



AmInvestment Bank

# SUNWAY CONSTRUCTION

(SCGB MK EQUITY, SCOG.KL)

12 Jul 2017

## Company report

AmInvestment Bank

www.amesecurities.com.my

03-2036 2250

Rationale for report: Initiation

# HOLD

(Initiation)

Price	RM2.02
Fair Value	RM2.01
52-week High/Low	RM2.15/RM1.56

### Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	1,788.8	1,935.8	2,403.9	2,577.4
Core net profit (RM mil)	123.5	138.9	172.9	189.3
FD Core EPS (sen)	9.6	10.7	13.4	14.6
FD Core EPS growth (%)	(2.9)	12.5	24.5	9.5
Consensus Net Profit (RM mil)	-	155.6	168.8	171.0
DPS (sen)	6.5	7.0	8.0	9.0
PE (x)	21.0	18.7	15.0	13.7
EV/EBITDA (x)	12.2	10.7	8.3	7.3
Div yield (%)	3.2	3.5	4.0	4.5
ROE (%)	26.2	26.3	28.2	26.5
Net Gearing (%)	nm	nm	nm	nm

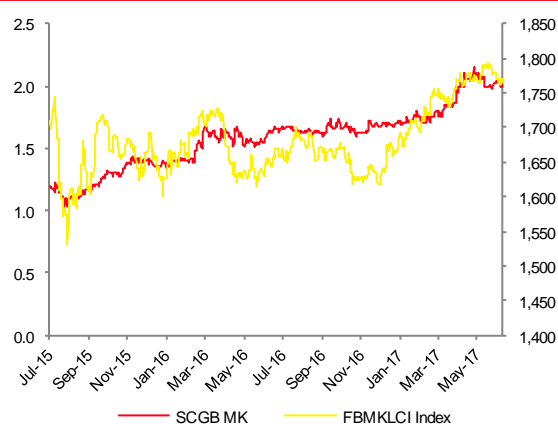
### Stock and Financial Data

Shares Outstanding (million)	1,292.9
Market Cap (RMmil)	2,610.0
Book Value (RM/share)	0.38
P/BV (x)	5.3
ROE (%)	26.2
Net Gearing (%)	-

Major Shareholders	Sunway Holdings (54.4%) Sungei Way Corp (10.0%) True Paragon (3.9%)
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Free Float	347.7
Avg Daily Value (RMmil)	2.6

Price performance	3mth	6mth	12mth
Absolute (%)	8.6	18.9	24.1
Relative (%)	7.4	13.0	15.9



### Investment Highlights

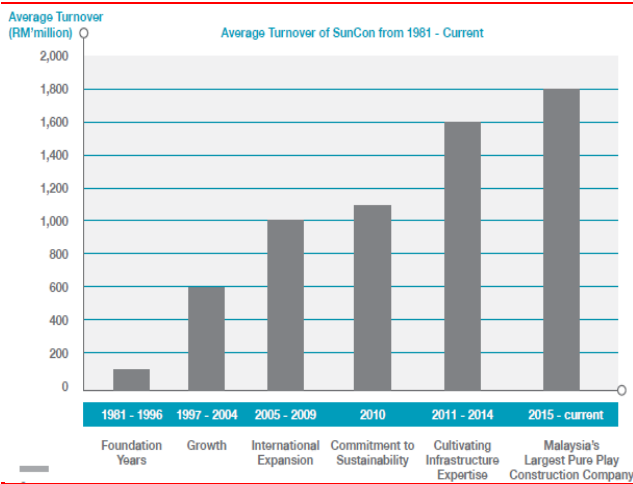
- The largest construction pure play in the country, Sunway Construction (SunCon) is an integrated construction company which offers a comprehensive range of services providing end-to-end construction solutions including design and build services and precast supplies.
- The construction sector in Malaysia continues to grow robustly with the ongoing infrastructure development, in line with the nation's aspiration to become a developed nation by the year 2020. Among mega infrastructures projects in the pipeline are the East Coast Rail Line (ECRL), High-Speed Rail (HSR), MRT Line 3, LRT3, BRT and Pan Borneo Highway (Sabah). The booming industry is expected to attract local and foreign construction players including SunCon to bid and undertake these infrastructure projects.
- Being the largest construction pure play, SunCon is poised to be the preferred contractor to undertake mega and scalable projects domestically and internationally. SunCon will continue to experience positive earnings growth driven by the following:
  1. **Wholly integrated construction company** that possesses state-of-the-art equipment and technology providing end-to-end construction services including design and build services and precast supplies.
  2. **Strong and diversified order book** which currently stands at RM4.6bil (as of March 2017) made up of various jobs from sectors which include public, private and also internal construction projects mainly from its parent company, Sunway Group.
  3. **Exceptional track record on the local and international front** after successfully securing and executing mega projects both domestically and internationally. Apart from being known as a capable construction solution provider, it also has strong relationship with its customer which benefits SunCon in terms of bagging new tenders from existing clients.
- We project its FY17F/FY18F earnings to grow 13%/25% underpinned by: 1) strong outstanding order book of RM4.6bil; 2) strong earnings visibility over the long term with continued flow of diversified civil and construction work from mega infrastructure projects such as rail, buildings, property and precast; and 3) its position as the leading construction pure play with a proven track record which enables it to continue bidding for large-scale projects from existing and potential clients. We initiate coverage on SunCon with a HOLD call and FV of RM2.01 based on 15x FY18F EPS, in line with our benchmark forward PE of 14-16x for large-cap construction listed companies.

## COMPANY OVERVIEW

Being the newly listed subsidiary of Sunway Bhd, Sunway Construction (SunCon) is the largest construction pure play in the country with a market capitalization of more than RM2 billion. SunCon is also a wholly integrated construction group offering a comprehensive range of services providing end-to-end construction solutions. Since its inception in 1981, SunCon has managed to secure projects worth RM23 billion, thanks to its impressive track record in the construction industry. In addition, SunCon has expanded its footprint beyond Malaysia including Trinidad & Tobago, Taiwan, Singapore, the United Arab Emirates and India.

The evolution of SunCon in the construction industry (Exhibit 1) can be grouped into six phases namely:

### EXHIBIT 1: SUNWAY CONSTRUCTION GROWTH PHASE



Source: Company, AmlInvestment Bank Bhd

#### 1. Foundation years (1991-1996)

- Began its operation as Sungei Way Quarry & Construction Sdn Bhd in March 1981 with its first project awarded by Selangor Properties. This was followed by smaller infrastructure projects and residential and commercial projects in Bandar Sunway.
- Established the precast division in Malaysia (1992) and Singapore (1994) as well as the engineering, plant and machinery, and geotechnical divisions to further strengthen the company.

#### 2. Growth (1997-2004)

- Sungei Way Construction Bhd was listed on the Main Board of Kuala Lumpur Stock Exchange on 12 June 1997, and was renamed Sunway Construction Berhad in 1999. It was then privatised in August 2004.

#### 3. International expansion (2005-2009)

- Within a short span of four years, SunCon has undertaken international projects, among others: (1) Trinidad & Tobago – tower for Ministry of Legal Affairs; (2) India – roadworks for the National Highway Authority of India and the Cochin Port connectivity of

Vallarpadam; (3) Singapore – public housing development project under the Singapore Housing & Development Board; and (4) United Arab Emirates – Al-Reem Island and Rihan Heights in Abu Dhabi (Exhibit 2).

### EXHIBIT 2: PROJECTS IN ABU DHABI



Source: AmlInvestment Bank Bhd, Company

#### 4. Commitment to sustainability (2010)

- The first construction player in Malaysia to integrate virtual design technology and construction (VDC) into the construction process. Partnered with renowned provider of 3D construction management and control solutions, CCT International, the VDC system is able to 3D (Design), 4D (time), 5D (costing) and 6D (project life management). This digitization of the construction process further improves the sustainability of the business operations. The biggest ongoing project secured based on VDC capabilities is the Parcel F project located in Putrajaya (Exhibit 3).

### EXHIBIT 3: PARCEL F, PUTRAJAYA



Source: AmlInvestment Bank Bhd, Company

5. Cultivating infrastructure expertise (2011-2014)

- SunCon began undertaking rail-related projects when the company was awarded works to complete the Kelana Jaya Line Light Rail Transit (LRT) extension package B (Exhibit 4 & 5) in 2011. Subsequently in 2012, SunCon secured the Mass Rapid Transit (MRT) project Package V4 (Exhibit 6).
- In 2013, SunCon was contracted to construct Malaysia’s first Bus Rapid Transit – Sunway Line) (Exhibit 7).

**EXHIBIT 4: LRT EXTENSION PACKAGE B – SUBANG ALAM STATION**



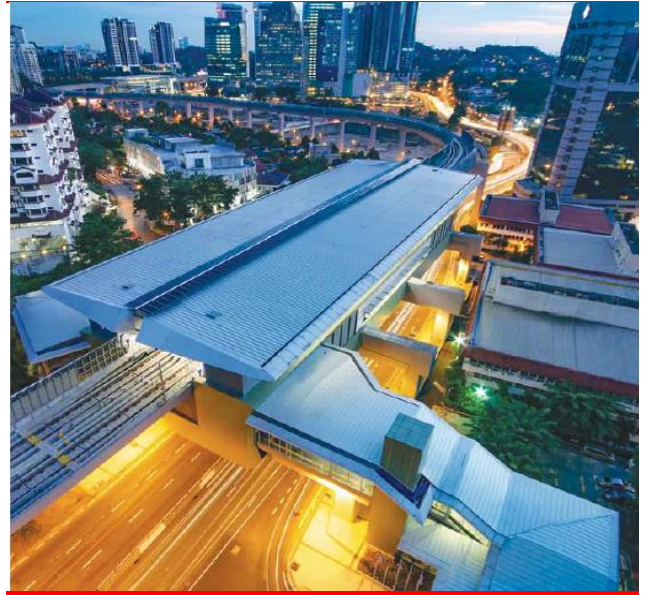
Source: Company, AmlInvestment Bank Bhd

**EXHIBIT 5: LRT EXTENSION PACKAGE B – PUTRA HEIGHTS STATION**



Source: AmlInvestment Bank Bhd, Company

**EXHIBIT 6: MRT PACKAGE V4**



Source: AmlInvestment Bank Bhd, Company

**EXHIBIT 7: BRT – SUNWAY LINE**



Source: Company, AmlInvestment Bank Bhd

6. Malaysia’s largest pure play construction company (2015-current)

- To date, SunCon is the largest pure play construction company with capabilities to provide integrated services and products across different phases of construction, from design to completion.

SunCon is committed to creating long-term shared values among shareholders by prioritising responsible management and sustainable development on the economic, environmental and social fronts. In addition, SunCon has been listed as a constituent in FTSE4Good Index due to its commitment to sustainability and corporate governance.

## CONSTRUCTION DIVISION

The rapid infrastructure development in the country has propelled the construction sector to remarkable growth despite the global economic slowdown. This segment continues to shine thanks to the implementation of government policies and initiatives via the 11<sup>th</sup> Malaysia Plan and Budget 2017 which outlined expenditure in infrastructure and rural development. Additionally, SunCon plans to explore the ASEAN region, focusing on the connectivity masterplan (i.e. One Belt One Road) with potential annual investment of US\$60 billion for development involving roads, rail, power, water and other critical infrastructures.

SunCon is set to become one of the front-runners in bidding large-scale projects given its impressive track record, coupled with its capabilities. In addition, SunCon will continue to benefit from its parent company, Sunway Group for construction works.

### □ *Wholly integrated construction group*

Being the largest construction pure play in the country, SunCon is well positioned to bid or undertake large and complex projects both domestically and internationally. Dubbed as a turnkey contractor, SunCon has a wide range of integrated services and products as follows:

Types of services & products	Description
Building Construction Services	Adopted VDC in 2010, SunCon now provides design and construction services for residential, commercial, institutional and purpose-built or specialty buildings.
Civil/Infrastructure construction services	Provides civil/infrastructure construction services. SunCon has completed projects involving construction of roads, highways, airports and runways, bridges and rail transportation infrastructure projects.
Foundation and geotechnical engineering services	Core services include designing and building earth retaining systems and providing piling solutions.
Mechanical, electrical and plumbing services	Provides mechanical, electrical and plumbing services, and specialised engineering solutions.
Manufacturing and sale of precast concrete products	Develops, designs, manufactures and supplies precast concrete products with manufacturing plants located in Iskandar and Senai in Johor, Malaysia.

### □ *Strong and diversified construction order book*

SunCon successfully secured project worth RM894 million for 2017 which brings the total outstanding order book to RM4.6 billion (inclusive of internal order book) as of March 2017. Because of SunCon's good track-record, Package V201 and S201 under Project MRT Line 2 were awarded to SunCon with a project value of RM1.2 billion. The MRT

V201 involves relocation of 180km fibre optic telecommunications cables, 21.5km underground high-tension cables and 5.4km water pipes.

In addition, other internal projects within the Sunway Group companies that was awarded to SunCon for 2017 was the Sunway Property – Kelana Jaya condominium worth RM449 million which brings the internal outstanding order book to RM1.4 billion.

### □ *Recognised as a reputable builder locally and abroad*

With its proven track record of over 35 years in the industry, SunCon is able to secure and execute major projects both domestically and internationally. Also, SunCon's strong relationship with its customers both from the private (KLCC Group) and public (Syarikat Prasarana Negara) sectors continues to benefit SunCon through the award of additional projects by these companies.

### □ *Solid backing from parent company*

SunCon has established a strategic relationship with its parent company Sunway Bhd, to undertake construction and engineering works. Known as a major property developer, Sunway Group owns a sizeable landbank of 3,304 acres with an estimated total gross development value of RM50.5 billion which is expected to be developed within the next 15 years.

Sunway Group also plans to expand its medical business arm aggressively – building five additional hospitals in the country for the next two years with an estimated 1,000 beds. This bodes well for SunCon as it would be the main beneficiary of the project. Past notable medical centre projects that have been completed by SunCon were Sunway Medical Centre and Prince Court Medical Centre.

The symbiotic relation with Sunway Group provides stability to SunCon's construction division during periods of downturn in the construction segment locally or internationally.

**PRECAST DIVISION**

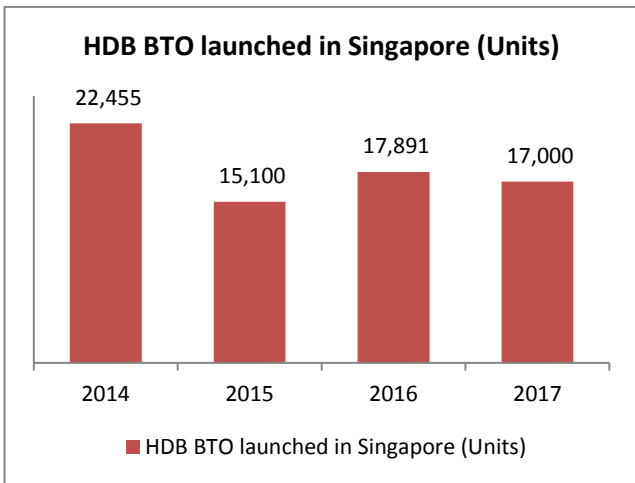
Started in 1994, the precast division develops, designs, manufactures and supplies precast products with manufacturing plants located in Iskandar and Senai. Each of the plant has an annual capacity of 76,000m<sup>3</sup> and 92,000m<sup>3</sup> for Senai and Iskandar respectively. SunCon is the third largest producer of HDB precast concrete segment by revenue, with current market share of 15% behind Eastern Pretech and HL Building Materials.

SunCon supplies its precast products predominantly in the Singapore market. It has strong demand from the Housing Development Board’s (HDB) build-to-order (BTO) launches in year 2017 which is expected to remain resilient as depicted below.

**EXHIBIT 8: SENAI PRECAST PLANT**



Source: AmInvestment Bank Bhd, Company



HDB plans to build more affordable homes in the city state to cater to the growing population. Pundits reckon the Singapore government will continue to build additional affordable apartments to meet the ever growing demand from the population increase in Singapore.

Noting the increase in building additional apartments by HDB, SunCon plans to participate in the Integrated Construction and Prefabrication Hub (ICPH) tenders to fully automate its precast process in Singapore to align with the government of Singapore’s aim to raise productivity in the industry. This hub is located in Pulau Punggol Barat and costs S\$40 million with a 3-years construction period and a 30-year lease of a fully automated robotic precast plant.

**Effective construction method**

The precast method has proven to be the most effective construction method after SunCon ventured into the manufacture of prefabricated bathroom units in Singapore. Besides, it reduces the dependency on foreign labour as well as improve workers’ safety as it lowers the risk of hazards on the construction site.

## INVESTMENT CASE

### Fully integrated construction company

SunCon has grown remarkably since its inception. It is now an integrated construction group with capabilities to provide a wide range of services and products across different phases of construction, from design to completion. The business integration allows SunCon to optimize resources across different business units, providing customers with integrated solutions. The wide arrange of products and services offered to its customers are building construction services, civil/infrastructure construction services, foundation and geotechnical engineering services, mechanical, electrical and plumbing services, and manufacturing and sale of precast concrete products.

The products and services are supported by the respective centres of excellence to ensure the company maximizes its cost savings and improves operating efficiencies for better profitability. The company has also embraced the use of virtual design and construction (VDC) since 2010 in its construction process resulting in more streamlined design, scheduling, project implementation and fabrication processes which translate to cost optimization and greater efficiency.

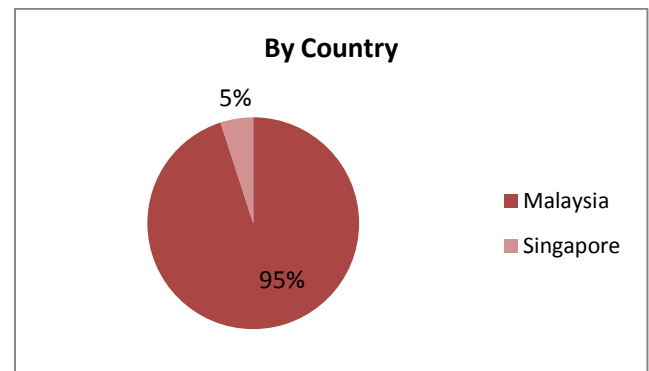
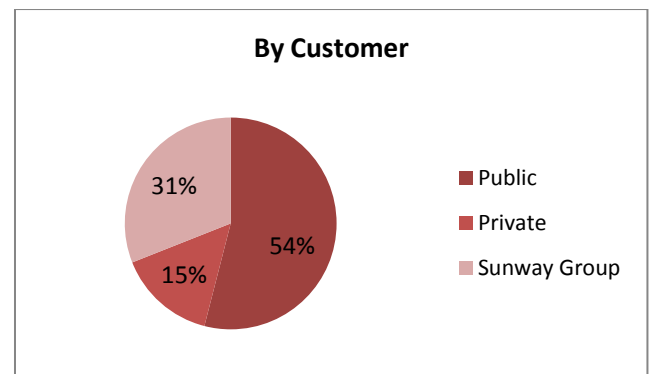
Supported by a large asset base, SunCon is able to maximize economies of scale for the projects it undertake. Assets like boring rigs, launching girders, cranes and scalable formworks are sourced in-house or through the parent company, Sunway Group.

### Solid order book of diversified projects

For the 1H2017, SunCon managed to secure projects worth RM900 million versus its yearly annual order book replenishment target of RM2 billion. We believe SunCon is being somewhat prudent in its annual target order book replenishment as we forecast its order book for 2017/2018 to be approximately RM2.5 billion. We believe additional job wins are likely to come from rail-related projects, public-related projects, and in-house projects from Sunway Group including building additional healthcare centres around the country. Its current outstanding order book stands at RM4.6 billion.

SunCon's order book portfolio is well diversified, comprising both public and private sector jobs. It also, undertakes construction and engineering works from Sunway Group.

SunCon has jobs in in Malaysia and Singapore.



### Proven track record on local and international fronts

Since operations began 35 years ago, SunCon has successfully secured and executed mega projects both domestically and internationally. It has expanded exponentially from a small construction player to become the country's largest construction pure play, winning mega projects both from public and private sectors. Internationally, SunCon began to make inroads in early year 2005 when it managed to complete multi-million dollar projects in Trinidad & Tobago, India, the United Arab Emirates and Singapore. Currently, SunCon has a footprint in Singapore, where it continues to supply precast for construction in Singapore.

Additionally, SunCon's strong relationship with its customers both from the private (KLCC Group of Companies) and public (Syarikat Prasarana Negara) sectors continues to be beneficial, obtaining additional projects from these clients.

### Future growth remains promising

Construction activities remain the pillar of the nation's growth in line with Malaysia's aspiration to become a developed nation by 2020. These will be anchored by:

1. **11<sup>th</sup> Malaysia Plan** – Under its 5<sup>th</sup> strategic thrust, infrastructure will be strengthened to support economic expansion through building an integrated need-based transport system;
2. **Budget 2017** – a) Infrastructure and socioeconomic development throughout the five economic corridors valued at RM2.1bil; and b) upgrading of public transport facilities.

With a strong construction growth forecasted at 8% in FY2017 (1H2017: 6.5%, 2016: 7.4%, 2015: 8.2%), SunCon is expected to be the leading contender to undertake infrastructure projects in the country. These include the LRT3 (RM10bil), BRT (from Pasar Seni to Klang), MRT Line 3, HSR and other future rail projects.

### **Strong brand heritage**

Leveraging the “Sunway” brand, SunCon is seen to be one of the most reliable builders. Embracing sustainability, SunCon has been a constituent company in FTSE4Good Index Series since June 2015, a status that has been reaffirmed in December 2016 in FTSE4Good Index review. Currently, SunCon is the only construction company among FTSE4Good Index constituents.

Its proven capabilities, excellent reputation and heritage of over 30 years have given a distinct edge to SunCon, leading it to become an established multi-award winning brand.

### **Continuing support from Sunway Group**

Being the subsidiary of Sunway Group, SunCon has a multitude of advantages. It is able to tap into the combined resources and access its management team’s invaluable experience and expertise, financial strength and also reliable sources of materials and services from companies within the group. This synergy bolstered SunCon’s capabilities, giving it advantage in terms of competitive pricing, assured quality and shorter project completion periods.

The strategic relationship between Sunway Group and SunCon enables SunCon to embark on construction and engineering work within the group. Sunway Group is synonymous with major property development in Malaysia. The group has remaining landbank of 3,304 acres with the total gross development value of RM50.5 billion. Property launches of Sunway Group in 2017 are estimated to fetch up to RM2 billion.

Other notable plans by Sunway Group are expanding its medical business arm aggressively through building five additional hospitals in the country for the next two years with an estimated 1,000 beds.

The strong support by Sunway Group provides stability to SunCon, especially during the sluggish period in the construction sector.

## RISKS

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### Fluctuation of building material prices

The uncertainty of steel prices may cause significant impact to SunCon's bottom line. Steel prices have been stable in 2017 following the ongoing measures by the Chinese government to cut down supply in China as well the imposition of safeguard duties by Miti. However, steel prices may trend upwards if: 1) demand rises due to rapid infrastructure development with limited supply; and 2) production is halved by manufacturers due to the high cost of production and unfavourable business conditions which will impact the steel players' bottom line. Nevertheless, this can be addressed through bulk locked-in steel in advance if the steel prices is expected to trend upwards in the future.

Conversely, steel prices may fall due to the weaker demand and oversupply in the industry. SunCon then may be impacted if the bulk of its steel inventory was locked in at higher price.

### Fluctuation of foreign currency

SunCon faces the risk of fluctuation in foreign currency exchange (FX) rate as it imports goods such as special lightings, furnishing and façade components from overseas. The fluctuation of FX will impact the company's bottom line. In mitigating this risk, SunCon currently adopts FX hedge once the design and bill of quantity are confirmed.

### Foreign workers' levy

The levy for foreign workers may be increased due to government policies. This will add to SunCon's cost of doing business. In view of this, SunCon is factoring in the levy cost in new tenders and ensures that foreign workers are managed efficiently.

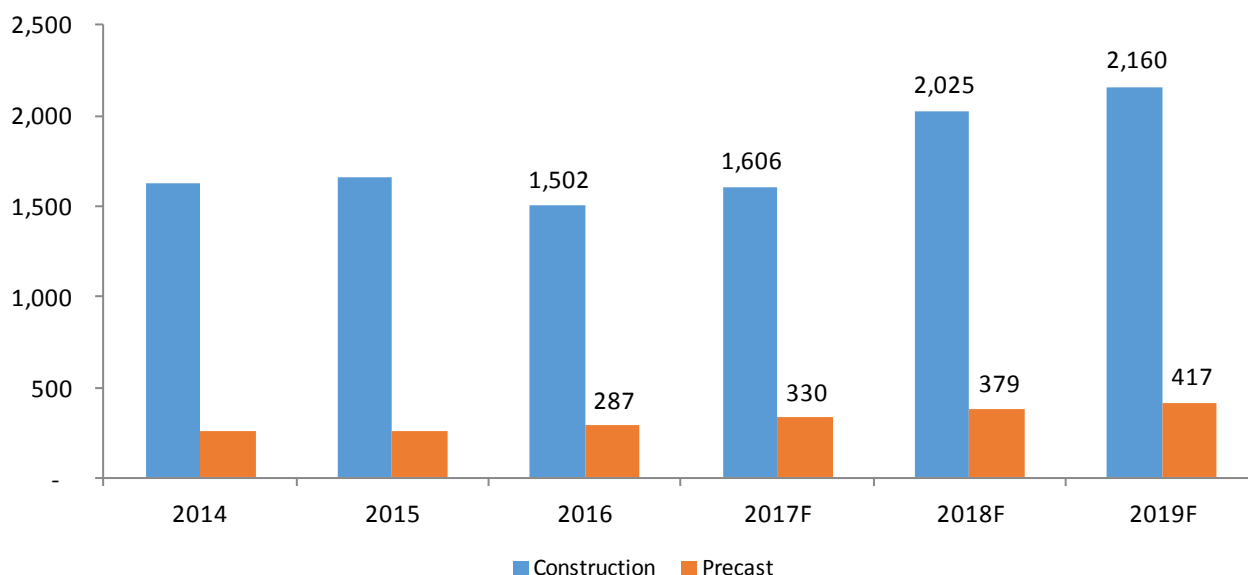


## SUNWAY CONSTRUCTION VALUATION

We value SunCon at RM2.01 based on 15x PE FY18F  
EPS of 13.4 sen, in line with our benchmark forward PE of  
14-16x for large cap construction listed companies.

### EXHIBIT 9: REVENUE BREAKDOWN BY SEGMENT

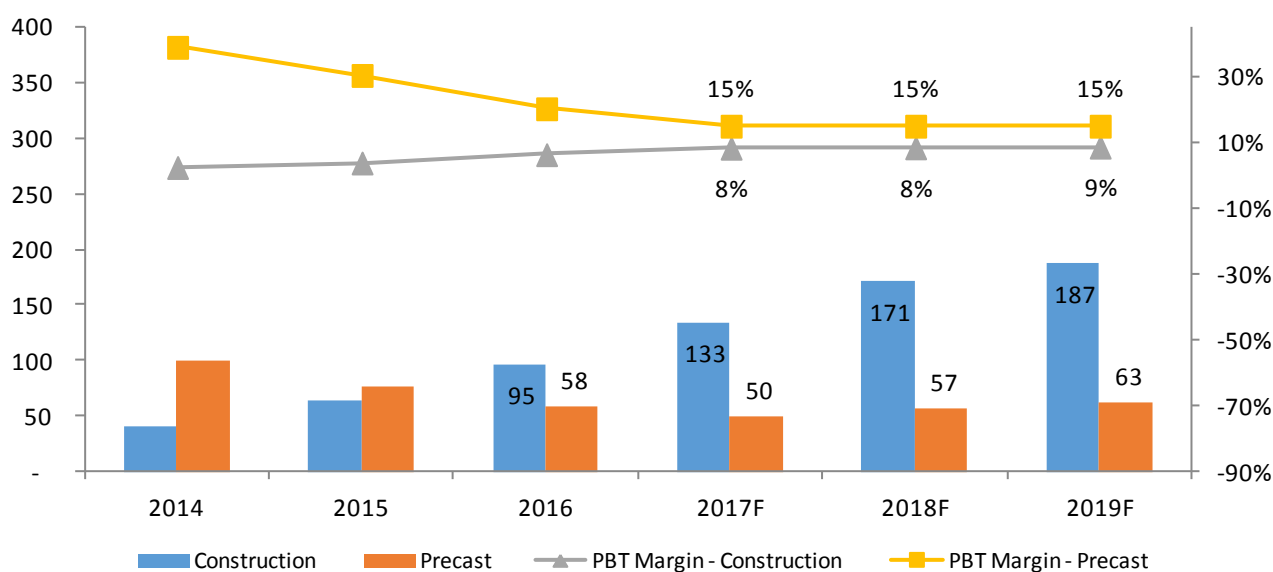
#### Revenue by Segment (RM million)



Source: AmlInvestment Bank Bhd, Company

### EXHIBIT 10: PBT BREAKDOWN BY SEGMENT

#### PBT by Segment (RM million)



Source: AmlInvestment Bank Bhd, Company

## EXHIBIT 11: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,916.9	1,788.8	1,935.8	2,403.9	2,577.4
EBITDA	175.6	186.4	207.1	255.0	276.1
Depreciation/Amortisation	(39.3)	(37.1)	(37.2)	(42.2)	(47.2)
Operating income (EBIT)	136.3	149.2	169.9	212.8	228.9
Other income & associates	-	-	-	-	-
Net interest	4.5	4.4	13.0	14.9	20.4
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>140.8</b>	<b>153.7</b>	<b>183.0</b>	<b>227.7</b>	<b>249.3</b>
Taxation	(13.0)	(30.0)	(43.9)	(54.6)	(59.8)
Minorities/pref dividends	(0.6)	(0.1)	(0.1)	(0.2)	(0.2)
<b>Net profit</b>	<b>127.2</b>	<b>123.5</b>	<b>138.9</b>	<b>172.9</b>	<b>189.3</b>
Core net profit	127.2	123.5	138.9	172.9	189.3
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	162.5	140.7	153.5	161.3	164.1
Intangible assets	3.6	3.6	3.6	3.6	3.6
Other long-term assets	14.0	10.8	10.8	10.8	10.8
<b>Total non-current assets</b>	<b>180.2</b>	<b>155.1</b>	<b>167.9</b>	<b>175.7</b>	<b>178.5</b>
Cash & equivalent	390.5	465.8	522.2	616.5	712.6
Stock	-	-	-	-	-
Trade debtors	626.5	763.9	763.9	763.9	763.9
Other current assets	200.2	212.5	212.5	212.5	212.5
<b>Total current assets</b>	<b>1,217.2</b>	<b>1,442.2</b>	<b>1,498.6</b>	<b>1,592.9</b>	<b>1,689.1</b>
Trade creditors	795.6	955.0	955.0	955.0	955.0
Short-term borrowings	136.8	136.5	136.5	136.5	136.5
Other current liabilities	9.3	11.4	11.4	11.4	11.4
<b>Total current liabilities</b>	<b>941.7</b>	<b>1,102.9</b>	<b>1,102.9</b>	<b>1,102.9</b>	<b>1,102.9</b>
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	4.1	0.6	0.6	0.6	0.6
<b>Total long-term liabilities</b>	<b>4.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Shareholders' funds</b>	<b>451.0</b>	<b>493.0</b>	<b>562.1</b>	<b>664.0</b>	<b>762.8</b>
Minority interests	0.6	0.8	0.9	1.1	1.2
BV/share (RM)	0.35	0.38	0.43	0.51	0.59
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	140.8	153.7	183.0	227.7	249.3
Depreciation/Amortisation	39.3	37.1	37.2	42.2	47.2
Net change in working capital	-	(58.7)	-	-	-
Others	(4.5)	(46.5)	(56.9)	(69.6)	(80.3)
<b>Cash flow from operations</b>	<b>175.6</b>	<b>85.6</b>	<b>163.2</b>	<b>200.4</b>	<b>216.3</b>
Capital expenditure	-	(19.0)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	-	2.1	-	-	-
Others	-	89.6	19.1	21.0	26.5
<b>Cash flow from investing</b>	<b>-</b>	<b>72.7</b>	<b>(30.9)</b>	<b>(29.0)</b>	<b>(23.5)</b>
Debt raised/(repaid)	-	(0.3)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	(84.0)	(69.8)	(71.0)	(90.6)
Others	-	-	(6.1)	(6.1)	(6.1)
<b>Cash flow from financing</b>	<b>-</b>	<b>(84.4)</b>	<b>(75.9)</b>	<b>(77.1)</b>	<b>(96.6)</b>
<b>Net cash flow</b>	<b>175.6</b>	<b>73.9</b>	<b>56.5</b>	<b>94.3</b>	<b>96.2</b>
<b>Net cash/(debt) b/f</b>	<b>-</b>	<b>-</b>	<b>60.7</b>	<b>117.2</b>	<b>211.4</b>
<b>Net cash/(debt) c/f</b>	<b>175.6</b>	<b>60.7</b>	<b>117.2</b>	<b>211.4</b>	<b>307.6</b>
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	-	(6.7)	8.2	24.2	7.2
EBITDA growth (%)	-	6.2	11.1	23.1	8.3
Pretax margin (%)	7.3	8.6	9.5	9.5	9.7
Net profit margin (%)	6.6	6.9	7.2	7.2	7.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	9.2	19.5	24.0	24.0	24.0
Dividend payout (%)	-	68.0	40.0	50.0	50.0
Debtors turnover (days)	119	156	144	116	108
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	195	254	217	178	173

Source: Company, AmlInvestment Bank Bhd estimates

EXHIBIT 12: PB BAND CHART

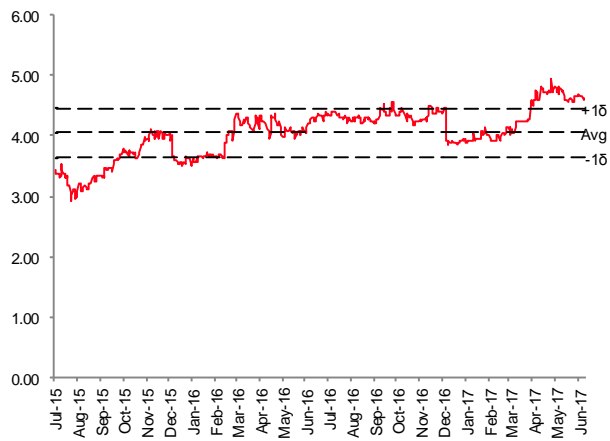
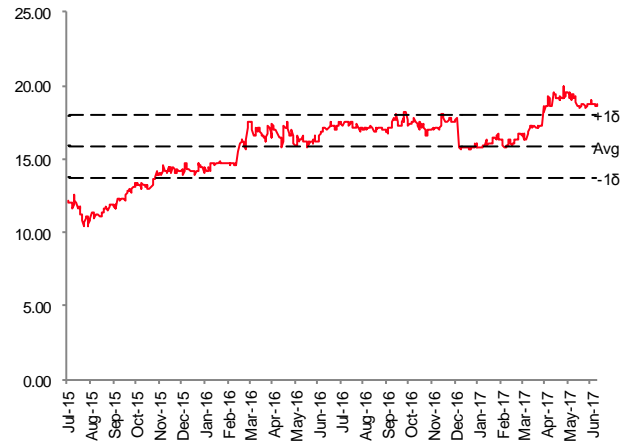


EXHIBIT 13: PE BAND CHART



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