

Boustead Plantations (BPLANT MK)

3Q losses bigger than expected

Still no interim dividend in sight; Prefer BAL SP

3Q19 core losses were higher than we expected largely on unexpected tax losses. We raise our FY19E core loss forecast by 30%. Following our earnings revision and rolling forward our RNAV valuation, BPLANT remains a HOLD with a lower RNAV-TP of MYR0.68 (previously MYR0.71). No interim dividend was declared this quarter. We prefer Bumitama Agri (BAL SP, BUY, TP SGD0.80) for its medium-term growth prospect and decent forward dividend yields of 3.5%-4.1%.

3Q19 core losses higher-than-expected due to taxes

Low CPO price and the absence of gain on disposal of land in 3Q19 led BPLANT to post a headline loss of MYR33m (+52% YoY, 2Q19 PATMI: MYR79m). 3Q19 core losses met ~50% of full-year core losses forecasts, higher than we expected but largely due to unexpected tax losses (MYR9m) recognised as certain expenses were non-deductible for tax purposes and group relief. This was against our expectation of a tax credit. Besides high corporate taxes, 3Q19 losses were as mentioned also due to lower CPO ASP achieved of MYR2,026/t (-10% YoY, +2% QoQ), which was partially offset by higher FFB output (+5% YoY, +5% QoQ).

All-in cost of production at MYR2,531/t for 9M19

As for 9M19, core losses more than doubled YoY to MYR84m (+115% YoY), which met 125% of our full-year core losses forecasts. By our estimate, BPLANT's 9M19 all-in cost of production was 7% lower YoY at MYR2,531/t.

Raising our FY19E core losses

Following weak 9M results, we raise our FY19E core losses by 30%, but left the FY20-21E unchanged. For 4Q19, we expect BPLANT to broadly break even on lower fertiliser application (typical of Q4) and higher CPO ASP achieved. CPO spot price has jumped 23% since the start of 4Q. Key re-rating catalysts: (i) successful monetization of its 197.4ha Balau Estate land (which we believe should be worth >MYR255m) to pay out higher dividends; and (ii) CPO price trending sustainable higher than our MYR2,300/t CPO ASP forecast for FY20E. Every MYR100/t increase in CPO price will raise our PBT by ~MYR22m.

FYE Dec (MYR m)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	760	584	598	679	720
EBITDA	260	119	137	170	185
Core net profit	90	(52)	(88)	(34)	(17)
Core EPS (sen)	4.0	(2.3)	(3.9)	(1.5)	(0.8)
Core EPS growth (%)	10.0	nm	nm	nm	nm
Net DPS (sen)	13.9	7.0	2.0	2.0	2.0
Core P/E (x)	29.4	nm	nm	nm	nm
P/BV (x)	0.9	0.6	0.5	0.5	0.6
Net dividend yield (%)	11.8	9.3	3.1	3.1	3.1
ROAE (%)	23.8	(1.8)	0.9	(1.3)	(0.7)
ROAA (%)	2.7	(1.4)	(2.1)	(0.8)	(0.4)
EV/EBITDA (x)	10.5	22.6	20.1	14.8	13.4
Net gearing (%) (incl perps)	4.2	40.3	53.2	46.4	46.5
Consensus net profit	-	-	49	(34)	(17)
MKE vs. Consensus (%)	-	-	(47.3)	0.3	0.0

Ong Chee Ting, CA
 ct.ong@maybank-ib.com
 (603) 2297 8678

HOLD

Share Price	MYR 0.64
12m Price Target	MYR 0.68 (+9%)
Previous Price Target	MYR 0.71

Company Description

Boustead Plantations is a pure upstream oil palm plantation company with estates located principally in Malaysia.

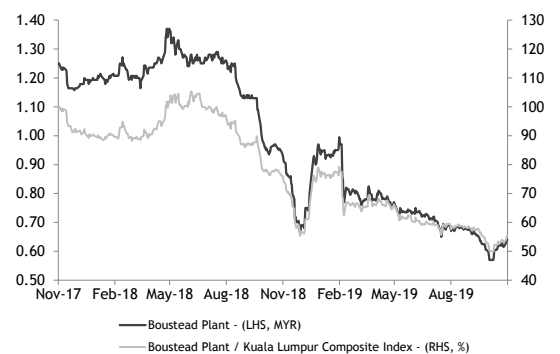
Statistics

52w high/low (MYR)	1.00/0.57
3m avg turnover (USDm)	0.1
Free float (%)	33.2
Issued shares (m)	2,240
Market capitalisation	MYR1.4B USD344M

Major shareholders:

Boustead Holdings Bhd.	57.4%
Lembaga Tabung Angkatan Tentera	12.1%
Employees Provident Fund	4.6%

Price Performance



	-1M	-3M	-12M
Absolute (%)	7	(6)	(32)
Relative to index (%)	5	(6)	(28)

Source: FactSet

Fig 1: Boustead Plantations 3QFY19 results summary

FYE Dec (MYR m)	Quarterly					Cumulative		
	3QFY19	3QFY18	% YoY	2QFY19	% QoQ	9MFY19	9MFY18	% YoY
Revenue	139.2	131.1	6.2	123.9	12.3	398.1	427.5	(6.9)
EBIT	(11.7)	(11.4)	2.7	(22.1)	(47.2)	(34.6)	(22.2)	55.8
Interest income	0.1	0.3	(81.0)	0.9	(92.9)	1.0	1.3	(18.8)
Finance cost	(17.5)	(13.0)	33.8	(16.8)	4.1	(48.1)	(23.1)	108.1
Share of results of Associates	1.3	0.9	43.9	2.7	(50.7)	4.6	2.5	83.6
Gain on disposal of estate land	-	-	-	119.5	(100.0)	119.5	-	NM
Pretax profit / loss	(27.7)	(23.2)	19.8	84.1	NM	42.3	(41.6)	NM
Tax	(9.3)	(1.5)	535.0	(8.7)	6.7	(23.8)	(7.2)	233.0
Minority Interest	3.8	2.7	39.0	3.8	(1.0)	11.2	9.8	14.0
PATAMI/ LATAMI	(33.3)	(21.9)	52.0	79.2	NM	29.7	(38.9)	NM
Core LATAMI	(33.3)	(21.9)	52.0	(34.3)	(2.8)	(83.7)	(38.9)	115.4
			+/-ppt		+/-ppt			+/-ppt
EBIT margin	(8.4)	(8.7)	0.3	(17.8)	9.4	(8.7)	(5.2)	(3.5)
Effective Tax rate %	(32.1)	(6.1)	(26.0)	(23.0)	(9.1)	(29.1)	(16.2)	(12.9)
			% YoY		% QoQ			% YoY
FFB output (MT)	239,573	228,739	4.7	229,203	4.5	727,771	660,088	10.3
CPO ASP (MYR/t)	2,026	2,249	(9.9)	1,989	1.9	2,011	2,391	(15.9)

Sources: Company, Maybank KE

Fig 2: Boustead Plantations RNAV

Estates	Owner -ship	Status	Size	NBV	BV	Market price	Market Value (MV)	MV (based on equity stake)	SOTP on 50%-disc on estates	SOP/sh
			Hectare	MYR 'm	MYR psf	MYR psf	MYR'm	MYR'm	MYR'm	MYR
Balau	100%	FH	247	27.3	1.03	12.00	319.4	319.4	319.4	0.14
Kulai Young	100%	FH	671	53.8	0.80	8.00	577.2	577.2	577.2	0.26
Bukit Mertajam	100%	FH	2,165	139.5	0.60	4.00	931.7	931.7	931.7	0.42
Kuala Muda	50%	FH	1,520	34.0	0.21	1.50	245.2	122.6	122.6	0.05
Malakoff	100%	FH	562	42.1	0.70	8.00	483.8	483.8	483.8	0.22
Telok Sengat	100%	FH	3,690	280.3	0.71	1.50	595.5	595.5	595.5	0.27
Batu Pekaka	100%	FH	969	55.2	0.53	1.50	156.3	156.3	156.3	0.07
Taiping Rubber	100%	FH	1,379	81.3	0.55	1.50	222.6	222.6	222.6	0.10
			**10,443	700.1			3,531.9	3,409.2	3,409.2	1.52
						Replacement cost				
						MYR/ha				
Remaining adjusted planted (ha)			70,953			30,000		2,128.6	2,128.6	0.95
Value of revalued estates at replacements costs/ market value								5,537.8	5,537.8	2.47
Less: 50% discount								-	(2,768.9)	(1.24)
Discounted value of estates								5,537.8	2,768.9	1.24
JV company at book value								39.9	39.9	0.02
Net debt (@ 31 Dec 2020)								(1,159.1)	(1,159.1)	(0.52)
Minority Interest (@ 31 Dec 2020)								(120.5)	(120.5)	(0.05)
RNAV								4,298.2	1,529.2	0.68
No of shares issued ('m)								2,240.0	2,240.0	
RNAV (MYR per share)								1.92	0.68	

* excludes estimated EBIT of estates with property development potential; ** effective stake; FH = Freehold

Source: Company, Maybank KE

Risk statement

There are several risk factors for our earnings estimates, target price and rating for BPLANT. Key risks to the palm oil sector and BPLANT are: (i) lack of asset disposal to sustain its high dividend payout; (ii) weather anomalies resulting in poorer-than-expected output growth; (iii) lower-than-expected CPO price achieved; (iv) negative policies imposed by import countries; (v) unfriendly policies imposed by the Malaysian and Indonesian government on upstream or downstream segments; (vi) sharply lower crude oil prices, which make palm biodiesel demand not viable; and (vii) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
P/E (reported) (x)	4.3	nm	55.9	nm	nm
Core P/E (x)	29.4	nm	nm	nm	nm
P/BV (x)	0.9	0.6	0.5	0.5	0.6
P/NTA (x)	0.9	0.6	0.5	0.5	0.6
Net dividend yield (%)	11.8	9.3	3.1	3.1	3.1
FCF yield (%)	1.8	nm	nm	23.3	9.5
EV/EBITDA (x)	10.5	22.6	20.1	14.8	13.4
EV/EBIT (x)	19.2	nm	nm	92.2	53.9

INCOME STATEMENT (MYR m)

Revenue	760.1	584.0	597.7	678.6	720.1
Gross profit	145.7	(20.5)	(21.3)	27.3	46.2
EBITDA	260.0	119.2	137.2	170.4	185.5
EBIT	142.4	(20.5)	(21.3)	27.3	46.2
Net interest income / (exp)	(16.3)	(35.5)	(64.9)	(69.2)	(64.1)
Associates & JV	4.6	5.0	5.3	5.6	5.8
Exceptionals	558.3	0.0	119.5	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	688.9	(51.0)	38.5	(36.3)	(12.0)
Income tax	(74.8)	(12.9)	(23.3)	(7.9)	(6.3)
Minorities	6.0	12.1	10.4	10.6	0.9
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	620.2	(51.8)	25.7	(33.6)	(17.4)
Core net profit	89.7	(51.8)	(87.8)	(33.6)	(17.4)

BALANCE SHEET (MYR m)

Cash & Short Term Investments	15.8	57.8	38.0	258.6	285.7
Accounts receivable	46.3	35.2	36.0	40.9	43.4
Inventory	26.1	36.0	28.8	30.3	31.4
Property, Plant & Equip (net)	3,118.6	3,609.3	3,867.8	3,764.6	3,665.4
Intangible assets	2.3	2.3	2.3	2.3	2.3
Investment in Associates & JVs	28.4	29.0	34.3	39.9	45.7
Other assets	213.4	391.6	374.3	151.7	152.6
Total assets	3,450.8	4,161.3	4,381.5	4,288.4	4,226.4
ST interest bearing debt	140.0	744.6	744.6	744.6	744.6
Accounts payable	25.5	33.1	33.9	35.7	36.9
LT interest bearing debt	0.0	373.1	673.1	673.1	673.1
Other liabilities	340.0	379.0	335.0	335.0	336.0
Total Liabilities	505.5	1,530.2	1,786.3	1,788.5	1,790.2
Shareholders Equity	3,019.9	2,717.9	2,698.8	2,620.3	2,558.2
Minority Interest	(74.6)	(86.8)	(103.5)	(120.5)	(121.9)
Total shareholder equity	2,945.3	2,631.1	2,595.3	2,499.9	2,436.2
Total liabilities and equity	3,450.8	4,161.3	4,381.5	4,288.4	4,226.4

CASH FLOW (MYR m)

Pretax profit	688.9	(51.0)	38.5	(36.3)	(12.0)
Depreciation & amortisation	117.6	139.7	158.5	143.1	139.3
Adj net interest (income)/exp	16.3	35.5	64.9	69.2	64.1
Change in working capital	(570.3)	(13.0)	(167.7)	206.5	(9.1)
Cash taxes paid	(58.9)	(34.9)	(23.3)	(7.9)	(6.3)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	193.7	76.3	71.0	374.5	176.0
Capex	(146.3)	(821.4)	(417.0)	(40.0)	(40.0)
Free cash flow	47.4	(745.1)	(346.0)	334.5	136.0
Dividends paid	(304.6)	(176.5)	(44.8)	(44.8)	(44.8)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(753.6)	976.0	300.0	0.0	0.0
Other invest/financing cash flow	(8.8)	(34.0)	(64.9)	(69.2)	(64.1)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(404.6)	36.9	(19.8)	220.6	27.1

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth ratios (%)					
Revenue growth	7.4	(23.2)	2.3	13.5	6.1
EBITDA growth	38.0	(54.2)	15.1	24.2	8.8
EBIT growth	(2.0)	nm	nm	nm	69.1
Pretax growth	149.5	nm	nm	nm	nm
Reported net profit growth	172.3	nm	nm	nm	nm
Core net profit growth	10.0	nm	nm	nm	nm
Profitability ratios (%)					
EBITDA margin	34.2	20.4	23.0	25.1	25.8
EBIT margin	18.7	nm	nm	4.0	6.4
Pretax profit margin	90.6	nm	6.4	nm	nm
Payout ratio	50.3	nm	174.6	nm	nm
DuPont analysis					
Net profit margin (%)	81.6	nm	4.3	nm	nm
Revenue/Assets (x)	0.2	0.1	0.1	0.2	0.2
Assets/Equity (x)	1.1	1.5	1.6	1.6	1.7
ROAE (%)	23.8	(1.8)	0.9	(1.3)	(0.7)
ROAA (%)	2.7	(1.4)	(2.1)	(0.8)	(0.4)
Liquidity & Efficiency					
Cash conversion cycle	22.2	26.1	20.8	17.5	18.2
Days receivable outstanding	24.9	25.1	21.5	20.4	21.1
Days inventory outstanding	14.8	18.5	18.9	16.4	16.5
Days payables outstanding	17.5	17.5	19.5	19.2	19.4
Dividend cover (x)	2.0	(0.3)	0.6	(0.8)	(0.4)
Current ratio (x)	1.0	0.5	0.5	0.5	0.6
Leverage & Expense Analysis					
Asset/Liability (x)	6.8	2.7	2.5	2.4	2.4
Net gearing (%) (incl perps)	4.2	40.3	53.2	46.4	46.5
Net gearing (%) (excl. perps)	4.2	40.3	53.2	46.4	46.5
Net interest cover (x)	8.8	na	na	0.4	0.7
Debt/EBITDA (x)	0.5	9.4	10.3	8.3	7.6
Capex/revenue (%)	19.2	140.6	69.8	5.9	5.6
Net debt/ (net cash)	124.2	1,059.9	1,379.6	1,159.1	1,132.0

Source: Company; Maybank

Research Offices

MACRO

Sadiq CURRIMBHOY
Head of Regional Macro Research
(65) 6231 5836
sadiq@maybank-ke.com.sg

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank-ke.com.sg

LEE Ju Ye
Singapore | Thailand
(65) 6231 5844
leejuye@maybank-ke.com.sg

Linda LIU
Singapore | Vietnam
(65) 6231 5847
lindaliu@maybank-ke.com.sg

Dr Zamros DZULKAFI
(603) 2082 6818
zamros.d@maybank-ib.com

Ramesh LANKANATHAN
(603) 2297 8685
ramesh@maybank-ib.com

William POH
(603) 2297 8683
william.poh@maybank-ib.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

Christopher WONG
(65) 6320 1347
wongkl@maybank.com.sg

TAN Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Willie CHAN
Regional
(852) 2268 0631
williechan@kimeng.com.hk

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, ACA
(65) 6812 8807
winsonphoon@maybank-ke.com.sg

SE THO Mun Yi
(603) 2074 7606
munyi.st@maybank-ib.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(65) 6231 5836
wchewh@maybank-ib.com

ONG Seng Yeow
Research, Technology & Innovation
(65) 6231 5839
ongsengyeow@maybank-ke.com.sg

MALAYSIA

Anand PATHMAKANTHAN, Head of Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

Desmond CH'NG, ACA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services - Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

YIN Shao Yang, CPA
(603) 2297 8916 samuet.y@maybank-ib.com
• Gaming - Regional • Media

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Glove • Ports • Shipping • Healthcare

Kevin WONG
(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary • Technology

Adrian WONG, CFA
(603) 2297 8675 adrian.wkj@maybank-ib.com
• Constructions • Building Materials

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples

TEE Sze Chiah Head of Retail Research
(603) 2082 6858 szechiah.t@maybank-ib.com

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Neel SINHA Head of Research
(65) 6231 5838 neelsinha@maybank-ke.com.sg
• Strategy • Industrials
• SMID Caps - Regional

CHUA Su Tye
(65) 6231 5842 chuasutye@maybank-ke.com.sg
• REITs

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos • Transport

LAI Gene Lih, CFA
(65) 6231 5832 laigenelih@maybank-ke.com.sg
• Technology • Healthcare

Thilan WICKRAMASINGHE
(65) 6231 5840 thilanw@maybank-ke.com.sg
• Banks • Consumer

INDIA

Jigar SHAH Head of Research
(91) 22 4223 2632 jigar@maybank-ke.co.in
• Strategy • Oil & Gas • Automobile • Cement

Neerav DALAL
(91) 22 4223 2606 neerav@maybank-ke.co.in
• Software Technology • Telcos

Vishal PERIWAL
(91) 22 4223 2605
vishalperiwal@maybank-ke.co.in
• Infrastructure

Kshitiz PRASAD
(91) 22 4223 2607
kshitiz@maybank-ke.co.in
• Banks

INDONESIA

Isnaputra ISKANDAR Head of Research
(62) 21 8066 8680
isnaputra.iskandar@maybank-ke.co.id
• Strategy • Metals & Mining • Cement
• Autos • Consumer • Utility

Rahmi MARINA
(62) 21 8066 8689
rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 8066 8691
aurellia.setiabudi@maybank-ke.co.id
• Property

Luthfi RIDHO
(62) 21 8066 8690
luthfi.ridho@maybank-ke.co.id
• Macro/Strategy

PHILIPPINES

Minda OLONAN Head of Research
(63) 2 8849 8840
minda.olonan@maybank-atrke.com
• Strategy • Conglomerates

Katherine TAN
(63) 2 8849 8843
kat_tan@maybank-atrke.com
• Banks • Conglomerates • Ports

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

Romel LIBO-ON
(63) 2 8849 8844
romel_libo-on@maybank-atrke.com
• Property

Kayzer LLANDA
(63) 2 8849 8839
Kayzer_llanda@maybank-atrke.com
• Utilities

THAILAND

Maria LAPIZ Head of Institutional Research
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Strategy • Consumer • Materials • Services

Teerapol UDOMVEJ, CFA
(66) 2658 6300 ext 1394
teerapol.u@maybank-ke.co.th
• Healthcare

Jesada TECHAHUSUDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank-ke.co.th
• Banking & Finance

Ekachai TARAPORN TIP Head of Retail Research
(66) 2658 5000 ext 1470
Ekachai.t@maybank-ke.co.th

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank-ke.co.th
• Media • Commerce

Jaroontan WATTANAWONG
(66) 2658 5000 ext 1404
jaroontan.w@maybank-ke.co.th
• Transportation • Small cap

Thanatphat SUKSRICHAVALIT
(66) 2658 5000 ext 1401
thanatphat.s@maybank-ke.co.th
• Media • Electronics

Wijit ARAYAPISIT
(66) 2658 5000 ext 1450
wijit.a@maybank-ke.co.th
• Strategist

Kritsapong PATAN
(66) 2658 5000 ext 1310
kritsapong.p@maybank-ke.co.th
• Chartist

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84 28) 44 555 888 ext 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified

LE Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

QUAN Trong Thanh
(84 28) 44 555 888 ext 8184
thanh.quan@maybank-kimeng.com.vn
• Banks

NGUYEN Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
mi.nguyen@maybank-kimeng.com.vn
• Consumer

NGUYEN Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil&Gas • Banking

NGUYEN Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank-kimeng.com.vn
• Technical Analysis

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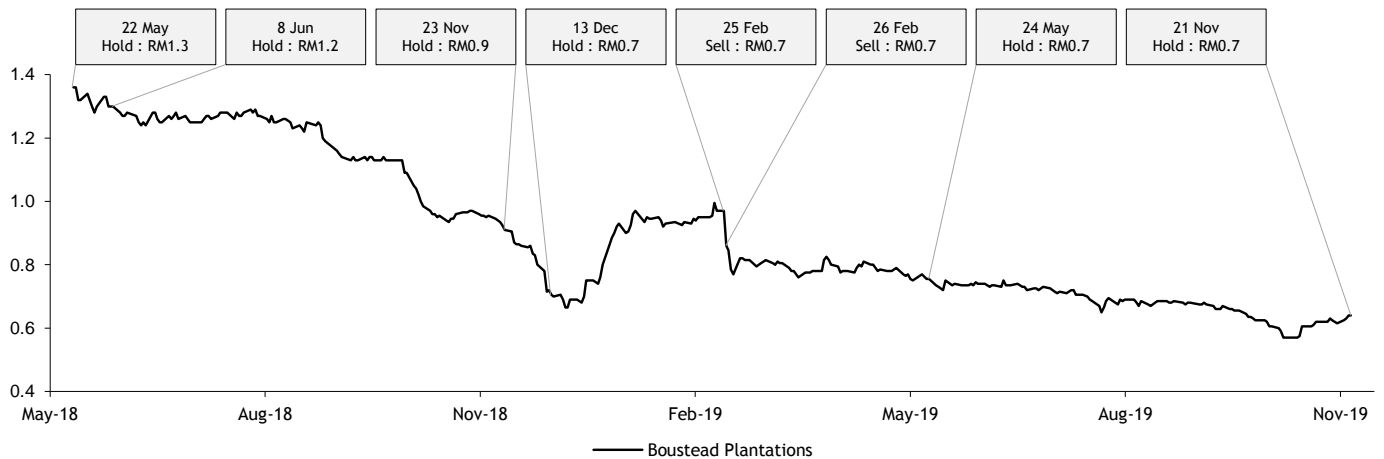
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 **Malaysia**

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

 **Philippines**

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

 **South Asia Sales Trading**

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia

Iwan Atmadjaja
iatmadjaja2@bloomberg.net
(62) 21 8066 8555

New York

James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

Philippines

Keith Roy
keith_roy@maybank-atrke.com
Tel: (63) 2 848-5288

 **Singapore**

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

 **Hong Kong**

Kim Eng Securities (HK) Ltd
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

 **Thailand**

Maybank Kim Eng Securities
(Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

 **North Asia Sales Trading**

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

London

Greg Smith
gsmith@maybank-ke.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank-ke.co.in
Tel: (91)-22-6623-2629

 **London**

Maybank Kim Eng Securities
(London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

 **Indonesia**

PT Maybank Kim Eng Securities
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

 **Vietnam**

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030

 **New York**

Maybank Kim Eng Securities USA
Inc
400 Park Avenue, 11th Floor
New York, New York 10022,
U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

 **India**

Kim Eng Securities India Pvt Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

 **Saudi Arabia**

In association with
Anfaal Capital
Ground Floor, KANOO Building
No.1 - Al-Faisaliyah, Madina Road,
P.O.Box 126575 Jeddah 21352
Kingdom of Saudi Arabia

Tel: (966) 920023423