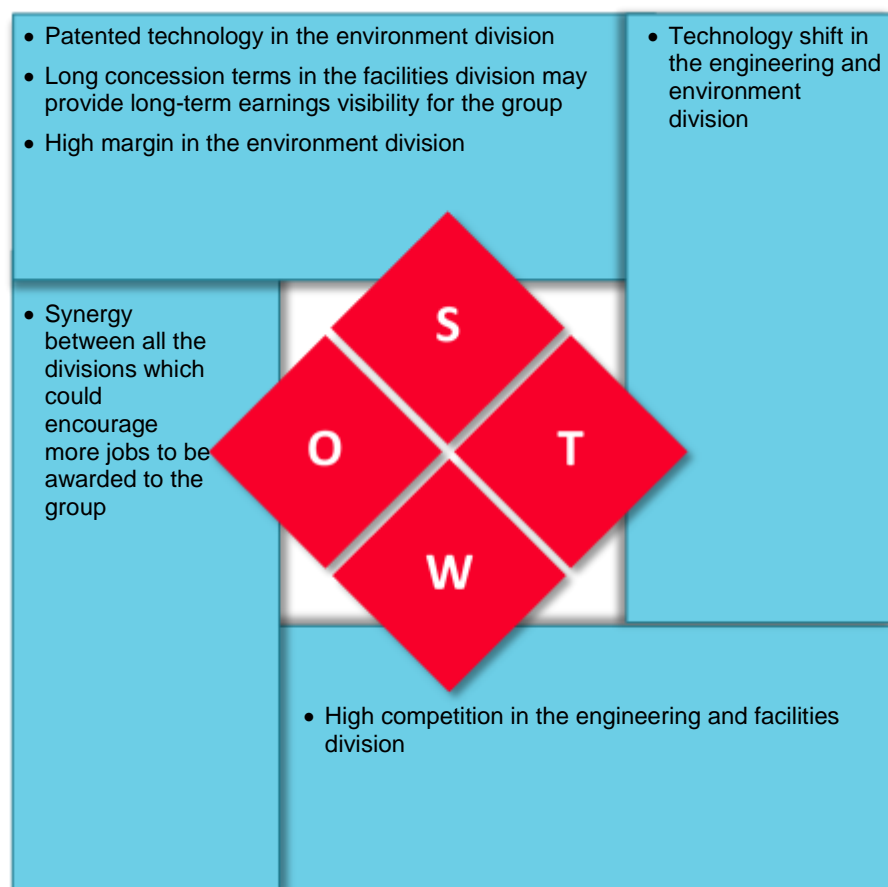
Source: Bloomberg

## Key Risks

Key risks for the group include:

- Non-renewal of IFM concessions in Johor, Malacca, Negeri Sembilan and Sarawak state by the Federal Government, which currently represent about 21% of the group's total revenue;
- Execution risks, as any poor execution of projects or delay in projects may lead to reputational risks that could negatively affect the inflow of new orderbook;
- Slower pick-up in green technology, which could result in lower demand for *STREAM AWCS*;
- Rising competition from new companies that could offer similar services.

## SWOT Analysis



## Recommendation Chart



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.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

## 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 (興業僑豐證券有限公司) (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 RHBSHK. RHBSHK is a wholly owned subsidiary of RHB Hong Kong Limited; for the purposes of disclosure under the Hong Kong jurisdiction herein, please note that RHB Hong Kong Limited with its affiliates (including but not limited to RHBSHK) will collectively be referred to as "RHBHK."

RHBHK conducts a full-service, integrated investment banking, asset management, and brokerage business. RHBHK 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 research report. Investors should consider this report as only a single factor in making their investment decision. Importantly, please see the company-specific regulatory disclosures below for compliance with specific rules and regulations under the Hong Kong jurisdiction.

Other than company-specific disclosures relating to RHBHK, this research report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

#### 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**

The following disclosures relate to relationships between RHBHK and companies covered by Research Department of RHBSHK and referred to in this research report:

RHBSHK hereby certifies that no part of RHBSHK analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

RHBHK had an investment banking services client relationships during the past 12 months with: -.

RHBHK has received compensation for investment banking services, during the past 12 months from: -.

RHBHK managed/co-managed public offerings, in the past 12 months for: -.

On a principal basis. RHBHK has a position of over 1% market capitalization of: -.

**Additionally, please note the following:**

**Ownership and material conflicts of interest:** RHBSHK policy prohibits its analysts and associates reporting to analysts from owning securities of any company covered by the analyst.

**Analyst as officer or director:** RHBSHK policy prohibits its analysts, and associates reporting to analysts from serving as an officer, director, advisory board member or employee of any company covered by the analyst.

RHBHK salespeople, traders, and other non-research professionals may provide oral or written market commentary or trading strategies to RHB clients that reflect opinions that are contrary to the opinions expressed in this research report.

This research report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

Kuala Lumpur	Hong Kong	Singapore
<b>RHB Research Institute Sdn Bhd</b> Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	<b>RHB Securities Hong Kong Ltd.</b> 12 <sup>th</sup> Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	<b>RHB Research Institute Singapore Pte Ltd.</b> 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Bangkok
<b>PT RHB Securities Indonesia</b> Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	<b>RHB (China) Investment Advisory Co. Ltd.</b> Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	<b>RHB Securities (Thailand) PCL</b> 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel : +(66) 2 088 9999 Fax : +(66) 2 088 9799