

10 December 2018

Basic Materials | Building Materials

Indonesia Cement

Consolidation In Progress; Upgrade To OVERWEIGHT

We upgrade the sector to **OVERWEIGHT** from **Neutral**, **Top Pick: SMGR**. Consolidation in the industry is likely in progress, indicated by the sale of majority stakes in Holcim Indonesia and Semen Panasia. Cement makers started to increase ASPs to partially pass on higher costs. In 2019, the overcapacity scenario is likely to be sustained. However, unutilised production capacity may decline. We expect the FY19F earnings growth of the domestic cement companies under our universe to turn around to 17% YoY (FY18F: -11% YoY), thanks to higher sales volumes and ASPs.

Earnings to accelerate in 2019. We believe the Indonesian cement companies' earnings growth will turn positive in FY19, driven by higher ASPs. This is because the majority have started increasing prices to partially pass on higher costs in 3Q18. We believe this ASP increase will continue in 2019.

Industry consolidation in progress. We believe the majority of the new cement companies – which are selling cement at lower ASPs – are operating at a cash loss. They need to increase ASP to boost cash flow when they begin paying principal loan instalments. Consolidation seems imminent, in which newcomers actively look for buyers for their assets. This consolidation will clearly improve the pricing in the market. In October, two cement companies announced the sales of their majority stakes: Holcim Indonesia and Semen Panasia.

Expect demand growth to accelerate with slower capacity expansion. In 2019, we expect domestic cement demand to grow 7% YoY (+5m tonnes). On the flip side, capacity expanded by just 2% YoY (+2m tonnes). This is likely to cause unutilised cement production capacity to decline to 37m tonnes in FY19 (FY18F: 39m tonnes) – this rate is likely to decline to 32.7% from 35.8%. Although coming in lower, the national unutilised capacity remains high – especially for new cement makers. Post our talk with the cement players, we noted that, for a plant to be efficient, it has to run at minimum 80% capacity utilisation.

Indonesia cement EBIT margins lower than Chinese cement companies. Although slightly increased from its bottom in 2Q18, in our calculation, Indonesian cement players' 9M18 EBIT margins averaged a mere 9.4%, much lower than Chinese companies during the same period (22.7%). This makes investment in Indonesia's cement sector not as attractive as it was in 2014, when EBIT margins achieved 27-30%. This lower margin is likely the main reason for the recent slower expansion in the domestic cement industry.

Cement makers continue to increase ASPs. Indocement Tunggal Prakarsa (INTP) increased ASPs in July, August, and September in Java by 5-7% for bag, bulk (mainly the *Tiga Roda* brand), and to a certain extent, the *Rajawali* brand. ASP rose by an additional 2% in October across Java. Semen Indonesia (SMGR) started increasing ASPs at the start of 2018, earlier than INTP. SMGR's management said it continued to increase ASPs in October. These selling price hikes were partially to pass on higher costs.

Risks to our call: We believe FY19F cement demand growth is likely to be driven by the infrastructure sector. At the same time, there may still be headwinds in the property industry from higher interest rates, which led to elevated mortgage costs. The downside risk is increased production costs, which were driven by higher energy costs, especially coal. Although cement sales were cyclically high in 2H, we expect the overcapacity in the domestic cement market to be sustained in 2019.

Company Name	Rating	Price	TP	% Upside (Downside)	P/E (X) Dec-19F	P/B (X) Dec-19F	Yield (%) Dec-19F
Semen Indonesia	BUY	11,875	14,500	22.1	23.6	1.8	1.5
Indocement Tunggal Prakarsa	SELL	20,700	11,400	-44.9	36.7	3.1	1.9
Holcim Indonesia	Not Rated	1,835	N/A	N/A	N/A	N/A	N/A
Semen Baturaja	Not Rated	1,920	N/A	N/A	348.2	5.3	0.1

Source: Company data, RHB; as at 7 Dec 2018

Overweight (from Neutral)

Stocks Covered: 2

Ratings (Buy/Neutral/Sell): 1 / 0 / 1

Last 12m Earnings Revision Trend: Positive

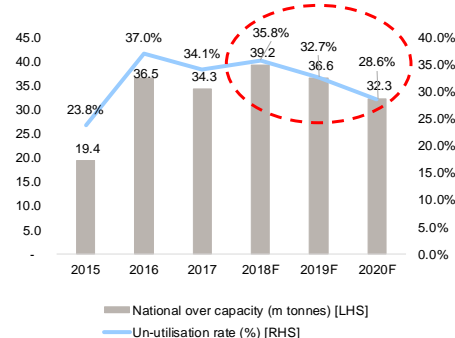
Top Picks

Semen Indonesia (SMGR IJ) – BUY

Target Price

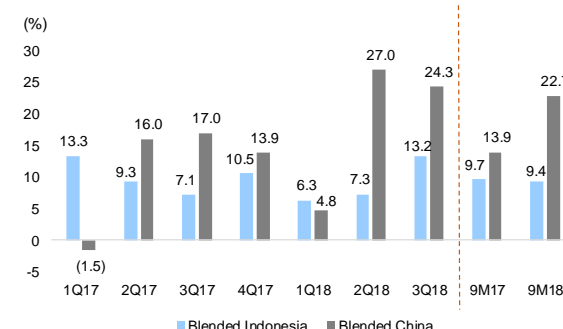
IDR14,500

National capacity and un-utilisation rate



Source: The Indonesia Cement Association, RHB

EBIT margin: Indonesia vs Chinese cement firms



Source: Company data, RHB

Analysts

Andrey Wijaya

+6221 2970 7058

andrey.wijaya@rhbgroupp.com

Mutiara Nita

+6221 2783 0719

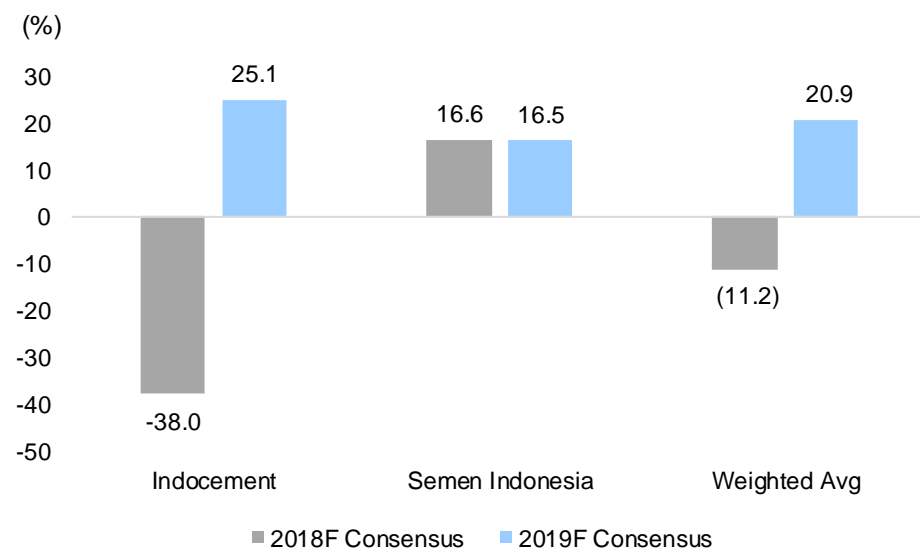
mutiara.nita@rhbgroupp.com



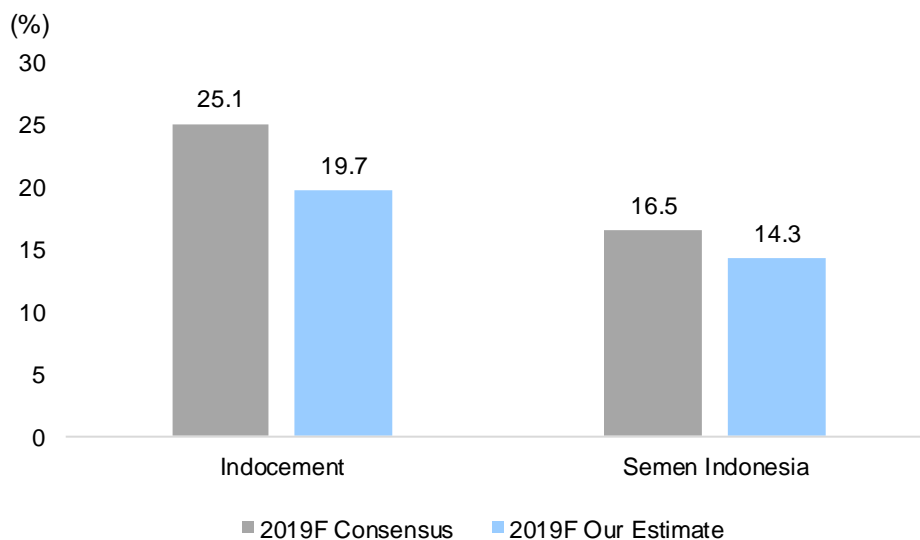
FY19F earnings growth likely to accelerate

We see Indonesia cement companies' FY19F earnings growth turning positive, likely driven by higher ASPs. This is because the majority of the cement firms started increasing ASPs to partially pass on higher costs in 3Q18.

We believe this ASP increase will continue in 2019. In addition, sales volume is likely to increase, driven by accelerated infrastructure projects.

Figure 1: 2019F vs 2018F earnings growth – Street estimate

Source: Bloomberg

Figure 2: 2019F earnings growth – Street vs our forecast

Source: Company data, RHB

- ◆ Our estimates are more bearish than the Street's. We believe the acceleration in cement demand is still followed by overcapacity
- ◆ However, we expect the overcapacity rate to be lower in 2019 and 2020 when compared to 2018

Industry consolidation in progress

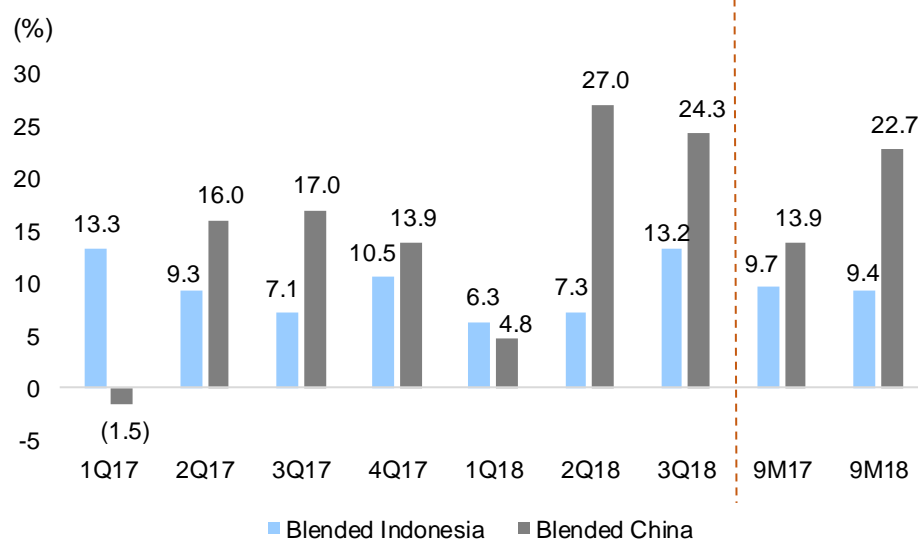
Currently, we believe the bulk of the new cement companies – which are selling their cement at lower ASPs – are operating at a cash loss. They need to increase ASP to boost cash flow when they begin to pay principal loan instalments.

The consolidation phase has begun, where newcomers actively look for buyers of their assets. This consolidation will clearly improve the pricing in the market. In October, two cement companies announced sales of their majority stakes: Holcim Indonesia and Semen Panasia. SMGR is the buyer of a 80.6% stake in Holcim Indonesia, while Lintang Sapta Lestari – likely related to the Salim Group – is the buyer of Semen Panasia.

Indonesia cement companies' EBIT margins are lower than their Chinese counterparts'. Although slightly increased from its bottom in 2Q18, in our calculation, Indonesian cement players' 9M18 EBIT margins averaged just 9.4%, much lower than that of the Chinese cement firms, which had margins that averaged 22.7% during the same period.

This situation makes investment in Indonesia's cement sector not as attractive vis-à-vis 2014, when EBIT margins were at 27-30%. This lower margin is likely the main reason behind the recent slower expansion in the domestic cement industry.

Figure 3: EBIT margins for Indonesia and China cement companies



Source: Company data, RHB

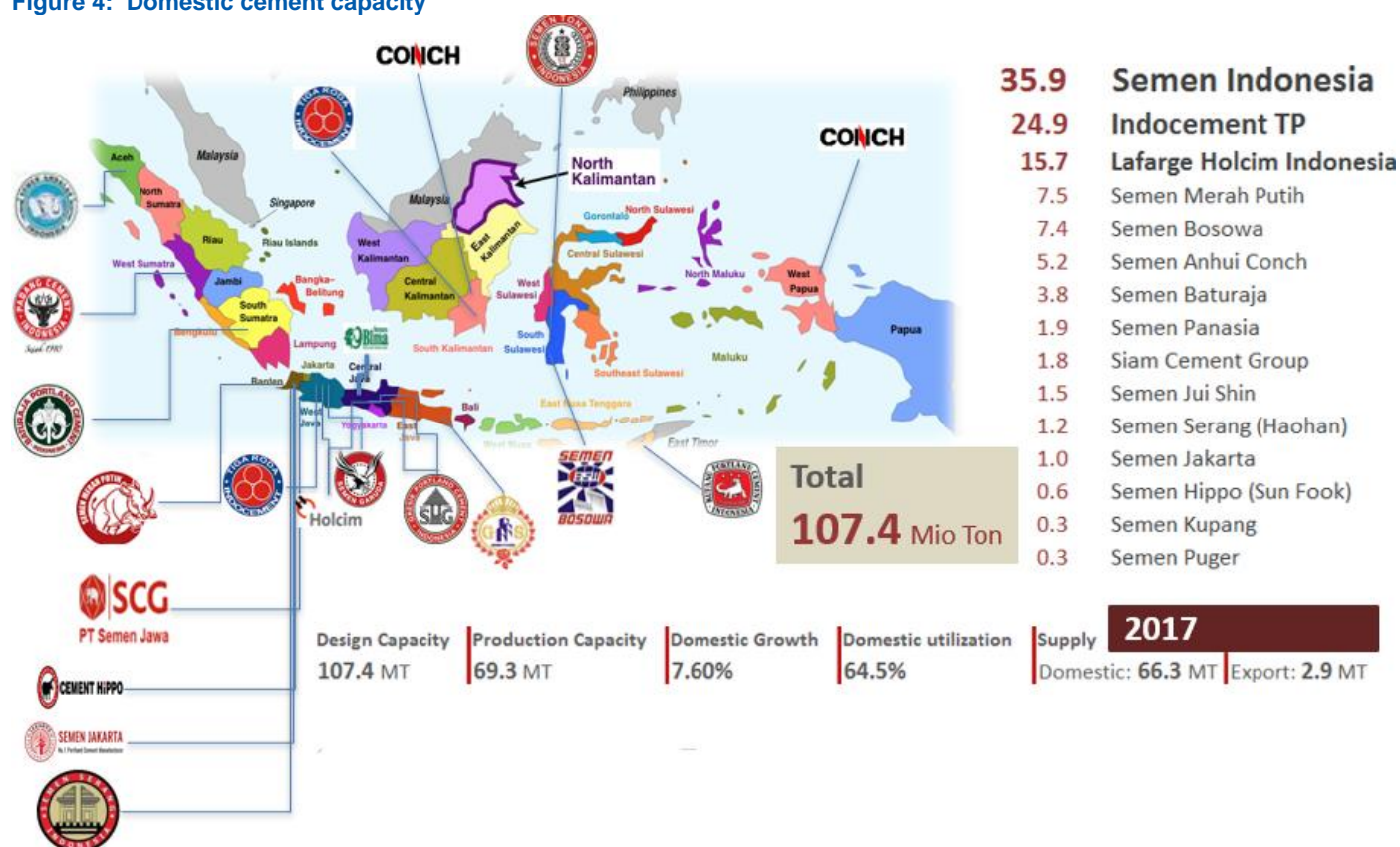
Domestic cement capacity

As at 2017, national cement production capacity stood at 101m tonnes per year (c.64.5% utilisation). SMGR had the largest production capacity – 35.9m tonnes pa – with 33.4% capacity share.

Indonesian cement players tend to focus on the Java market. There are at least 10 cement companies with production facilities on the island vs other areas like Sumatra (three cement companies with production facilities) and Kalimantan (two cement companies with manufacturing plants).

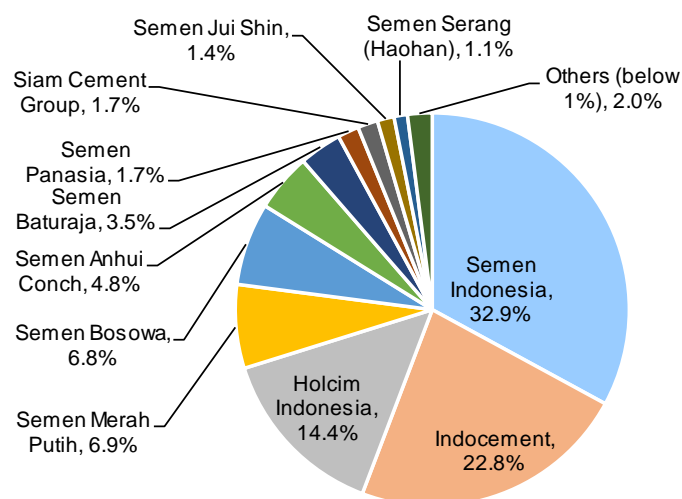
The largest contributor to domestic cement sales in 10M18 came from Java, with 32.1m tonnes (+4.4% YoY) vs Sumatra's 12.3m tonnes (+6.5% YoY) during the same period. Java's domestic cement sales contributed 56.2% of total national cement sales in 10M18. On the other hand, Kalimantan saw the highest growth in domestic sales: 3.6m tonnes (+8.2% YoY) during the same period.

Figure 4: Domestic cement capacity



Source: Company data, RHB

Figure 5: Indonesia cement companies - capacity shares



Source: Company data, RHB

- ◆ The three largest players in Indonesia's cement industry – based on total capacity share – are SMGR (33%), INTIP (23%), and Holcim Indonesia (14%)

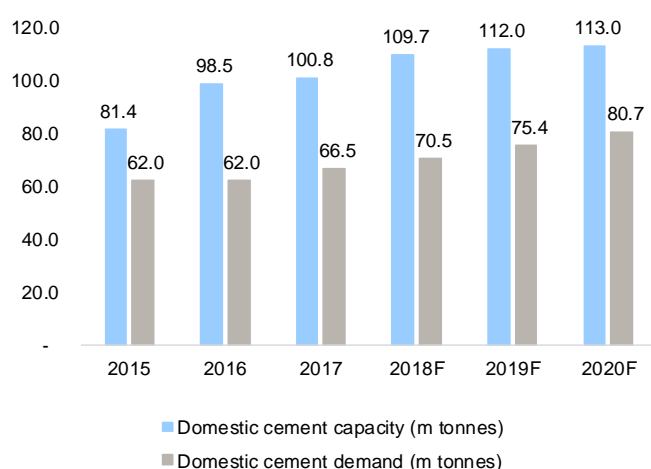
Domestic cement capacity vs demand

We believe domestic demand is likely to grow 7% YoY in FY19 and FY20. As per our discussions with the cement companies, bulk cement still dominates demand for national cement. This indicates that demand is still driven by the infrastructure and industrial sectors.

We also see the gap between the national demand and capacity. Consequently the overcapacity scenario is likely to be sustained through 2019. However, the overcapacity rate will likely be lower in FY19-20, as growth in demand should outpace capacity growth. We expect the national capacity to grow 3% YoY and 0.8% YoY in FY19-20.

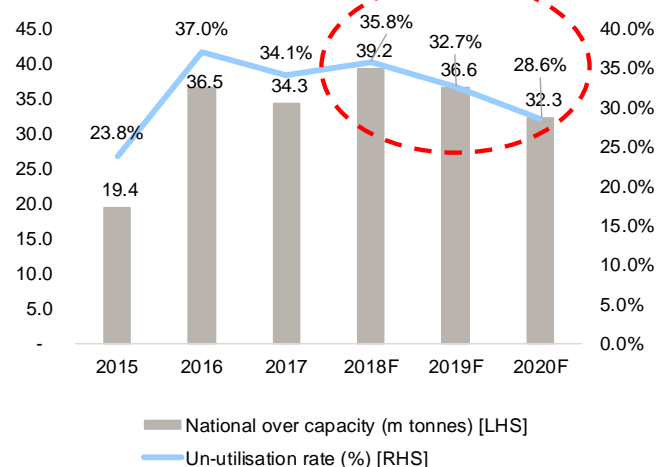
Although it has come lower, un-utilised capacity is still at high levels. Based on our talks with cement players, we note that, to be efficient, a cement plant needs to run at a minimum capacity utilisation rate of 80%. We also note that in FY19-20, the national utilisation rate is still expected to be at 67% and 72%.

Figure 6: Domestic cement demand vs capacity



Source: Bloomberg, RHB

Figure 7: National over capacity and its un-utilisation rate



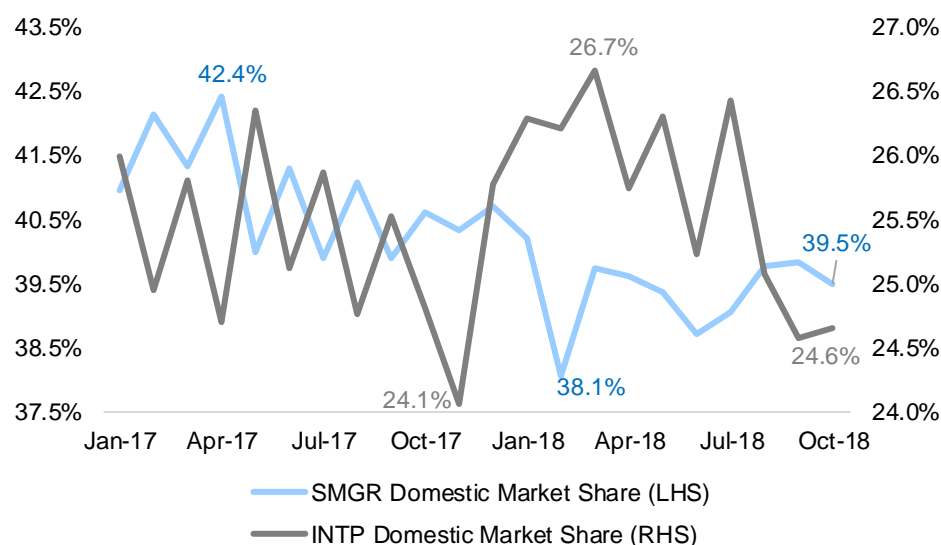
Source: Bloomberg, RHB

Two largest players' market share movements

The two largest players in Indonesia's cement industry are SMGR and INTP. Together, they make up to 64% of domestic market share as at Oct 2018: SMGR has a 39.5% market share, while INTP's is 24.6%. We note that Holcim Indonesia's domestic market share in Oct 2018 was c.13%.

We believe industry consolidation is currently in progress, and started with the acquisition of Holcim Indonesia by SMGR. This acquisition will likely change the competitive landscape of the local cement industry. Post-acquisition, SMGR should dominate the market with c.53% market share.

Figure 8: SMGR and INTP's monthly market shares



Source: Company data, RHB

Figure 9: National cement sales in Oct 2018

('000 tonnes)	Oct-17	Sep-18	Oct-18	Chg MoM	Chg YoY	10M17	10M18	Chg YoY
National	7,027	7,250	7,648	5.5%	8.8%	56,473	61,515	8.9%
Domestic	6,754	6,771	7,188	6.2%	6.4%	54,186	56,949	5.1%
Export	273	479	460	-3.9%	68.9%	2,287	4,567	99.7%
Semen Indonesia	2,917	2,919	3,159	8.2%	8.3%	23,835	25,001	4.9%
Domestic	2,772	2,696	2,837	5.3%	2.4%	22,165	22,459	1.3%
Export	145	224	322	43.8%	121.7%	1,670	2,542	52.2%
Domestic market shares	41.0%	39.8%	39.5%			40.9%	39.4%	
Overseas: TLCC	224	169	229	35.5%	2.0%	1,960	2,143	9.3%
Vietnam market	154	134	180	33.7%	16.4%	1,555	1,405	-9.7%
Export	70	34	49	42.6%	-29.8%	405	738	82.3%
Total Group	3,142	3,088	3,388	9.7%	7.8%	25,796	27,145	5.2%
Indocement	1,675	1,689	1,772	4.9%	5.8%	13,815	14,642	6.0%
Domestic	1,675	1,663	1,772	6.5%	5.8%	13,758	14,616	6.2%
Export	-	25	-	N/A	N/A	57	25	-55.5%
Domestic market shares	24.8%	24.6%	24.6%			25.4%	25.7%	

Source: The Indonesia Cement Association, RHB

Figure 10: Domestic cement sales breakdown – by region

('000 tonnes)	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	10M17	10M18 YoY (%)
Jakarta	479	466	422	430	383	400	387	401	182	393	412	446	439	4,009	3,872 -3.4%
Banten	331	318	287	276	237	249	281	273	134	302	326	349	407	2,583	2,835 9.8%
West Java	965	935	849	842	679	762	771	852	463	971	980	1,020	1,100	7,834	8,440 7.7%
Central Java	929	870	801	788	593	718	755	878	464	995	983	1,009	1,022	7,454	8,206 10.1%
Yogyakarta	116	94	86	86	79	81	89	102	57	108	111	110	133	916	954 4.2%
East Java	926	879	750	772	682	728	744	767	416	871	875	909	985	7,912	7,750 -2.1%
Java	3,745	3,563	3,194	3,195	2,654	2,938	3,027	3,273	1,715	3,639	3,686	3,843	4,087	30,708	32,057 4.4%
Sumatra	1,494	1,402	1,307	1,217	1,059	1,157	1,153	1,185	710	1,356	1,425	1,467	1,532	11,512	12,262 6.5%
Kalimantan	435	404	380	350	344	334	341	374	226	362	411	417	451	3,337	3,612 8.2%
Sulawesi	527	494	458	484	381	407	429	406	322	518	521	562	558	4,369	4,588 5.0%
Nusa Tenggara	389	349	305	288	252	254	285	328	265	404	353	348	392	3,076	3,169 3.0%
Maluku & Papua	164	154	154	161	131	115	103	105	78	133	135	133	167	1,215	1,264 4.0%
Total domestic	6,754	6,365	5,798	5,696	4,821	5,205	5,337	5,671	3,317	6,413	6,532	6,771	7,188	54,186	56,948 5.1%

Source: The Indonesia Cement Association, RHB

10 December 2018

Basic Materials | Building Materials

Valuation comparison

SMGR is currently trading at FY19F rolling forward P/E of 26.2x (around 1.5SD above its 5-year mean) and 1.8x rolling forward P/BV. The cement stock is currently the cheapest in terms of P/E and P/BV valuations when compared to its peers. It also has the highest ROE offered (FY19F: 8.1%) with 1.5% FY19F yield.

INTP is currently trading at 51.8x FY19F rolling forward P/E, or around 1.5SD above its 5-year mean. It is also trading at 3x FY19F rolling forward P/BV. The company offers FY19F ROE of 5.8% and 2% yield – the highest when compared to its peers.

Figure 11: SMGR's forward-rolling P/Es



Note: Data as at 7 Dec 2018

Source: Bloomberg

Figure 12: INTP's forward-rolling P/Es



Note: Data as at 7 Dec 2018

Source: Bloomberg

Figure 13: Peer comparison I – Indonesia cement companies

Name	BBG Ticker	Rating	Price	TP	Upside/Downside	Market Cap	EPS Growth			PER			PBV		
							FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
			(IDR)	(IDR)	(%)	(USDm)	(%)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)
Semen Indonesia	SMGR IJ	BUY	11,875	14,500	22.1	4,851	30.1	14.3	16.9	26.9	23.6	20.2	2.0	1.8	1.6
Indocement Tungal Prakarsa	INTP IJ	SELL	20,700	11,400	-44.9	5,248	-12.8	19.7	17.7	43.9	36.7	31.2	3.2	3.1	3.0
Holcim Indonesia	SMCB IJ	NR	1,835	N/A	N/A	968	-4.7	43.7	77.2	N/A	N/A	N/A	2.1	2.2	2.2
Semen Baturaja	SMBR IJ	NR	1,920	N/A	N/A	1,313	-63.3	0.0	45.5	349.1	345.5	240.0	5.4	5.3	5.2
Sector Weighted Average							12,382	-0.7	17.4	25.0	66.2	61.4	46.6	2.9	2.7

Note: Data is as at 7 Dec 2018

Source: Bloomberg, RHB

Figure 14: Peer comparison II – Indonesia cement companies

Name	PEG			Yield			ROE		
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)
Semen Indonesia	0.9	1.6	1.2	1.1	1.5	1.7	6.9	8.1	8.1
Indocement Tungal Prakarsa	-3.4	1.9	1.8	3.4	1.9	2.3	7.1	5.8	6.1
Holcim Indonesia	N/A	N/A	N/A	N/A	N/A	N/A	-9.8	-6.3	-2.1
Semen Baturaja	-5.5	N/A	5.3	0.1	0.1	0.2	1.6	1.6	2.3
Sector Weighted Average	-1.7	1.4	1.8	1.9	1.4	1.7	5.1	5.3	5.9

Note: Data is as at 7 Dec 2018

Source: Bloomberg, RHB

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 Sekuritas 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”). Accordingly, access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than “major” US institutional investors, nor shall be deemed as solicitation by RHB in any manner. 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 Sekuritas 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 Sekuritas 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	Bangkok	
PT RHB Sekuritas Indonesia Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777	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	