Tuesday, November 21, 2023

Company Results

Steven Chong

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Recommendation:		HOLD
Current Price:		RM 1.81
Previous Target Price:		RM 1.80
Target Price:	\leftrightarrow	RM 1.80
Upside/Downside:		-0.6%

Stock information

Stock illionnation	
Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5138 / HAPL MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	ជជ∗∗∗
Shares issued (m)	799.7
Market Cap (RM'm)	1,447.4
52-Week Price Range (RM)	2.16-1.68
Beta (x)	0.9
Free float (%)	25.7
3M Average Volume (m)	0.2
3M Average Value (RM'm)	0.4
Top 3 Shareholders	(%)

Share Price Performance

HAP Seng Consolidated Bhd

PUBLIC SMALLCAP FUND

Employees Provident Fund Board



69.5

1.7

1.0

	1M	3M	12M
Absolute (%)	-1.6	-6.7	-12.1
Relative (%)	-2.7	-7.4	-12.6

Hap Seng Plantations Holdings Berhad

3Q23 within expectation

Summary

- HSPLANT's 3QFY23 core net profit at RM22.8m within our expectations as higher FFB production was offset by the decline in CPO and PK average selling price.
- Looking ahead, CPO prices are expected to stay subdued for the remainder of the year due to an anticipated increase in supply.
- We maintain our HOLD recommendation with a target price of RM1.80 by pegging PE multiple of 12.8x to FY24f EPS of RM0.14.

Results Review

- **Results review**. HSPLANT recorded core net profit of RM22.8m (-41.4% yoy) after excluding gain from fair value adjustments of biological assets of RM15m in 3QFY23. Meanwhile, revenue registered at RM164.6m, shedding -9.6% yoy as higher FFB production was offset by the decline in CPO and PK average selling price.
- **Within expectations**. 9MFY23 net profit of RM70.7m was well within both our and consensus expectations, which accounted for 67% of our full year estimates and 76% of consensus estimates.
- Operations Highlights. 3QFY23's CPO and PK production were higher by 17% yoy and 21% yoy mainly attributable to higher FFB production resulting from seasonal yield trends and changes in cropping patterns. On the other hand, average selling price of CPO and PK for 3QFY23 were at RM3,924/tonne (-24.8% yoy) and RM2,142/tonne (-15.8% yoy) respectively which is both substantially lower as compared to 2QFY23.
- **Industry Highlights**. In 3Q23, CPO price remained volatile, ranging from RM3,640/MT to a peak of RM3,805/MT. During the quarter, Malaysia palm oil inventories surged by +25.8% qoq to 6.17mt. The rise was attributed to increase in palm oil production (+25.2% qoq) that outpaced growth in palm oil exports (+13% qoq).
- Outlook. We re-iterate our view that CPO prices are expected to stay subdued for
 the remainder of the year due to an anticipated increase in supply. Moving forward,
 CPO prices are expected to be influenced by the seasonally high production of palm
 oil in tandem with the cropping season of FFB as well as competition from rival
 edible oils such as soybean oil and sunflower oil.
- Valuation. Maintained our earnings forecast for FY23F with a slight adjustment to FY24F (+5.6%), to account for possible recovery in CPO price. Maintained a HOLD call for Hap Seng Plantation, with a target price of RM1.80 based on 12.8x PER FY24F at mean from its 3-year average forward PE.
- Risk. EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labours and rising operational cost.



APEX SECURITIES BERHAD

Tuesday, November 21, 2023 **Company Results**

Figure 1: Results Compa	arison									
FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	Q oQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	164.6	182.0	(9.6)	168.8	(2.5)	671.0	493.3	(26.5)		Higher production offset by
EBITDA	70.4	38.7	82.0	34.5	104.3	300.0	158.0	(47.3)	———	lower CPO and PK ASP
Pre-tax profit	49.2	17.2	<i>185.4</i>	13.2	273.1	236.3	93.9	(60.3)	\	
Net profit	37.8	22.9	<i>65.4</i>	9.4	<i>301.7</i>	191.4	70.7	(63.1)	•	Buoyed by FV gain in
Core net profit	22.8	38.9	(41.4)	13.7	66.4	188.7	57.6	(69.5)	•	biological asset
Core EPS (sen)	2.9	4.9	(41.4)	1.7	66.4	23.6	7.2	(69.5)	• • • • • • • • • • • • • • • • • • • •	
EBITDA margin (%)	42.8	21.3		20.4		44.7	32.0		•	
PBT margin (%)	29.9	9.5		7.8		35.2	19.0		—	
Core PATMI margin (%)	13.9	21.4		8.1		28.1	11.7			

Core PATMI margin (%) 13.9
Source: Company, Apex Securities

FYE Doc (RM m) FY20 FY21 FY21 FY21 FY23F FY24F FY20 Doc (RM m) FY20 FY21 FY23F FY23F FY24F FY20 Doc (RM m) G57 FY21 FY22 FY23F FY23F FY24F FY21 FY21 FY23F FY23F FY24F FY23F FY21 FY23F FY23F FY24F FY23F FY23F FY24F FY23F FY23F FY24F FY23F FY24F FY23F FY23F FY24F FY23F FY23F FY24F FY23F FY24F FY23F FY24F FY23F FY23F FY24F FY23F FY24F FY23F FY24F FY24F FY23F FY24F FY24F FY23F FY24F FY23F FY24F FY23F FY24F FY24F FY24F FY23F FY24F FY24F<	<u>Financial Highlights</u>											
Revenue	Income Statement						Balance Sheet					
Gross Profit 156.3 255.6 278.0 252.7 254.2 Receivables 31.9 41.3 9.2 7.1 47.2 EBIT DA 280.0 382.7 282.6 228.6 184.6 Hother current assets 43.3 91.1 15.5 92.7 70.5 EBIT 120.3 280.0 289.0 136.9 14.7 70.6 Hother current assets 380.4 68.7 88.3 97.7 70.5 70.0<	FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F	FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Part	Revenue	467.6	670.9	814.6	631.7	653.0	Cash	63.7	121.0	166.3	154.7	205.1
Depreciation & Amortisation 67.7 78.5	Gross Profit	156.3	355.6	378.0	252.7	261.2	Receivables	31.9	14.3	9.2	7.1	7.4
Path 120.3 296.0 296.0 296.0 296.0 34.0 41.7 Total Current Assets 301.5 676.0 679.2 1705.0 679.0	EBITDA	208.0	382.5	353.7	222.6	226.4	Inventories	54.3	91.1	119.5	92.7	95.8
Net Finance Income	Depreciation & Amortisation	87.7	86.5	84.7	85.8	84.6	Other current assets	230.6	432.3	393.2	393.2	393.2
Associates & JV 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.	EBIT	120.3	296.0	269.0	136.9	141.7	Total Current Assets	380.4	658.7	688.3	647.7	701.5
Pre-tax Profit 118.7 294.8 268.1 140.3 145.1 Other non-current assets 80.0 0.0 0.0 0.0 0.0 90.0	Net Finance Income/ (Cost)	1.6	1.2	0.9	3.4	3.4	Fixed Assets	1801.5	1710.6	1732.2	1709.6	1690.3
Tax file 66.2 53.7 33.7 34.8 Total Non-current assets 60.5 710.6 719.6 709.6 709.0 0.0	Associates & JV	0.0	0.0	0.0	0.0	0.0	Intangibles	0.0	0.0	0.0	0.0	0.0
Profit After Tax 91.8 204.7 224.8 106.6 110.3 110.4 204.7 224.8 106.6 110.3 204.7 224.8 106.6 110.3 204.7 224.8 106.6 204.7 224.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 204.7 204.8 20	Pre-tax Profit	118.7	294.8	268.1	140.3	145.1	Other non-current assets	0.0	0.0	0.0	0.0	0.0
Minority Interest 0.0 0.	Tax	18.1	66.2	53.7	33.7	34.8	Total Non-current assets	1801.5	1710.6	1732.2	1709.6	1690.3
Net Profit 91.8 20.47 22.48 106.6 110.3 10 10 10 10 10 10 10 1	Profit After Tax	91.8	204.7	224.8	106.6	110.3	Short-term Debt	0.0	0.0	0.0	0.0	0.0
Core Net Profit 91.8 204.7 224.8 106.6 110.3 10.0	Minority Interest	0.0	0.0	0.0	0.0	0.0	Payables	33.2	51.8	61.3	55.6	57.4
Cor Net Profit 91.8 204.7 224.8 106.6 110.3 Cong-term Debt 0.0 0.0 0.0 0.0 0.0 419.9	Net Profit	91.8	204.7	224.8	106.6	110.3	Other Current Liabilities	15.0	12.6	10.1	10.1	10.1
Key Ratios FY20 FY21 FY22 FY22 FY23F FY24F Cotal Non-current Liabilities 48.8 42.1 419.9 419.5 419.5 419.5 419.5 419.5 419.5 419.5 419.5 419.9 419.5 419.5 <th< td=""><td>Exceptionals</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>Total Current Liabilities</td><td>48.3</td><td>64.4</td><td>71.4</td><td>65.6</td><td>67.5</td></th<>	Exceptionals	0.0	0.0	0.0	0.0	0.0	Total Current Liabilities	48.3	64.4	71.4	65.6	67.5
Key Ratios FY20 FY20 FY21 FY22 FY24F FY24F FY24F FY24F FY24F FY24F FY24F FY24F Shareholder's equity 17148 1826.9 1929.0 1870 94.9 1929.0 1870 94.9 1929.0 1870 94.9 1929.0 1870 94.9 1870 94.9 1870 94.9 1870 94.9 1870 94.9 1870 94.9 1870 94.9 1870 94.9 1870 94.9 94	Core Net Profit	91.8	204.7	224.8	106.6	110.3	Long-term Debt	0.0	0.0	0.0	0.0	0.0
FYE Doc (RM m) FY20 FY21 FY22 FY23F FY24F Shareholder's equity 174.8 1882.9 192.9 187.9 193.0 10.0 0.							Other non-current liabilities	418.8	422.1	419.9	419.9	419.9
EBITDA margin 44.5% 57.0% 43.4% 35.2% 34.7% Minority interest 0.0 0.0 0.0 10.0 10.0 10.0 10.0 10.0 1	Key Ratios						Total Non-current Liabilities	418.8	422.1	419.9	419.9	419.9
PBT margin 25.7% 44.9% 33.0% 21.7% 21.7% Equity 1714,8 1882.9 1929.3 1871.9 1904.5 PBT margin 25.4% 43.9% 32.9% 22.2% 22.2% PAT margin 19.6% 30.5% 27.6% 16.9% 16.9% 16.9% 174 174 174 174 174 174 174 PBT margin 19.6% 30.5% 27.6% 16.9% 16.9% 16.9% 174 174 174 174 174 174 174 174 174 174 174 Core NP margin 19.6% 30.5% 27.6% 16.9% 16.9% 16.9% 174 174 174 174 174 174 174 174 174 174 174 Core NP margin 19.6% 30.5% 27.6% 16.9% 16.9% 16.9% 174 174 174 174 174 174 174 174 174 174 174 174 174 174 174 ROE 5.4% 10.9% 11.7% 5.7% 5.8% 16.9% 174	FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F	Shareholder's equity	1714.8	1882.9	1929.3	1871.9	1904.5
PBT margin	EBITDA margin	44.5%	57.0%	43.4%	35.2%	34.7%	Minority interest	0.0	0.0	0.0	0.0	0.0
PAT margin 19.6% 30.5% 27.6% 16.9% 16.9% 16.9% FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F PX6F PX6F PX6F PX6F PX6F PX6F PX6F PX6	EBIT margin	25.7%	44.1%	33.0%	21.7%	21.7%	Equity	1714.8	1882.9	1929.3	1871.9	1904.5
NP margin 19.6% 30.5% 27.6% 16.9% 16.9% FYE Dec (RM m) FY20 FY21 FY22 FY23F	PBT margin	25.4%	43.9%	32.9%	22.2%	22.2%						
Core NP margin 19.6% 30.5% 27.6% 16.9% 16.9% Pre-tax profit 118.7 294.8 268.1 140.3 145.1 ROE 5.4% 10.9% 11.7% 5.7% 5.8% Depreciation & amortisation 87.7 100.5 102.7 103.2 108.4 ROA 5.4% 12.0% 13.0% 6.2% 6.5% Changes in working capital -10.7 -0.7 -13.9 23.2 -1.5 Net gearing -3.7% -6.4% -8.6% -8.3% -10.8% Others -58.9 -117.1 -110.8 -51.1 -58.6 Net gearing -3.7% -6.4% -8.6% -8.3% -10.8% Others -58.9 -117.1 -110.8 -51.1 -58.6 Net gearing -3.7% -6.4% -8.6% -8.3% -724F Others -56.7 -57.8 -79.0 -63.2 -65.3 Key Assumptions FY20 FY21 FY22 FY25F FY24F Others -30.3 -96.	PAT margin	19.6%	30.5%	27.6%	16.9%	16.9%	Cash Flow					
ROE 5.4% 10.9% 11.7% 5.7% 5.8% Depreciation & amortisation 87.7 100.5 102.7 103.2 103.2 103.4 ROA 5.1% 12.0% 13.0% 6.2% 6.5% Changes in working capital -10.7 -0.7 -13.9 23.2 -1.5 Net gaaring -3.7% -6.4% -8.6% -8.3% -10.8% Others -58.9 -117.1 -110.8 -51.1 -58.6 Key Assumptions FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F Others -54.7 -57.8 -79.0 -63.2 -65.3 FPE Dec (RM m) FY20 FY21 FY228 FY24F Others -30.3 -96.5 51.8 0.0 0.0 Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0	NP margin	19.6%	30.5%	27.6%	16.9%	16.9%	FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
ROA 5.1% 12.0% 13.0% 6.2% 6.5% Changes in working capital -10.7 -0.7 -13.9 23.2 -15.8 Net gearing -3.7% -6.4% -8.6% -8.3% -10.8% Others -58.9 -117.1 -110.8 -51.1 -58.6 Key Assumptions FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F Others -54.7 -54.7 -79.0 -63.2 -65.3 FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F Others -30.3 -96.5 51.8 0.0 0.0 Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0 0.0 0.0 0.0 OER 20.6% 20.4% 20.4% 20.8% 20.8% Issuance of shares	Core NP margin	19.6%	30.5%	27.6%	16.9%	16.9%	Pre-tax profit	118.7	294.8	268.1	140.3	145.1
Net gearing -3.7% -6.4% -8.6% -8.3% -10.8% Others -58.9 -117.1 -110.8 -51.1 -58.6 Key Assumptions Net capex -54.7 -57.8 -79.0 -63.2 -65.3 FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F Others -30.3 -96.5 51.8 -00.0 0.0 Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -77.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0	ROE	5.4%	10.9%	11.7%	5.7%	5.8%	Depreciation & amortisation	87.7	100.5	102.7	103.2	108.4
Key Assumptions FY20 FY21 FY22 FY23F FY24F Others -54.7 -57.8 -79.0 -63.2 -65.3 FYE Dec (RM m) FY20 FY21 FY22 FY23F FY24F Others -30.3 -96.5 51.8 0.0 0.0 Production ('000) 637(3) 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0	ROA	5.1%	12.0%	13.0%	6.2%	6.5%	Changes in working capital	-10.7	-0.7	-13.9	23.2	-1.5
Key Assumptions FY20 FY21 FY22 FY23F FY24F Others -54.7 -57.8 -79.0 -63.2 -65.2 -65.3 FYE Dec (RM m) FY20 FY21 FY22F FY24F Others -30.3 -96.5 51.8 0.0 0.0 Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0	Net gearing	-3.7%	-6.4%	-8.6%	-8.3%	-10.8%	Others	-58.9	-117.1	-110.8	-51.1	-58.6
FYE Dec (RM m) FY20 FY21 FY22 FY22F PY23F FY24F PY24F Others -30.3 -96.5 51.8 0.0 0.0 Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0							Operating cash flow	136.8	277.5	246.1	215.5	193.4
Production ('000) 637131 593279 583943 712096 719217 Investing cash flow -85.0 -154.2 -27.3 -63.2 -65.3 FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0	Key Assumptions						Net capex	-54.7	-57.8	-79.0	-63.2	-65.3
FFB Yield 19.7 18.3 18.2 22.0 22.0 Changes in borrowings 0.0 <th< td=""><td>FYE Dec (RM m)</td><td>FY20</td><td>FY21</td><td>FY22</td><td>FY23F</td><td>FY24F</td><td>Others</td><td>-30.3</td><td>-96.5</td><td>51.8</td><td>0.0</td><td>0.0</td></th<>	FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F	Others	-30.3	-96.5	51.8	0.0	0.0
OER 20.6% 20.4% 20.4% 20.8% 20.8% Issuance of shares 0.0	Production ('000)	637131	593279	583943	712096	719217	Investing cash flow	-85.0	-154.2	-27.3	-63.2	-65.3
CPO (RM) 2788 4432 5530 3600 3700 Dividends paid -28.0 -56.0 -163.9 -163.9 -77.7 Others -9.5 -9.5 -9.9 -9.6 0.0 0.0 Valuations FY24f Financing cash flow -37.5 -65.9 -173.5 -163.9 -77.7 Core EPS (RM) 0.14 Net cash flow 14.3 57.4 45.3 -11.6 50.4 P/E multiple (x) 13.0 Forex 0.0 0.0 0.0 0.0 0.0 Fair Value (RM) 1.79 Others 0.0 0.0 0.0 0.0 0.0 166.2 154.7	FFB Yield	19.7	18.3	18.2	22.0	22.0	Changes in borrowings	0.0	0.0	0.0	0.0	0.0
Valuations FY24f Financing cash flow -37.5 -65.9 -173.5 -163.9 -77.7 Core EPS (RM) 0.14 Net cash flow 14.3 57.4 45.3 -11.6 50.4 ₱Æ multiple (x) 13.0 Forex 0.0 0.0 0.0 0.0 0.0 Fair Value (RM) 1.79 Others 0.0 0.0 120.9 166.2 154.7	OER	20.6%	20.4%	20.4%	20.8%	20.8%	Issuance of shares	0.0	0.0	0.0	0.0	0.0
Valuations FY24f Financing cash flow -37.5 -65.9 -173.5 -163.9 -77.7 Core EPS (RM) 0.14 Net cash flow 14.3 57.4 45.3 -11.6 50.4 P/E multiple (x) 13.0 Forex 0.0	CPO (RM)	2788	4432	5530	3600	3700	Dividends paid	-28.0	-56.0	-163.9	-163.9	-77.7
Core EPS (RM) 0.14 Net cash flow 14.3 57.4 45.3 -11.6 50.4 P/E multiple (x) 13.0 Forex 0.0							Others	-9.5	-9.9	-9.6	0.0	0.0
P/E multiple (x) 13.0 Forex 0.0	Valuations	FY24f					Financing cash flow	-37.5	-65.9	-173.5	-163.9	-77.7
Fair Value (RM) 1.79 Others 0.0 0.0 0.0 0.0 0.0 0.0 Beginning cash 49.2 63.6 120.9 166.2 154.7	Core EPS (RM)	0.14					Net cash flow	14.3	57.4	45.3	-11.6	50.4
Beginning cash 49.2 63.6 120.9 166.2 154.7	P/E multiple (x)	13.0					Forex	0.0	0.0	0.0	0.0	0.0
ů ů	Fair Value (RM)	1.79					Others	0.0	0.0	0.0	0.0	0.0
							Beginning cash	49.2	63.6	120.9	166.2	154.7
Ending cash 63.6 120.9 166.2 154.7 205.1					Ending cash	63.6	120.9	166.2	154.7	205.1		

Source: Company, Apex Securities

Tuesday, November 21, 2023 Company Results

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

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General Line: (603) 8736 1118

Head Office:

Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028) Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067)

Steven Chong (ext 2068) Jayden Tan (ext 2069) Aiman Kamil (ext 2071)

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months. **NEUTRAL**: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months. **UNDERWEIGHT**: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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