

19 May 2017

Basic Materials | Metals

Lion Industries Corporation

Buy

The Lion Awakes Once More

We initiate coverage on Lion Industries with BUY and TP of MYR1.46 (40% upside), based on FY18F P/BV of 0.6x as we are positive on the group's outlook. The recovery in steel ASPs, coupled with the reduction in global capacity, and the implementation of definitive safeguard duties for the next three years, are expected to turn things around for one of Malaysia's largest long steel manufacturers. As it has sufficient capacity to increase output, we believe it would benefit from the expected increase in demand coming from various mega construction projects moving forward.

A major long steel manufacturer in Malaysia. Lion Industries has three main business segments – steel, property development and others. The group has three steel mills which produce billets to be rolled into rebar and wire rods, and a hot briquetted iron (HBI) plant in Labuan. The property development segment is mainly supported by The Promenade, a project in Penang. Its third segment is involved in the trading and distribution of building materials, lubricants, petroleum and automotive products.

Demand for steel is expected to pick up progressively, in line with the construction progress of infrastructure projects such as MRT2, SUKE, and DASH. We believe Lion Industries may benefit, given its close proximity to the project locations, as well as sufficient capacity and ability to ramp up its utilisation rate in order to capitalise on the potential high volume demand.

Imposition of safeguard duties on rebar and wire rod a positive move. The definitive safeguard duties for rebar and wire rod ending on Apr 2018 are set at 13.4% and 13.9% respectively. We believe these would help to increase competitiveness against imported steel. Given that the duties would be imposed for three years, it should help improve domestic steel prices. As such, the group's earnings is expected to be sustainable over the near- to mid-term.

Continuous cuts in world steel capacity. According to *The State Council of the People's Republic of China*, China reduced steel capacity by 65m tonnes in 2016 and is expected to continue cutting capacity this year by around 50m tonnes. Hence, we expect steel prices to stay firm in the near- to mid-term.

Potential dividends to be given out? As the group is expected to turnaround in FY17F and coupled with a sturdy balance sheet, we prudently expect it to declare DPS of 1 sen pa for FY17F-19F (Jun) (1% dividend yield).

BUY, with TP of MYR1.46 based on FY18F P/BV of 0.6x. We valued the stock based on its 1-year historical average FY08 P/BV – as that was the multiple when the group recorded a significant improvement in earnings. We think the valuation is justifiable, premised on possibly stronger FY18F earnings, in view of the impending rollout of various mega infrastructure projects, potentially lower steel import volumes post the implementation of safeguard duties, and expectation of a lower global steel supply on continuous cuts in global capacity.

Key risks. Slower-than-expected demand for products; higher-than-expected raw material costs; unfavourable forex rates.

Forecasts and Valuations	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
Total turnover (MYRm)	2,782	2,515	2,649	2,799	2,802
Reported net profit (MYRm)	(255)	(796)	59	70	79
Recurring net profit (MYRm)	(93)	(106)	59	70	79
Recurring net profit growth (%)	81.6	13.1	0.0	19.0	12.6
Recurring EPS (MYR)	(0.13)	(0.15)	0.09	0.10	0.11
DPS (MYR)	na	na	0.010	0.010	0.010
Recurring P/E (x)	na	na	12.2	10.3	9.1
P/B (x)	0.31	0.46	0.44	0.43	0.41
P/CF (x)	6.09	5.78	3.28	4.30	5.88
Dividend Yield (%)	na	na	1.0	1.0	1.0
EV/EBITDA (x)	304	1	(0)	(1)	(1)
Return on average equity (%)	(10.1)	(40.1)	3.6	4.2	4.6
Net debt to equity (%)	7.3	1.9	net cash	net cash	net cash
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

Target Price:	MYR1.46
Price:	MYR1.04
Market Cap:	USD164m
Bloomberg Ticker:	LLB MK

Share Data

Avg Daily Turnover (MYR/USD)	6.38m/1.45m
52-wk Price low/high (MYR)	0.29 - 1.07
Free Float (%)	39
Shares outstanding (m)	681
Estimated Return	40%

Shareholders (%)

Tan Sri Cheng Heng Jem	31.9
Dynamic Horizon Holdings Limited	10.9
Lembaga Tabung Haji	6.5

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	156.8	28.4	103.9	156.8	163.3
Relative	149.2	26.9	100.4	148.0	155.3

Source: Bloomberg



Source: Bloomberg

Table Of Contents

Financial Exhibits	2
Background	3
Investment Case	4
Financials	5
Valuation And Recommendation	7
Key Risks	7
Industry Overview	7
SWOT Analysis	8

Analyst

Lim Jia Yi
+603 9280 8873
lim.jia.yi@rhbgroup.com



Financial Exhibits

Financial model updated on : 2017-05-18.

Asia	Financial summary	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
Malaysia	Recurring EPS (MYR)	(0.13)	(0.15)	0.09	0.10	0.11
Basic Materials	EPS (MYR)	(0.36)	(1.14)	0.09	0.10	0.11
Lion Industries Corporation	DPS (MYR)	0.000	0.000	0.010	0.010	0.010
Bloomberg LLB MK	BVPS (MYR)	3.33	2.27	2.39	2.43	2.54
Buy	Weighted avg adjusted shares (m)	716	702	694	694	694
Valuation basis	Valuation metrics	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
FY18F P/BV of 0.6x	Recurring P/E (x)	na	na	12.2	10.3	9.1
Key drivers	P/E (x)	na	na	12.2	10.3	9.1
i. Higher steel price that can command better margins;	P/B (x)	0.31	0.46	0.44	0.43	0.41
ii. Higher-than-expected demand for steel products.	FCF Yield (%)	12.6	15.7	29.0	21.8	15.5
	Dividend Yield (%)	0.0	0.0	1.0	1.0	1.0
	EV/EBITDA (x)	304	1	(0)	(1)	(1)
	EV/EBIT (x)	na	4.92	(0.59)	(1.19)	(1.79)
Key risks	Income statement (MYRm)	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
i. Slower-than-expected demand for products;	Total turnover	2,782	2,515	2,649	2,799	2,802
ii. Higher-than-expected raw material costs;	Gross profit	216	249	509	529	541
iii. Unfavourable forex rates.	EBITDA	1	155	273	283	286
	Depreciation and amortisation	(116)	(133)	(134)	(134)	(134)
	Operating profit	(115)	21	140	149	152
	Net interest	(51)	(39)	(28)	(11)	(2)
	Exceptional income - net	(83)	(800)	0	0	0
	Pre-tax profit	(279)	(853)	90	107	121
	Taxation	(9)	(53)	(22)	(26)	(29)
	Minority interests	33	109	(9)	(11)	(13)
	Recurring net profit	(93)	(106)	59	70	79
Company Profile	Cash flow (MYRm)	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
Lion Industries is involved in the manufacturing of long steel product and has three main business segments, i.e., steel, property development and others.	Change in working capital	66	108	(16)	(73)	(86)
	Cash flow from operations	122	126	220	168	123
	Capex	(29)	(12)	(11)	(11)	(11)
	Cash flow from investing activities	51	81	13	13	13
	Dividends paid	0	0	(7)	(7)	(7)
	Cash flow from financing activities	(150)	(228)	(165)	(140)	(75)
	Cash at beginning of period	284	309	281	339	380
	Net change in cash	24	(21)	67	41	61
	Ending balance cash	308	287	348	380	441
	Balance sheet (MYRm)	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
	Total cash and equivalents	347	318	376	417	478
	Tangible fixed assets	1,080	747	626	504	382
	Intangible assets	130	130	130	130	130
	Total investments	838	813	813	757	739
	Total other assets	717	150	148	126	124
	Total assets	4,258	2,980	2,954	2,828	2,744
	Short-term debt	388	263	147	88	28
	Total long-term debt	152	89	74	11	5
	Total liabilities	1,591	1,228	1,130	963	794
	Shareholders' equity	2,381	1,596	1,659	1,689	1,761
	Minority interests	287	156	165	176	189
	Total equity	2,668	1,752	1,824	1,865	1,950
	Net debt	194	34	(155)	(318)	(445)
	Total liabilities & equity	4,258	2,980	2,954	2,828	2,744
	Key metrics	Jun-15	Jun-16	Jun-17F	Jun-18F	Jun-19F
	Revenue growth (%)	(37.9)	(9.6)	5.3	5.6	0.1
	Recurrent EPS growth (%)	82.0	15.4	0.0	19.0	12.6
	Gross margin (%)	7.7	9.9	19.2	18.9	19.3
	Operating EBITDA margin (%)	0.0	6.1	10.3	10.1	10.2
	Net profit margin (%)	(9.2)	(31.7)	2.2	2.5	2.8
	Dividend payout ratio (%)	0.0	0.0	11.7	9.9	8.8
	Capex/sales (%)	1.0	0.5	0.4	0.4	0.4
	Interest cover (x)	(2.26)	0.55	5.08	13.85	64.34

Source: Company data, RHB

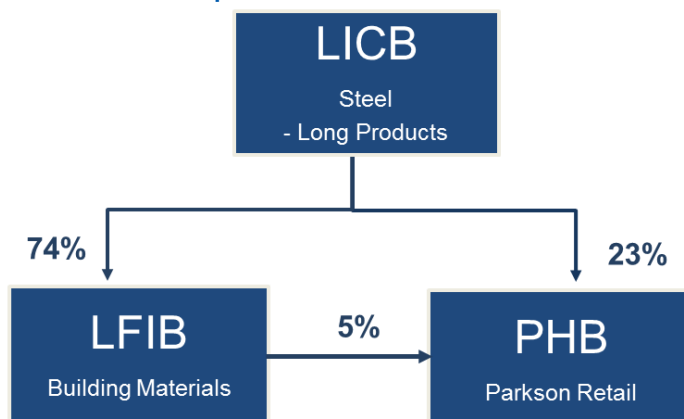
Background

A major long steel manufacturer in Malaysia

Lion Industries was incorporated on 17 May 1924 and listed on the Main Market of Bursa Malaysia on 29 Dec 1973. The group is involved in the manufacturing of long steel products and has three main business segments, ie steel, property development and others, which contributed 71%, 6% and 23% respectively to the group's FY16 revenue.

Lion Industries owns 74% of Lion Forest Industries (LFIB), a building materials company, and collectively holds 28% of Parkson Holdings (PHB), which has the *Parkson* retail business, as its associate (Figure 1).

Figure 1: Lion Industries' corporate structure



Source: Company data, RHB

The group has three steel mills operated by Amsteel Mills Sdn Bhd (Amsteel) and Antara Steel Mills Sdn Bhd (Antara). Amsteel's Klang plant produces billets for rolling into steel bars and wire rods while the Banting plant manufactures special grade billets for rolling into specialty bars and wire rods for automotive parts, mattress and mechanical springs, turning parts, and wire ropes. The Banting plant has however been temporarily shut down since 2014 in view of the challenging market conditions back then. Meanwhile, Antara's Johor plant produces billets which are rolled into steel bars and light sections such as angle bars, flat bars and U-channels.

Besides steel mills, the group also has a HBI plant in Labuan. HBI is manufactured from high-purity iron ore and it is supplied to steel mills for ironmaking, steelmaking and foundry applications. It is catered mainly for the export market.

For the property development segment, the group is involved in The Promenade project, which features 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza at Bandar Bayan Baru, Penang. In addition, the group has a project at Taman Malim Jaya, Melaka, which comprises 32 units of 2-storey shop-offices.

The others segment consists of building materials, lubricants, petroleum, automotive products, and the *Parkson* retail business. The building materials arm is a trading and distribution business that covers cement, roof tiles, tiles and bricks. As for lubricants, the group had expanded its *Hi-Rev* motorcycle lubricant products range and introduced *TorQe*, with *Ester Plus*, which is specially developed for superbikes.

Investment Case

Expect a demand boost from mega construction projects

Since 2016, the Government has awarded various infrastructure projects including MRT2, Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), Damansara-Shah Alam Highway (DASH). For these projects, we expect the demand for rebar and other building materials to kick in progressively from FY17 onwards. Lion Industries has one of the largest capacities, with 3.93m tonnes pa molten steel and billet production capacity and 2.35m tonnes pa of rebar and wire rod rolling capacity – produced in Klang, Johor and Banting.

We believe that the group may stand out as a beneficiary of mega infrastructure projects, given their close proximity to the project locations. Also, Lion Industries has sufficient capacity and ability to ramp up the utilisation rates in order to capitalise on the potential high volume demand.

On top of that, several mega projects such as LRT3, Tun Razak Exchange (TRX), and East Coast Rail Link (ECRL) have yet to be announced, which may be another catalyst to improve the demand for steel, in our view. Although the property market has not shown a significant improvement as yet, we believe the various infrastructure projects may likely keep the group busy. Nonetheless, a revival in the property market in the future is likely to be an added boost for Lion Industries.

Imposition of safeguard duties on rebar and wire rod a positive

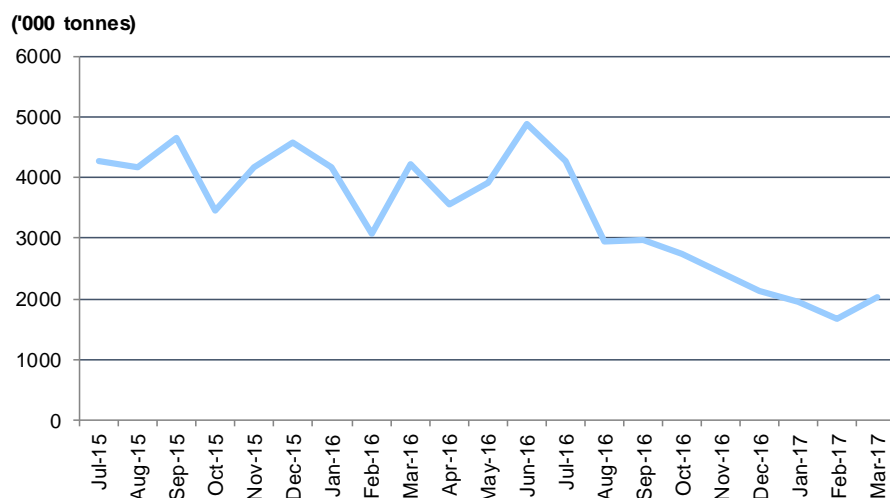
In Apr 2017, the Government imposed definitive safeguard duties on rebar, steel wire rods (SWR) and deformed bar in coils (DBIC) for three years. The safeguard duty for rebar, which would end on 13 Apr 2018, was set at 13.42%, followed by 12.27% and 11.1% in the following two years respectively.

Meanwhile, the duty for SWR and DBIC (ending on 14 Apr 2018) was determined at 13.9%, followed by 12.9% and 11.9% over the next two years respectively. We believe that this bodes well for the group, as it may help to increase the competitiveness of local steel against imported steel, which were initially priced below local rates.

Prior to the implementation of duties, the provisional safeguard duties for rebar (13.42%), SWR and DBIC (13.9%) were implemented in Sep 2016. According to the Ministry of International Trade and Industry's (MITI) domestic rebar price, rebar ASP improved by 17-13% respectively to MYR2,070-2,179 per tonne in 2Q17, from MYR1,766-1,923 per tonne in 3Q16.

In view of the narrowing pricing gap between local and imported rebar, coupled with lower import volume from China, the world's biggest steel exporter (Figure 2), and other countries, we believe that the recovery in the group earnings is expected to be sustainable over the near- to mid-term.

Figure 2: China's steel export volumes



Source: Bloomberg

Continuous cuts in world steel capacity another key driver

According to *The State Council of the People's Republic of China*, China cut 65m tonnes of steel capacity in 2016, and the country is expected to reduce steel production capacity this year by another 50m tonnes. The continuous capacity reduction should bode well for the group, with the Chinese Government's announcement in Feb 2016 to close 100-150m tonnes of steel capacity by 2020.

Since Feb 2016, the domestic rebar price according to MITI has increased progressively to a high of MYR2,250-2,400 per tonne from MYR1,500-1,600 per tonne, before normalising to MYR1,700-1,850 per tonne, prior to the announcement of the provisional safeguard duties as mentioned earlier. Given China's commitment to bring down steel capacity further, we expect steel prices to stay firm in the near- to mid-term.

Potential dividends to be given out?

For the last five years, Lion Industries reported uninspiring results as the group was affected by the persistent global oversupply of steel and continuous pressure on selling prices from the influx of imports. Back in FY12-13 when the group recorded lower losses, DPS of 1 sen pa was declared for both years.

Thereafter, the group did not declare any dividends, which we deemed was due to widening losses incurred in FY14-16. As we expect the group to return to the black in FY17F and its FY16 net gearing level was pared down significantly to 0.04x, we do not discount the possibility of potential dividends being declared to reward shareholders. Hence, we conservatively expect the group to declare DPS of 1 sen pa for FY17-19F (1% dividend yield).

Financials

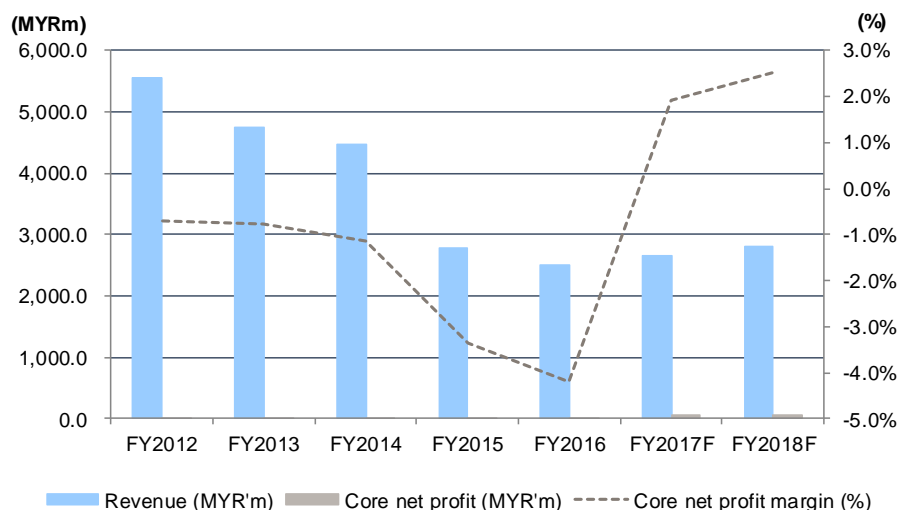
Historical performance review

Lion Industries' revenue had been declining during FY12-16 (Figure 3), mainly due to lower revenue from the steel segment, as steel prices were continuously under pressure. This was due to the persistent global oversupply of steel and continuous influx of steel imports. Eventually, this led to the plants in Banting and Johor cutting back on production with the temporary shutdown of certain production lines.

Meanwhile, its building materials segment also recorded declining revenue during FY12-15 due to the slowdown in the property market for both residential and commercial properties.

On the brighter side, the property development segment recorded progressive revenue growth, thanks to The Promenade project. Meanwhile, the "others" segment's performance remained relatively flat. This segment accounted for about 5% of full-year revenue for the past few years, which we deemed as insignificant.

Figure 3: Lion Industries' historical performance and estimates



Source: Company data, RHB

1HFY17 results review

Into the black. Lion Industries' core earnings were positive in 1HFY17 even though there was a slight drop in revenue (-0.8ppt YoY), mainly due to higher steel ASP and the surge in the steel segment's EBIT margin (+14.3 ppt YoY).

Its property unit recorded higher EBIT margin (+7.5 ppt YoY), mainly contributed by The Promenade.

Figure 4: Lion Industries' 1HFY17 results review

FYE Jun (MYRm)	2QFY16	1QFY17	2QFY17	QoQ (%)	YoY (%)	1HFY17	1HFY16	YoY (%)	Comments
Revenue	596.5	514.2	644.5	25.4	8.0	1,158.7	1,168.5	(0.8)	Higher steel revenue was offset by lower revenue from the building materials segment
EBITDA	67.1	32.8	98.0	>100	46.0	125.6	18.0	>100	
<i>EBITDA Margin (%)</i>	<i>11.3</i>	<i>6.4</i>	<i>15.2</i>	<i>NA</i>	<i>NA</i>	<i>10.8</i>	<i>1.5</i>	<i>NA</i>	
Depreciation	(29.4)	(26.9)	(25.6)	(4.8)	(12.9)	(52.5)	(58.6)	(10.4)	
EBIT	(28.1)	17.3	55.7	>100	NM	73.1	(40.6)	NM	Higher EBIT margin due to stronger steel ASP
<i>EBIT Margin (%)</i>	<i>(4.7)</i>	<i>3.4</i>	<i>8.6</i>	<i>NA</i>	<i>NA</i>	<i>6.3</i>	<i>(3.5)</i>	<i>NA</i>	
Interest expense	(11.1)	(5.7)	(6.7)	NM	NM	(12.4)	(24.1)	(48.6)	
Interest income	10.9	1.4	2.1	48.6	(80.7)	3.5	13.5	(73.9)	
Associates	(12.1)	(12.8)	18.4	NM	NM	5.6	(0.8)	NM	
EI/Others	68.5	1.1	17.2	NM	NM	18.3	70.5	NM	
Pretax profit	27.3	0.2	69.5	NM	>100	69.8	15.7	>100	
<i>Pretax Margin (%)</i>	<i>4.6</i>	<i>0.0</i>	<i>10.8</i>	<i>NA</i>	<i>NA</i>	<i>6.0</i>	<i>1.3</i>	<i>NA</i>	
Tax	(2.0)	(2.7)	(10.2)	>100	>100	(13.0)	(5.7)	>100	
<i>Effective tax rate (%)</i>	<i>7.5</i>	<i>NM</i>	<i>14.7</i>	<i>NA</i>	<i>NA</i>	<i>18.6</i>	<i>36.5</i>	<i>NA</i>	
Minority Interest	0.7	0.0	3.8	NA	NA	3.9	1.9	NA	
Net Profit	24.6	(2.5)	55.5	NM	>100	53.0	8.1	>100	
Core Net Profit	(44.0)	(3.6)	38.3	NM	NM	34.6	(62.4)	NM	Higher core net profit was mainly due to a stronger steel ASP and sales tonnage
<i>Core net margin (%)</i>	<i>(7.4)</i>	<i>(0.7)</i>	<i>5.9</i>	<i>NA</i>	<i>NA</i>	<i>3.0</i>	<i>(5.3)</i>	<i>NA</i>	

Source: RHB, Company data

Valuation And Recommendation

BUY with TP of MYR1.46, based on FY18F P/BV of 0.6x

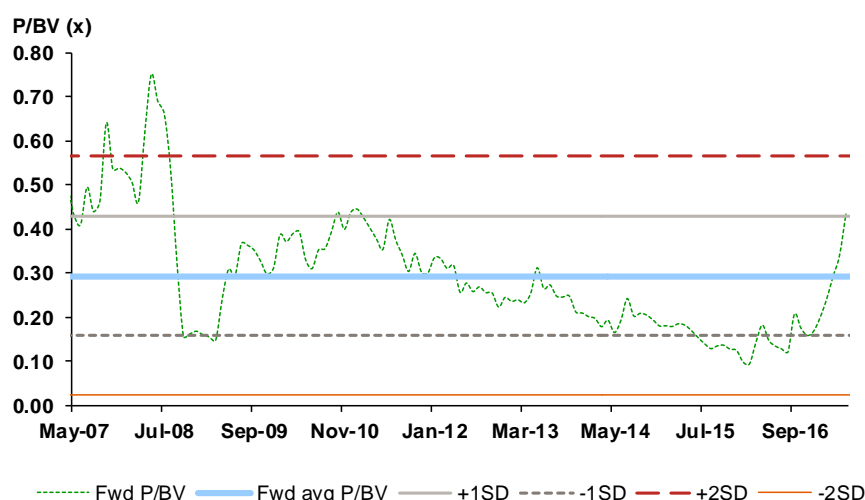
We value Lion Industries based on FY18F P/BV of 0.6x, arriving at a TP of MYR1.46. As we could not obtain the historical average P/E due to losses over the last few years, we opted to value the group through the P/BV approach instead.

We based our FY18F P/BV on the 1-year historical average FY08 P/BV – as that was the year when the group recorded a significant improvement in earnings.

We think that the valuation is justifiable, premised on potential stronger FY18F earnings in view of the impending rollout of various mega infrastructure projects, potentially lower import volume post implementation of safeguard duties and expectation of lower global steel supply in view of the continuous cuts in world steel capacity.

Moreover, our target P/BV of 0.6x is still below the FBMSC's FY18F P/BV of 0.99x. The group is trading at a huge discount to its FY18F NTA/share of MYR2.23. At the current price, the potential upside is 40%.

Figure 5: Historical forward P/BV



Source: RHB

Key Risks

Risk to our call include slower-than-expected demand for products, higher-than-expected raw material costs, unfavourable forex, and slower-than-expected capacity reduction in China.

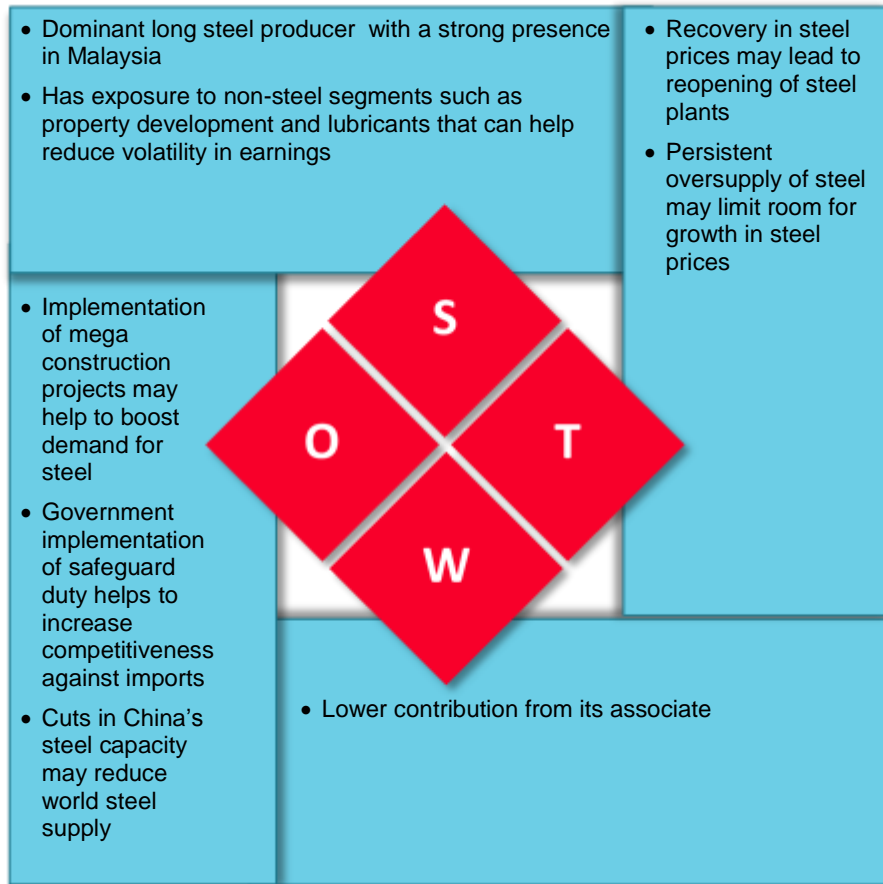
As local demand is likely to remain intact for the near- to mid-term due to demand from impending mega infrastructure projects, as well as the Chinese Government's commitment to bring down steel capacity further, we believe the risks are manageable.

Industry Overview

Over the past few years, the steel industry in Malaysia has encountered intense competition from global oversupply of steel, and pressure on domestic steel prices. The influx of steel imports from China's steel mills had further led to depressed steel prices and compression in local steel mills' profit margin.

However, the domestic long steel industry has started to show signs of recovery since the imposition of provisional safeguard duty measures in Sep 2016. Subsequently, the Government announced in Apr 2017 that the definitive safeguard duty for rebar and wire rod are to be imposed for the next three years, which we think should help to improve domestic steel prices and provide more stability to steel mills' earnings in the near- to mid-term.

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-28	Neutral	0.27	0.30
2015-05-31	Neutral	0.40	0.40
2015-03-01	Neutral	0.45	0.47
2014-11-27	Neutral	0.52	0.56
2014-08-29	Sell	0.53	0.64
2014-05-28	Neutral	0.62	0.62
2013-12-03	Neutral	0.76	0.74
2013-11-28	Neutral	0.76	0.77
2013-08-30	Trading Buy	1.21	0.90
2013-05-31	Buy	1.50	1.17

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
RHB Research Institute Sdn Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	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) 2 088 9999 Fax : +(66) 2 088 9799