

31 October 2025

Technology | Semiconductors

UMS Integration (UMSH SP)

Buy

Well-Positioned For Growth; BUY

Target Price (Return): SGD1.85 (+26%)
 Price (Market Cap): SGD1.47 (USD803m)
 ESG score: 3.0 (out of 4)
 Avg Daily Turnover (SGD/USD) 8.22m/6.38m

Analyst

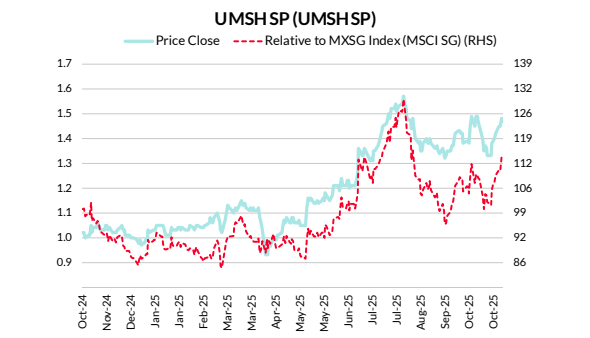
Alfie Yeo
 +65 6320 0810
alfie.yeo@rhbgroup.com



- Initiate coverage with BUY, SGD1.85 TP offers 26% upside with c.4% FY26F yield.** We are positive on UMS Integration, as we see it as a long-term beneficiary of the semiconductor sector's growth. Growth over the short-to-medium term should be driven by an increase in semiconductor equipment spending, ramp-up in new customer orders, and margin expansion. The stock is valued at a PEG of <1 – at a compelling c.18x FY26F P/E against our FY24-27F earnings growth CAGR of 20% - and below the peer average of 21x.
- Benefitting from a positive semiconductor outlook.** UMSH offers a recovery play on the front-end semiconductor sub-sector. The wafer fabrication (fab) equipment segment is expected to grow by 7% YoY in 2025 and 10% YoY in 2026 (2024: +10% YoY), according to Semiconductor Equipment and Materials International's (SEMI) latest Mid-Year Total Semiconductor Equipment Forecast – OEM Perspective report. Growth will be driven by: i) Leading-edge logic, memory, and technology transitions; ii) investment in capacity expansion; and iii) leading-edge production from chip innovations on the back of artificial intelligence (AI) applications, data centres (DC), high-performance computing, and automotive electrification. This makes UMSH a key beneficiary of the semiconductor equipment growth trend.
- New customer and Penang facility to drive growth.** UMSH won a new customer – Lam Research – in March last year, which will dilute its customer concentration risk from Applied Materials (AMAT). Production for its new customer started last year at its Penang plant, and we expect orders to ramp up. The new customer has a strategy to grow its fab capabilities in Malaysia, in order to mitigate the risk of sanctions being imposed on China. We expect new product introductions (NPIs) from the new customer to contribute to its new order ramp-up. UMSH's Malaysia revenue more than doubled YoY in 1H25 to SGD17m from SGD5m, and we expect this strong growth to continue, backed by orders from its new customer.
- Growth to be driven by the semiconductor sector's recovery and growth in new customer orders.** In 2Q25, UMSH's core business segments posted QoQ sales growth with decent margins. 1H25 earnings grew 6% YoY to SGD20m on SGD125m in revenue (+14% YoY). The revenue growth was led by the semiconductor segment (SGD107m, +17% YoY), followed by the aerospace division (SGD12m, +2% YoY). GPM expanded to 55.1% (+1.8ppts YoY) due to a higher-margin component sales mix. We expect growth to be fuelled by the continued recovery of the semiconductor sector as well as the ramp-up in orders from its new key customer.
- Key downside risks** include a later-than-expected demand recovery, slow progress of new customer order ramp-up, and geopolitical supply chain shifts. Our TP includes a 2% discount applied to the intrinsic value, as SSG's ESG score of 3.0 is below the 3.1 country median.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	42.7	5.8	(2.7)	36.1	44.1
Relative	22.7	5.3	(6.6)	21.2	13.1
52-wk Price low/high (SGD)	0.93 – 1.57				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (SGDm)	300	242	266	293	322
Recurring net profit (SGDm)	61	42	50	59	70
Recurring net profit growth (%)	(40.0)	(32.1)	20.8	17.3	19.5
Recurring P/E (x)	16.07	24.45	20.83	17.76	14.86
P/B (x)	2.7	2.5	2.4	2.3	2.2
P/CF (x)	12.33	17.98	17.87	16.55	13.56
Dividend Yield (%)	3.8	3.5	3.5	3.5	4.1
EV/EBITDA (x)	11.16	14.75	13.34	11.78	10.10
Return on average equity (%)	17.5	10.7	11.8	13.3	15.1
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.0 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.0 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis
UMSH's 2022 and 2023 emissions intensity has increased from 47 and 49 tCO₂e per SGDm revenue to 67 tCO₂e in 2024. Scope 1 emissions have been increasing from 38 tCO₂e to 51 tCO₂e, while Scope 2 emissions have been range-bound at 11.7-12.7tCO₂e each year.

Emissions (tCO ₂ e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	38	61	51	-
Scope 2	12,737	11,753	12,597	-
Scope 3	na	na	na	na
Total emissions	12,775	11,813	12,649	na

Source: Company data, RHB

Latest ESG-Related Developments

Most of UMSH's delivery trucks are in compliance with the EURO V standard, which minimises carbon dioxide (CO₂) emissions.

It also consolidates its deliveries with customers to minimise fuel and CO₂ fuel and CO₂ emissions.

ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 29 Oct 2025

E Score: 3.0 (GOOD)

UMSH aims to integrate environmental risks and opportunities into its decision-making to mitigate its impact on the environment and local communities. Operations are guided by its environmental policy, and its facilities comply with local regulations including the national Environmental Protection and Management Act (EPMA), Environmental Public Health Act (EPHA) and Hazardous Waste (Control of Export, Import and Transit) Act.

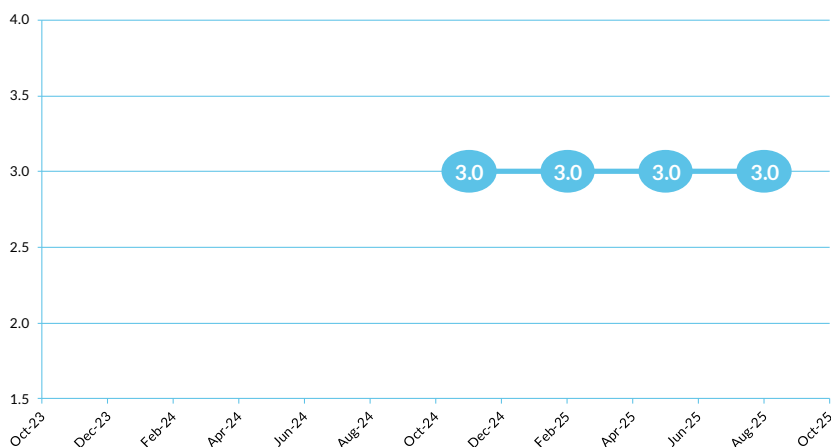
S Score: 3.0 (GOOD)

UMSH regards its people and human capital as one of its material factors. It promotes responsible employment practices including fair employment, equal opportunities, nurturing leaders, rewarding and retaining employees, building team spirit, and work health and safety. There were no cases of socioeconomic cases of non-compliance in 2024.

G Score: 3.0 (GOOD)

UMSH adheres to the highest standards of corporate governance practices as guided by the Code of Corporate Governance. In FY24, there were no whistleblowing, bribery, corruption, anti-competitive cases and breaches of customer data privacy. UMSH is ranked 295th (224th in 2024) in the Singapore Governance and Transparency Index in 2025.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (SGD)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Singapore	Recurring EPS	0.09	0.06	0.07	0.08	0.10
Technology	DPS	0.06	0.05	0.05	0.05	0.06
UMS Integration	BVPS	0.54	0.59	0.61	0.64	0.67
UMSH SP	Return on average equity (%)	17.5	10.7	11.8	13.3	15.1
Buy						
	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Valuation basis	Recurring P/E (x)	16.07	24.45	20.83	17.76	14.86
25x blended FY25-26F P/E	P/B (x)	2.7	2.5	2.4	2.3	2.2
	FCF Yield (%)	5.2	2.4	2.5	3.6	5.0
Key drivers	Dividend Yield (%)	3.8	3.5	3.5	3.5	4.1
Anticipated pick up in semiconductor sector.	EV/EBITDA (x)	11.16	14.75	13.34	11.78	10.10
	EV/EBIT (x)	14.14	21.31	18.23	15.44	12.71
	Income statement (SGDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Key risks	Total turnover	300	242	266	293	322
Later-than-expected demand recovery, which will pose downside risks to earnings recovery.	Gross profit	150	124	141	155	177
	EBITDA	87	65	75	85	98
	Depreciation and amortisation	(18)	(20)	(20)	(20)	(20)
Company Profile	Operating profit	68	45	55	65	78
UMS Integration provides equipment manufacturing and engineering services to original equipment manufacturers (OEMs) of semiconductors and related products. The company manufactures high-precision components and complex electromechanical assembly and final testing services. It supports the electronic, machine tools and oil and gas industries.	Net interest	0	2	2	2	2
	Pre-tax profit	69	47	56	66	79
	Taxation	(7)	(5)	(6)	(7)	(9)
	Reported net profit	61	42	50	59	70
	Recurring net profit	61	42	50	59	70
	Cash flow (SGDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Change in working capital	4.4	(1.4)	(9.6)	(13.6)	(11.2)
	Cash flow from operations	79.8	56.4	58.5	63.1	77.0
	Capex	(28.7)	(32.3)	(32.3)	(25.0)	(25.0)
	Cash flow from investing activities	(31.1)	(28.8)	(30.1)	(22.8)	(22.8)
	Dividends paid	(36.2)	(38.4)	(36.9)	(36.9)	(41.2)
	Cash flow from financing activities	(44.4)	(16.2)	(36.9)	(36.9)	(41.2)
	Cash at beginning of period	61.7	67.5	79.9	71.3	74.7
	Net change in cash	4.2	11.4	(8.6)	3.4	13.0
	Ending balance cash	67.5	79.9	71.3	74.7	87.7
	Balance sheet (SGDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	67	80	71	75	88
	Tangible fixed assets	153	166	178	184	189
	Total assets	487	509	524	550	582
	Short-term debt	7	1	1	1	1
	Total long-term debt	16	0	0	0	0
	Total liabilities	100	65	67	71	74
	Total equity	387	444	457	479	508
	Total liabilities & equity	487	509	524	550	582
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	(19.5)	(19.3)	10.0	10.0	10.0
	Recurrent EPS growth (%)	(40.2)	(34.3)	17.4	17.3	19.5
	Gross margin (%)	50.1	51.0	53.0	53.0	55.0
	Operating EBITDA margin (%)	28.8	27.0	28.2	28.9	30.3
	Net profit margin (%)	20.4	17.1	18.8	20.1	21.8
	Dividend payout ratio (%)	61.4	89.0	73.7	62.8	60.6
	Capex/sales (%)	9.6	13.3	12.1	8.5	7.8
	Interest cover (x)	73.2	66.5	80.8	95.2	114.2

Source: Company data, RHB

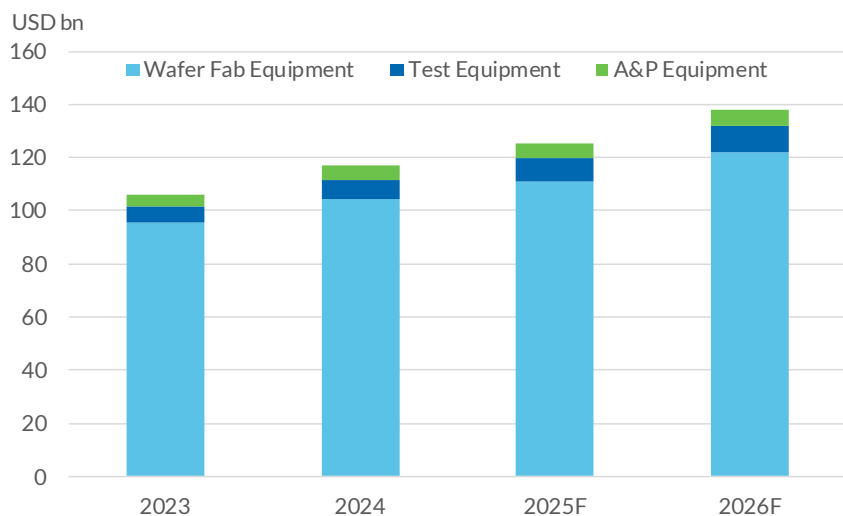
Investment Merits

Positive semiconductor growth outlook

The semiconductor equipment sector is expected to grow as we move into 2026. According to SEMI, global sales of total semiconductor manufacturing equipment by OEMs are forecasted to reach a record USD126bn (+7.4% YoY) this year. This uptrend should continue into 2026, reaching USD138bn (+10% YoY) – driven by leading-edge logic, memory and technology transitions. We view the growth acceleration into 2026 as a huge positive for the sector.

Longer-term semiconductor equipment demand should drive investments in capacity expansion and leading-edge production from chip innovations on the back of AI applications, DCs, high-performance computing, and automotive electrification.

Figure 1: SEMI's 2025 mid-year total equipment forecasts by segment



Source: SEMI Equipment Market Data Subscription (EMDS) as of Jul 2025

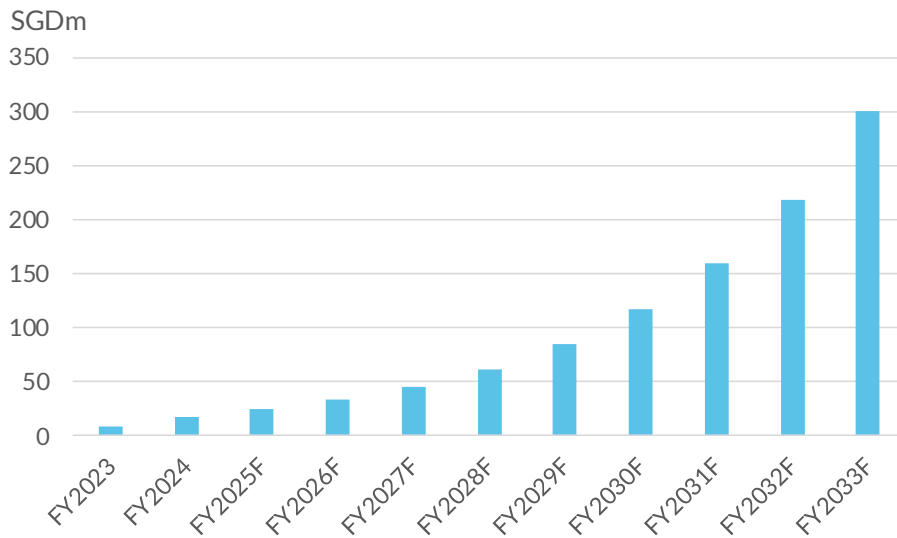
Growth expected for the wafer fab equipment segment. SEMI projects the global wafer fab equipment segment to expand by 6% and 10% to USD111bn in 2025 and USD122bn in 2026, driven by sales to foundry and memory applications. Growth is fuelled by capacity expansion in leading-edge logic and memory to support AI applications and ongoing process technology migration across major segments.

Foundry/logic and memory capacity expansion leading the growth of wafer fab equipment. By application, SEMI sees global wafer fab equipment spending driven by both foundry/logic and memory-related capex expenditure at FY24-26F CAGRs of 6.7% and 25%. Leading-edge high volume manufacturing for the 2nm gate-all-round or GAA node is driving capacity spending for foundry/logic equipment, while recovery from 2023's contraction and 3D NAND stacking advancements are supporting growth in capex spending for memory equipment.

New customer and higher capacity to drive growth

New customer and Penang facility to drive growth. UMSH won a new customer – Lam Research – in March last year, which will dilute its customer concentration risk from AMAT. Production for its new customer started last year at its Penang plant, and we expect orders to ramp up accordingly. The new customer has a strategy to grow its fab capabilities in Malaysia to mitigate the risk of sanctions being imposed on China. We expect NPIs from the new customer to contribute to the new order ramp-up. Its revenue from the Malaysia business more than doubled YoY in 1H25 to SGD17m from SGD5m, and we expect strong growth to continue being backed by new orders from this new customer. Current plant utilisation is less than 50% due to challenges in ramping up, including production and manpower shortages, given the new working requirements. However, we see scope for growth, as UMSH's arrangement with the new customer could see up to SGD300m in annual orders potentially within the next 5-8 years.

Figure 2: Malaysia's revenue is targeted to reach SGD800m, reflecting a 8-year CAGR of 37%



Source: RHB

Moving up the value chain. The company is focussed on moving up the customer value chain by delivering high-quality and high-value products to support key customers' increasingly complex demands in developing advanced semiconductors. It has already invested in production facilities, especially in Penang, and strengthened production capabilities. That has enabled UMSH to secure NPI orders from the new key customer in Malaysia.

Penang plant to support higher production capacity and growth. The company acquired 5.38 acres (c.235,000 sq ft) of 60-year leasehold industrial land at Penang Science Park in Jul 2024 to support longer-term expansion. The land, strategically located between the Perai Industrial Area and Batu Kawan Industrial Park, is next to its new factory in Penang. This has brought UMSH's total combined space in Singapore and Malaysia to over 1.2m sq ft.

We expect the additional land area to support long-term growth. The new land will help to grow UMSH's manufacturing capacity to take on more production volume, especially for its new customer. It also includes new capacity for clients looking to scale up their own customer orders in future. We believe UMSH will target more complex, medium- and large-format components to improve customer stickiness. We view its new Penang facilities as a beneficiary of the global semiconductor supply chain shifting to Malaysia and Singapore in the wake of the recent US tariffs. Both Lam Research and AMAT have committed major expansion plans in this region. AMAT has already expanded its presence in Singapore since last year with its new SGD600m manufacturing facility at Tampines Industrial Crescent.

Positive on order ramp-up with AMAT and Lam Research. AMAT accounts for a significant portion of UMSH's semiconductor revenue, mainly in integrated systems. The company supports AMAT's deposition system technology, which it provides to the semiconductor manufacturing process, including physical vapour deposition and chemical vapour deposition. The deposition tools are ultimately used in chip manufacturing.

AMAT's outlook is positive, and we expect demand to improve over the medium term. UMSH's dynamic pricing arrangement with this customer (based on production volume) will support strong GPM, in our view. AMAT's longer-term outlook is positive, as its customers ramp-up next-generation chip technologies for AI and IoT applications.

Likewise, Lam Research is UMSH's recently acquired new customer with orders ramping up. Lam Research has a manufacturing plant at Batu Kawan in Penang where UMSH supplies and provides support to. We are positive on the new customer's order ramp-up with UMSH going forward, with NPI orders recently secured.

Well-positioned competitively in the market

Competitive strengths include the ability to provide quality integrated products and engendering strong customer relationships. UMSH is able to provide highly integrated manufacturing services that span precision machining, metal fabrication, metal finishing to system integration for customers. More than 70 of its special processes to produce semiconductor equipment components and integrated systems have been approved for production by a key customer. It has strong business relationships, especially with AMAT, for more than 25 years. UMSH also operates four cleanrooms between Class 100 to Class 10,000 that can produce quality sheet metal parts and precision-machined components assembled in cleanrooms, and attract new customers that require products made under cleanroom conditions.

Not straightforward to compete directly with UMSH. UMSH is known to be a majority vendor for its largest customer, AMAT, globally for integrated systems. UMSH generally assembles modules and full integrated systems for front-end semiconductor equipment, and puts together various components and sub-modular modules into integrated self-contained module units. These module units are integrated into its customers' end-products which are front-end semiconductor equipment. It used to be the sole supplier for its key customer, but the customer has since diversified its supply sources to have at least one more player. We believe that it is not straightforward to compete with UMSH, since it requires both the customers' willingness to add more suppliers and also for competitors to qualify their products and processes to successfully obtain order allocations away from UMSH.

Competitors generally have their own specialisation and key customers. Competitors that occupy a similar space as UMSH are generally sheet metal fabrication and precision engineers for producing parts and components, especially those serving the semiconductor market. They include Coraza Integrated Technology, CPE Technology, Frencken Group, Grand Venture Technology, Kobay Technology, Northeast Group, SFP Tech, UWC and SAM Engineering. However, peers such as Frencken have their own specialisation and different key customers that serve different parts of the semiconductor supply chain.

Valuation

Trading at <1x PEG based on current growth momentum. We expect UMSH to deliver stronger 2H25 numbers, based on our earnings estimates. 1H25 EPS was 2.8 SG cents and we expect FY25 EPS to be 6.9 SG cents.

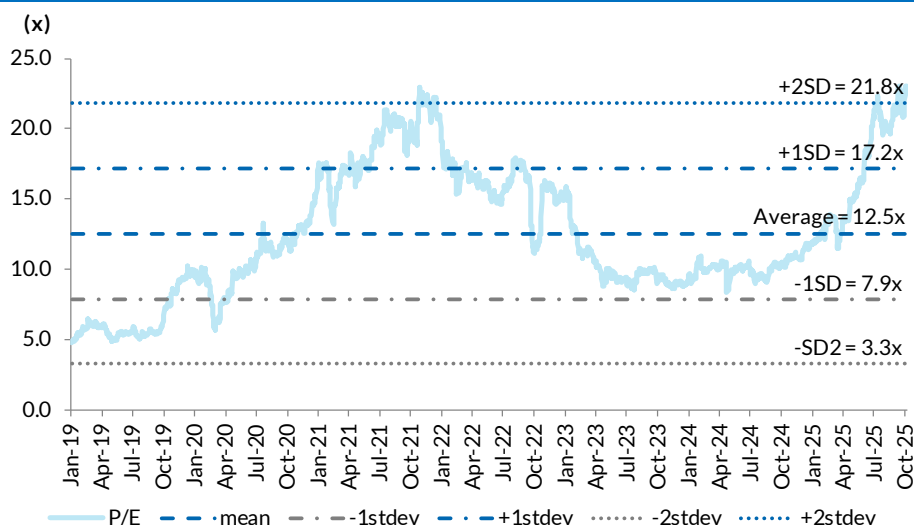
The stock is trading at c.18x FY26F P/E while we forecast its EPS growth CAGR for FY24-27F at 20%, ie from 5.7 SG cents in FY24 to 9.8 SG cents in FY27F. This translates to an attractive PEG of < 1x. We include Singapore- and Malaysia-listed technology players as its peers. UMSH is trading at a discount to its peer average of c.21x, based on FY26F P/E and has a dividend yield, ROE and margins above the peer average.

Figure 3: Peer comparison

Company	Market cap (USDm)	Px last	P/E (act)	P/E (yr-1)	P/E (yr-2)	ROE (%)	Operating margin (%)	Net margin (%)	Dividend yield (%)	Net gearing (x)
UMSH	795	1.46	24.1x	20.5x	17.5x	12%	28%	19%	3.6%	Cash
UWC	1,116	4.24	115.2x	48.2x	35.6x	9%	12%	10.5%	n/a	4.8%
SAM Engineering & Eqpt	808	5.00	34.5x	37.6x	31.8x	7%	9%	6.2%	0.6%	16.6%
Frencken Group	534	1.62	18.3x	15.8x	14.5x	10%	7%	4.9%	1.6%	Cash
AEM Holdings	467	1.92	44.1x	36.9x	22.6x	3%	3%	3.0%	n/a	10.3%
Micro-Mechanics	192	1.79	20.1x	n/a	n/a	26%	25%	19.0%	3.4%	Cash
ISDN Holdings	152	0.43	31.9x	30.7x	16.5x	3%	7%	2.3%	1.1%	8.7%
Northeast Group	134	0.76	40.9x	26.2x	20.0x	9%	23%	15.2%	n/a	Cash
CPE Technology	121	0.76	21.6x	19.4x	18.4x	7%	21%	18.3%	2.0%	Cash
Coraza Integrated Tech	70	0.60	24.5x	22.0x	16.5x	9%	2%	4.0%	n/a	Cash
Avi-Tech	27	0.21	53.9x	n/a	n/a	1%	5%	3.1%	1.2%	Cash
Average			38.5x	27.7x	20.6x	8%	11.2%	8.6%	1.3%	10.1%

Note: All forward data/forecasts are from Bloomberg consensus except for FRKN
 Note 2: Data for companies not under RHB coverage is based on Bloomberg consensus
 Source: Bloomberg, RHB

Figure 4: UMSH's forward P/E



Source: RHB, Bloomberg

Dividends. UMSH pays dividends quarterly, which has been its policy since 2012. DPS for FY24 was 5.2 SG cents, representing a payout ratio of 91%. DPS has steadily increased to 5.6 SG cents in FY23 from 4 SG cents in FY19, with the dividend payout ratio averaging at around 60% for the past six years.

Going forward, we expect the company's annual DPS to be at least 5.2 SG cents – and anticipate this to grow to 6 SG cents in FY27. This would be in line with its earnings growth, with an assumed dividend payout ratio of at least 60%.

Figure 5: Dividend payouts from FY21 to FY27F

DPS SG cents	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
1Q interim	1.0	1.0	1.2	1.0	1.0	1.0	1.2
2Q interim	1.0	1.0	1.0	1.0	1.0	1.0	1.2
3Q interim	1.0	1.0	1.2	1.2	1.2	1.2	1.4
Final	2.0	2.0	2.2	2.0	2.0	2.0	2.2
Total	5.0	5.0	5.6	5.2	5.2	5.2	6.0
Dividend payout ratio	63%	34%	63%	91%	75%	64%	62%

Source: Company data

Key Risks

Customer concentration. There is some customer concentration risk with more than two-thirds to three quarters of revenue concentrated on customer A, which is most probably AMAT. Over the longer term, AMAT's share of revenue contribution is likely to decrease, as its new customer Lam Research is expected to contribute SGD300m in annual revenue in 5-8 years.

Figure 6: Major customers

Customer – location	Segment	FY21	FY22	FY23	FY24
A – Singapore, the US, Taiwan	Semiconductor	67.7%	66.4%	74.9%	68.4%
B – Singapore, Malaysia, the US	Semiconductor	7.5%	1.9%	0%	0%
C – Singapore, Malaysia	Semiconductor	3.2%	6.0%	1.0%	1.5%
D – Singapore, the UK, the US	Aerospace	3.1%	2.8%	4.7%	7.1%
E – Singapore, Malaysia	E&E	2.0%	0%	1.1%	0%
F – The US	Semiconductor	0%	1.4%	0%	2.8%
G – China, Canada	Aerospace	0%	0%	0%	0%
Outside the top 5 customers		6.5%	21.5%	16.1%	15.7%
Total		100%	100%	100%	100%

Source: Company data

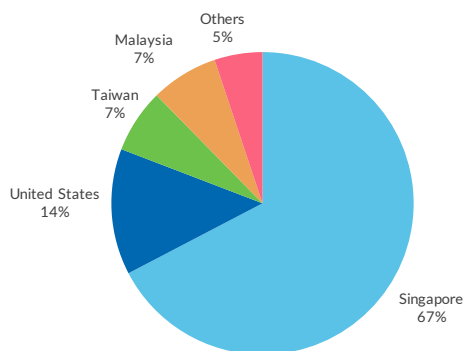
Other risks include customer-specific and macroeconomic factors. We identify later-than-expected demand recovery, the slow progress of new customer ramp-ups, and geopolitical supply chain shifts as other risks. A later-than-expected demand recovery and slow progress of new customer order ramp-ups will affect the pace of revenue growth, which undermines our revenue and earnings projections. Shifts in the supply chain (due to geopolitical developments) would lead to scenarios including customers moving their orders away from UMSH, and to other markets and suppliers. This could be detrimental to UMSH’s revenue and earnings growth, as our outlook is premised on existing key customers like AMAT and Lam Research growing their orders with UMSH.

Company Background

UMSH provides high-precision front-end semiconductor components, equipment and engineering solutions to semiconductor OEMs. Its products include modular and integrated systems for original semiconductor equipment manufacturing, while services provided are mainly precision machining, sheet metal fabrication, surface treatment, and sub-module and full-module assembly.

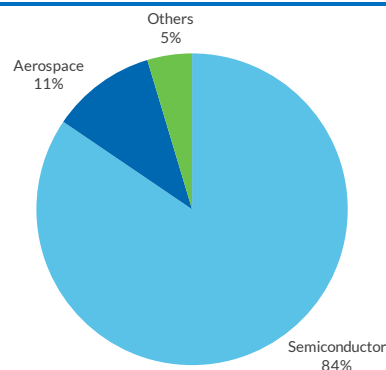
Its production facilities are located in Singapore, Malaysia, and California in the US.

Figure 7: Revenue by geography (FY24)



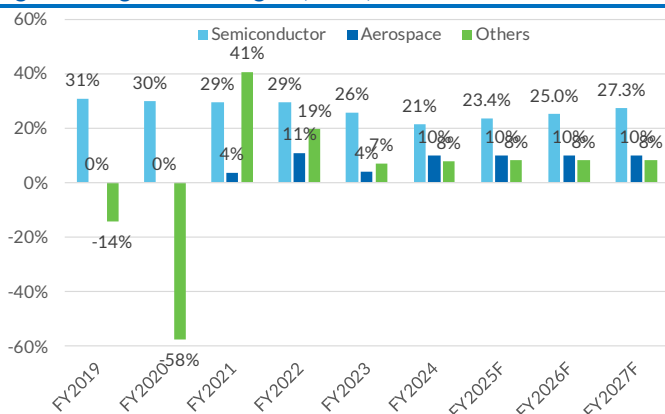
Source: Company data

Figure 8: Revenue by product segment (FY24)



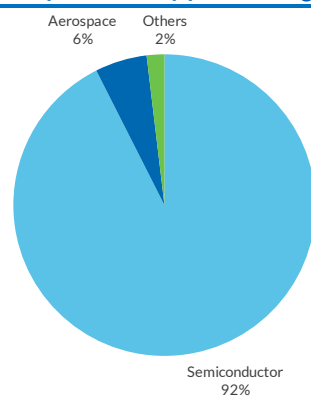
Source: Company data

Figure 9: Segmental margins (FY24)



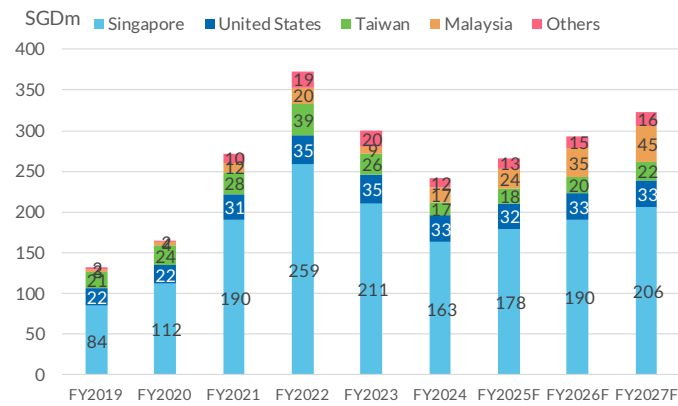
Source: Company data

Figure 10: Segmental profit mix by product segment (FY24)



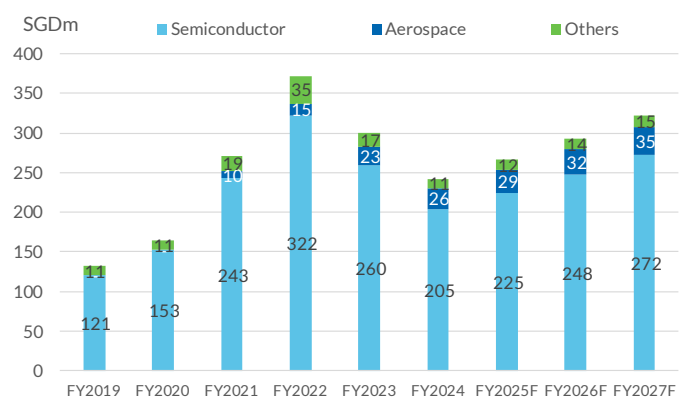
Key business segments. UMSH’s reportable segments are semiconductor, aerospace, and others. In the semiconductor business, the company provides precision machining components and equipment modules for customers that are semiconductor equipment manufacturers. For aerospace, UMSH serves the aerospace, electronics, and automotive industries with precision machining services. Lastly, the others segment mainly ships water disinfection systems, trades non-ferrous metal alloys, and sells machines and customised cutting tools. UMSH’s key customer in the semiconductor segment is AMAT, which accounts for a major share of its revenue.

Figure 11: Revenue by geography



Source: Company data

Figure 12: Revenue by segment



Source: Company data

Led by a professional management team. UMSH is led by Andy Luong, the Chairman, CEO and founder. He has more than 20 years of experience in manufacturing front-end semiconductor components, and acquired his machining skills through his family’s machining business in Vietnam. Stanley Loh is the Executive Director, Group Financial Controller and Senior Vice President, Operations. He has over 25 years of experience in finance, accounting, treasury and auditing and is responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the operations. Gobinath Gunaselan is the company’s operations director and oversees the manufacturing operations. He joined UMSH in 1999 and has almost 30 years of high-tech equipment manufacturing, hands-on operations management and strategic sourcing experience in the hard disk drive, oil & gas, aerospace, and semiconductor equipment industries.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-10-24	Not Rated	na	1.42
2024-11-03	Not Rated	na	1.00

Source: RHB, Bloomberg

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470