Sector Note

Singapore

Overweight *(no change)*

Highlighted companies

AEM Holdings Ltd
ADD, TP S$4.55, S$3.33 close

AEM is currently the sole supplier of its key customer. AEM forecasts FY17F sales and pretax profit of at least S$215.0m and S$32.0m, respectively.

Memtech International
ADD, TP S$1.33, S$1.13 close

MTEC continues to see potential in its automotive business given the rise of opportunities with domestic auto manufacturers in China.

Sunningdale Tech Ltd
ADD, TP S$2.79, S$1.96 close

Sunningdale Tech has finally seen the results of its cost reduction initiatives. The 9M17 gross margin rose to 15.0%. We believe margins will continue to improve, leading to a hike in our profit forecasts.

Summary valuation metrics

P/E (x)	Dec-17F	Dec-18F	Dec-19F
AEM Holdings Ltd	8.42	7.71	7.32
Memtech International	10.49	9.73	8.61
Sunningdale Tech Ltd	10.83	9.10	8.38

P/BV (x)	Dec-17F	Dec-18F	Dec-19F
AEM Holdings Ltd	4.34	3.05	2.33
Memtech International	1.02	0.96	0.90
Sunningdale Tech Ltd	1.00	0.93	0.87

Dividend Yield	Dec-17F	Dec-18F	Dec-19F
AEM Holdings Ltd	3.07%	3.24%	3.42%
Memtech International	3.79%	4.13%	4.65%
Sunningdale Tech Ltd	3.85%	4.39%	4.41%

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

Tech Manufacturing Services

Unearthing the laggards

- Seven small-cap tech manufacturing stocks under our coverage delivered average return of 162% in 2017.
- The seven stocks under our coverage are AEM, CEI, UMS, Memtech, Sunningdale Tech, Valuetronics and Jadason Enterprises.
- Our top picks are AEM, Memtech and Sunningdale Tech.
- In this note, we identify five non-rated stocks with 2017 returns below the stocks under our coverage, and are net cash based on latest publicly-announced results.

Identifying the laggards

In 2017, the seven small-cap tech manufacturing stocks under our coverage delivered average return of 162%. In this note, we highlight five non-rated with 2017 share price performance below the average return of the stocks under our coverage. The non-rated stocks are: 1) AVIT (+69.6%); 2) Broadway (-34.2%); 3) Fu Yu (+0.5%). 4) InnoTek (+30.9%) and 5) MIT (+46.6%). Our top picks are AEM, Memtech and Sunningdale Tech.

Avi-Tech Electronics Limited

AVIT offers burn-in and engineering services for customers in the semiconductor, electronics and life science industries. Its production/testing facilities are based in Singapore and its in-house burn-in test design capability helps reduce its capex needs. Autonomous driving/Internet of Things are seen as potential growth drivers by management. AVIT had a net cash balance sheet at end-Sep 2017. Dividend payout policy is 30%. AVIT trades at a FY6/17 P/E of 11.9x vs. regional peers' average of 16.5x.

Broadway Industrial Group

Broadway is currently a key manufacturer of actuator arms and related assembled parts for hard disk drives (HDD). In FY16, Broadway disposed two of its three main businesses, namely, its foam plastics solutions and flow control devices businesses. In its FY16 annual report, Broadway highlighted that it will continue to explore new opportunities to further unlock shareholder value.

Fu Yu Corporation

Fu Yu is an established plastic injection moulding company. Key industries served by Fu Yu include printing and imaging, networking and communications, consumer, medical, automotive and power tools. The company has a net cash balance sheet at end-Sep 2017 and dividend payout policy of at least 50% of net profit.

InnoTek Holdings

InnoTek is a precision metal components manufacturer serving the consumer electronics, office automation and automotive industries. Its stamped components are used in printers and copiers, TVs and cars. Its end-customers include Sony, Canon, Ricoh, Continental, Imasen, Kiekert, Kyocera, Konka, Innolux and Wistron. Restructuring efforts over the past few years and a change in management has led to return to positive net profit) since 2Q16.

Manufacturing Integration Technology Ltd

MIT is a capital goods supplier, primarily serving the semiconductor industry. Management believes that the company will benefit from the strong outlook for the global semiconductor industry. MIT has been announcing new order wins in the past 12 months. MIT had a net cash balance sheet at end-Jun 2017 and has adopted a 25% dividend payout policy.

Figure 1: Historical valuations

	Bloomberg	Market cap		Historical*		
Company	Ticker	(US$ m)	P/E (x)	P/BV (x)	ROE	Div yield
Avi-Tech Electronics Ltd	AVIT SP	63.17	11.9	1.71	14.3%	5.71%
Broadway Industrial Group	BWAY SP	44.02	na	0.37	na	68.55%
Fu Yu Corporation	FUYU SP	113.54	14.3	0.87	6.1%	7.50%
Innotek Ltd	INNOT SP	64.97	7.4	0.69	9.3%	1.30%
Mfg Integration Technology Ltd	MIT SP	46.57	na	1.37	na	0.00%

*Note: * FY12/16 for all companies except AVIT (FY6/17)*

NOTE: AS OF 5 JAN 2018
SOURCES: CIMB RESEARCH, BLOOMBERG

Eyes on the Ground

Singapore

NON RATED

Current price:	S$0.49
Consensus Tgt Price:	S$0.59
Up/downside:	N/A
Reuters:	AVTH.SI
Bloomberg:	AVIT SP
Market cap:	US$62.90m
	S$83.81m
Average daily turnover:	US$0.12m
	S$0.16m
Current shares o/s:	171.0m
Free float:	58.3%

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.6	-4.9	75
Relative (%)	10	-11.6	56.5

Major shareholders	% held
Lim Eng Hong	35.0
Nancy Loh	6.0

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CIMB's coverage universe. It does not carry investment ratings and CIMB does not commit to regular updates on an ongoing basis.

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

AVI-Tech Electronics Ltd

Powering into the future

- Avi-Tech Electronics Ltd (AVIT) offers burn-in and engineering services for customers in the semiconductor, electronics and life science industries.
- Production/testing facilities are based in Singapore and its in-house burn-in test design capability helps reduce its capex needs.
- Autonomous driving/Internet of Things are seen as potential earnings growth drivers by management.
- Net cash balance sheet as at end-Sep 2017. Formal dividend payout policy of 30%.
- AVIT trades at an historical FY6/17 P/E of 11.9x vs. its regional peer group average of 16.5x.

Burn-In testing and board specialist

AVIT is a total solutions provider for burn-in and engineering services for the semiconductor, electronics and life sciences industries. Its customers are global leaders, in semiconductor, automotive, cloud networking and industrial products. AVIT's Singapore headquarters and production facility supports all of its business segments.

Burn-In Services

AVIT provide static burn-in, dynamic burn-in, test during burn-in and high-power burn-in services for semiconductor manufacturers, serving the segment of the industry that requires fail-safe or high reliability semiconductor devices, including microprocessors for automotive and networking products.

Board manufacturing and printed circuit board assembly services

AVIT is involved in the design and manufacture of a wide range of burn-in boards for the various types of burn-in systems, as well as boards for other types of reliability tests. AVIT is qualified and licensed to build burn-in boards for high-power devices and also to provide niche printed circuit board assembly (PCBA) services for the medical, mobile communications and aviation industries.

Engineering services

AVIT's engineering services range from design, development and full turnkey outsourced manufacturing and system integration of semiconductor equipment and lab automation systems for the life sciences and biotech industries. Management said that its competitive strength is the ability to provide system integration services for customers.

Outlook

According to management, AVIT is benefiting from the ramp-up in production of automotive and networking semiconductor chips, which has fuelled the demand for new and different types of burn-in boards. Another significant semiconductor driver highlighted by management is cloud computing, big data and smart cities that are driving up demand for servers and data centres exponentially. Management noted that this will mean increased opportunities for board manufacturing and burn-in services.

Balance sheet

As at end-Sep 2017, AVIT was in a net cash position of S$32.4m or S$0.189 per share. Net cash per share as at end-Sep 2017 of S$0.189 represents 38.6% of its share price of S$0.49 on 5 Jan 2018. The company announced (on 8 Feb 2017) that it is implementing a formal dividend policy of paying out not less than 30% of its net profit.

Historical valuations

AVIT trades at a historical FY6/17 P/E of 11.9x versus its regional peer group average of 16.5x. Among its regional peers, AVIT has the highest historical FY17 ROE and dividend

Financial Summary	Jun-13A	Jun-14A	Jun-15A	Jun-16A	Jun-17A
(S$, m)					
Revenue	31.9	23.0	28.4	33.9	40.0
EBITDA	(2.8)	1.5	5.2	7.0	8.7
EBITDA margins	-8.6%	6.5%	18.2%	20.7%	21.7%
Pretax profit	(4.7)	(0.4)	3.9	7.9	8.0
Net profit	(3.8)	(0.5)	3.7	6.4	7.0
EPS (S cts)	(2.2)	(0.3)	2.2	3.7	4.1
EPS growth	na	-85.7%	na	71.6%	10.2%
P/E (x)	na	na	22.5	13.1	11.9
DPS (S cts)	0.0	0.0	2.6	1.8	2.8
Dividend yield (%)	na	na	5.31%	3.67%	5.71%
P/BV (x)	1.72	2.18	1.92	1.85	1.71
ROE	na	na	8.5%	14.1%	14.3%
Net cash/share (S cts)	14.3	13.9	15.3	16.5	18.3
EV/EBITDA (x)	na	35.2	10.2	7.5	6.1

SOURCE: COMPANY DATA, CIMB

Powering into the future

Company description

Incorporated in Singapore in 1981 and listed on the Mainboard of the SGX in 2007, Avi-Tech Electronics Limited (AVIT) is a total solutions provider for burn-in and engineering services for the semiconductor, electronics and life sciences industries. Its core business segments offer burn-in services, manufacturing and printed circuit board assembly (PCBA) services, and engineering services.

Its customers are global leaders, including original equipment manufacturers (OEMs) of semiconductor, automotive, cloud networking and industrial products. Located in Singapore, AVIT's headquarters and production facility support all of its business segments and it is equipped with advanced burn-in systems, many of which are designed and fabricated in-house. AVIT has market presence in Malaysia, Thailand, the Philippines, Taiwan, China, the US and Europe.

Business segments

Burn-in services - AVIT provides static burn-in, dynamic burn-in, test during burn-in and high-power burn-in for semiconductor manufacturers, serving the segment of the industry that requires fail-safe or high reliability semiconductor devices, including microprocessors for automotive and networking products.

Under this business segment, AVIT also provides tape and reel services that employ the use of machines to deliver customers' finished products in reel form. Currently, AVIT has machines to handle different packaging formats with round-the-clock delivery and collection services for its customers.

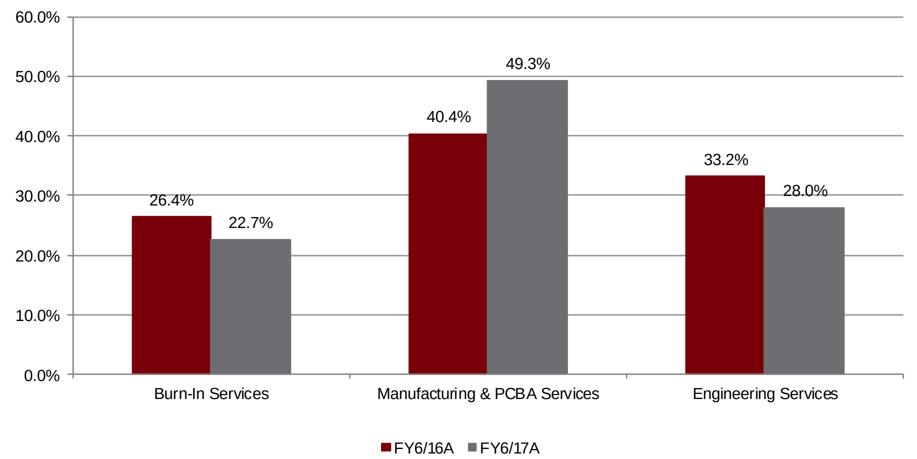
Manufacturing and PCBA services – AVIT is involved in the design and manufacturing of a wide range of burn-in boards for various types of burn-in systems, as well as boards for other types of reliability tests such as high temperature operating life test and highly accelerated stress test. AVIT is qualified and licensed to build burn-in boards for high-power devices, as well as to provide niche PCBA services for the medical, mobile communications and aviation industries.

Engineering services - AVIT's engineering services range from design, development and full turnkey outsourced manufacturing and system integration of semiconductor equipment and lab automation systems for the life sciences and biotech industries. AVIT also recommends enhancements and improvements to its customers' designs as part of its value-added service.

One of its competitive strengths is the provision of system integration services for refrigeration-based high-power burn-in systems and lithography tool for semiconductor front-end applications.

Currently, AVIT's integration projects include charged coupled device cameras for astronomy and life sciences applications, digital imagers, as well as customised LED drivers and products for various applications. In addition, AVIT also distributes and services third-party mixed signal testers that are used in the semiconductor industry.

Figure 1: Revenue breakdown (FY16-17)



SOURCE: CIMB RESEARCH, COMPANY

Potential new earnings growth drivers

According to management, AVIT is benefitting from the ramp-up in production of automotive and networking semiconductor chips, which has fuelled the need for new and different types of burn-in boards. Similarly, AVIT's burn-in services business segment has been called in by customers to meet the increasing burn-in requirements and dynamics of the market segments that require fail-poof devices for safety and efficiency.

Management has noted that in the march towards fully driverless vehicles, there is likely to be an ever-increasing number of sensors, microcontrollers and power management components required. Additionally, regulations pertaining to carbon dioxide emissions, electrification of cars, advanced vehicle safety and comfort systems and the increased demand for vehicles in the developing markets are other factors that could drive growth of the automotive semiconductor sector forward in the near term. Management cited estimates (source: https://www.businesswire.com/news/home/20170406006014/en/45.9-Billion-Growth-Opportunities-Global-Automotive-Semiconductor) that the global automotive semiconductor market will reach an estimated US$45.9bn by 2022 and projected compound annual growth rate of 6.4% from 2017 to 2022.

Another potentially-significant semiconductor driver highlighted by management is cloud computing, big data and smart cities that are driving up demand for servers and data centres exponentially. For the group, management noted that this would mean increased opportunities for board manufacturing and burn-in services as newer and more powerful microprocessors come on board.

Strong balance sheet

As at end-Sep 2017, AVIT was in a net cash position of S$32.4m or S$0.189 per share. Net cash per share as at end-Sep 2017 of S$0.189 represents 38.6% of its share price of S$0.49 on 5 Jan 2018. Given its strong balance sheet and limited capex needs, the company announced (on 8 Feb 2017) that it was implementing a formal dividend policy of paying out not less than 30% of its net profit. In FY17, AVIT paid S$0.028 DPS or 68% of FY17 net profit.

1QFY18 performance

Revenue grew 31.3% yoy to S$11.1m in 1QFY18 and gross profit margin was 26.4%. 1QFY18 net profit grew 16.6% yoy to S$1.7m. AVIT generated positive free cash flow of S$1.2m (capex was a mere S$41,000) in 1QFY18.

Historical P/E valuation on par with regional industry peers

AVIT trades at a historical FY17 P/E of 11.9x versus its regional peer group average of 16.5x. Among its peers, AVIT has the highest historical FY17 ROE and dividend yield of 14.3% and 5.7%, respectively.

Figure 2: Regional peer comparison

	Bloomberg		Price	Target	Market		Historical*		
Company	**Ticker**	**Recom.**	**(lcl curr)**	**(lcl curr)**	**(US$ m)**	**P/E (x)**	**P/BV (x)**	**ROE**	**Div yield**
Avi-Tech Electronics Ltd	AVIT SP	Not rated	0.49	NA	63.17	12.0	1.71	14.3%	5.7%
Kesm Industries Bhd	KESM MK	Add	20.92	22.00	225.03	20.4	2.73	13.4%	0.6%
Trio Tech International	TRT US	Not rated	6.32	NA	22.12	17.1	1.15	6.8%	0.0%
Simple average						**16.5**	**1.87**	**11.5%**	**2.1%**

*Note: * AVIT (FY6/17), KESM (FY7/17), TRT (FY6/17)*

NOTE: AS OF 5 JAN 2018

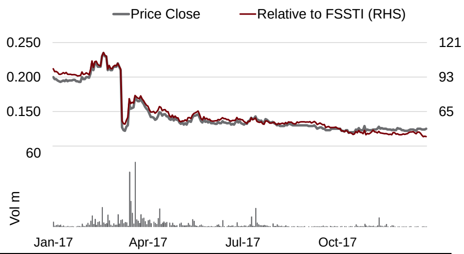
SOURCE: CIMB RESEARCH, BLOOMBERG

Eyes on the Ground

Singapore

NON RATED

Current price:	S$0.13
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	BRWY.SI
Bloomberg:	BWAY SP
Market cap:	US$44.11m
	S$58.77m
Average daily turnover:	US$0.04m
	S$0.06m
Current shares o/s:	471.1m
Free float:	56.5%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.6	0	-36.9
Relative (%)	-1	-6.7	-55.4

Major shareholders	% held
Lau Leok Yee	31.9
Lew Syn Pau	9.5
Delta Lloyd	4.9

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CIMB's coverage universe. It does not carry investment ratings and CIMB does not commit to regular updates on an ongoing basis.

Broadway Industrial Group Ltd

Exploring opportunities to unlock shareholder value

- Broadway Industrial Group Limited (Broadway) is a manufacturer of actuator arms and related assembled parts for hard disk drives (HDD).
- In FY16, Broadway disposed two of its three main businesses, namely, its foam plastics solutions and flow control devices businesses.
- Its FY16 annual report stated it will explore new opportunities to unlock shareholder value.
- As at end-Sep 2017, Broadway's BVPS was S$0.213. Based on the closing price of S$0.124 on 5 Jan 2018 Broadway was trading at an end-Sep 2017 P/BV of 0.58x.

What it does

Founded in 1969 and listed on the SGX Mainboard in 1994, Broadway provides high precision machining and sub-assembly processes in cleanroom environment for the data storage, automotive and telecommunications industries. Broadway is currently a manufacturer of actuator arms and related assembled parts for the global HDD industry.

What has changed?

In FY16, Broadway disposed two of its three main businesses, namely, its foam plastics solutions and flow control devices businesses to an American private equity fund for total consideration of S$150m. The sale was completed on 30 Dec 2016. Following the disposal, the group's key business is the HDD business.

Outlook

Industry forecaster Trendfocus's long-term forecast for the HDD market (shipment volume) for 2017-21 is a decline of 4.1% p.a. Broadway's management noted that although the global HDD shipment volume was declining in 2016, it was still at a very high level of more than 400m units p.a. According to the company, Broadway will continue to right-size its business. In its FY16 annual report, Broadway highlighted that it will continue to explore new opportunities to further unlock shareholder value.

9M17 financial performance

9M17 revenue grew 2.6% yoy, while net profit was S$0.6m (vs. net loss of S$20.3m in 9M16). 3Q17 revenue grew 14.0% yoy to S$105.2m (vs. S$92.2m in 3Q16). Net profit in 3Q17 was S$0.4m (3Q16: net loss of S$9.2m). As at end-Sep 2017, Broadway was in a slight net cash position, with positive operating cash flow and free cash flow. For 3Q17 and 9M17, operating cash flow was S$17.0m and S$9.5m, respectively, while free cash flow was S$16.6m and S$3.9m, respectively.

Historical valuations

As at end-Sep 2017, Broadway's book value per share was S$0.213. Based on the closing share price of S$0.124 on 5 Jan 2018, Broadway was trading at a historical end-Sep 2017 P/BV of 0.58x. Broadway did not pay any dividends for FY13-15. For FY16, a S$0.085 DPS was paid from the proceeds of the disposal of its two businesses.

Financial Summary	Dec-12A	Dec-13A	Dec-14A	Dec-15A*	Dec-16A*
(S$, m)					
Revenue	615.7	644.7	694.5	402.6	373.7
EBITDA	67.2	56.6	46.6	(52.7)	(1.9)
EBITDA margin	10.9%	8.8%	6.7%	-13.1%	-0.5%
Net profit	24.5	1.6	1.7	(106.7)	(47.8)
EPS (S cts)	5.9	0.4	0.4	(22.7)	(10.1)
EPS growth	na	-93.3%	-10.4%	na	-55.3%
P/E (x)	2.1	31.5	35.2	na	na
DPS (S cts)	1.0	0.0	0.0	0.0	8.5
Dividend yield (%)	8.06%	0.00%	0.00%	0.00%	68.55%
P/BV (x)	0.25	0.23	0.24	0.36	0.37
ROE	11.8%	0.7%	0.7%	na	na
Net gearing (x)	0.63	0.64	0.43	0.45	net cash
EV/EBITDA (x)	0.21	0.25	0.31	na	na

** financials reflects continuing operations only*

SOURCE: COMPANY DATA, CIMB

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

Exploring opportunities to unlock shareholder value

Company description

Founded in 1969 and listed on the SGX Mainboard in 1994, Broadway Industrial Group Limited (Broadway) provides high precision machining and sub-assembly processes in a cleanroom environment for original equipment manufacturing (OEM) products in the data storage, automotive and telecommunications industries. Broadway is currently a key manufacturer of actuator arms and related assembled parts for the global hard disk drive (HDD) industry with manufacturing facilities in China and Thailand, employing more than 4,000 people worldwide.

What has changed?

In FY16, Broadway disposed two of its three main businesses, namely, its foam plastics solutions and flow control devices businesses to an American private equity fund for total consideration of S$150m. The sale was completed on 30 Dec 2016. Following the disposal, the group's key business is its HDD business.

In FY16, the HDD business faced difficult and challenging conditions. The group's revenue from the HDD operations dropped 7.2% yoy from S$402.6m in FY15 to S$373.7m in FY16, mainly due to the decreasing global HDD annual shipment volume trend.

The group's FY16 results were also negatively affected by the continued restructuring costs for the HDD business arising from consolidation of operations, redundancy, write-off of property, plant and equipment, as well as inventories.

Given the tough HDD operating environment, with the company projecting continued decline in HDD shipment volumes, the Board of Directors impaired the company's carrying value of its investment in the subsidiary holding the HDD business by S$26.0m in FY16.

Outlook

Trendfocus reported that the shipment volume for 2016 amounted to 424.1m units, a 9.5% decrease compared to 2015. Trendfocus forecasts that the HDD total addressable market in 2017 shrank to 414.4m units. Its longer-term forecast for 2017-2021 is average shipment volume decline of 4.1% p.a. based on the expected erosion in PC shipment volumes and increasing solid-state drive (SSD) usage. As such, Broadway expects the HDD sector to remain challenging going forward.

Management noted that although the HDD shipment volume declined in 2016, it was still at a very high level of more than 400m units p.a. Broadway plans to continue to optimise its operations, improve efficiency and productivity through further consolidation of operations, cost optimisation and right-sizing.

In its FY16 annual report, the group highlighted that it will also continue to explore new opportunities to further unlock shareholder' value.

9M17 financials

9M17 revenue grew 2.6% yoy, while net profit was S$0.6m (vs. net loss of S$20.3m in 9M16). 3Q17 revenue grew 14.0% yoy to S$105.2m (vs. S$92.2m in 3Q16). Net profit in 3Q17 was S$0.4m (3Q16: net loss of S$9.2m).

As at end-Sep 2017, Broadway was in a slight net cash position, with positive operating cash flow and free cash flow. For 3Q17 and 9M17, operating cash flow was S$17.0m and S$9.5m, respectively, while free cash flow was S$16.6m and S$3.9m, respectively.

Historical valuations

As at end-Sep 2017, Broadway's book value per share was S$0.213. Based on the closing share price of S$0.124 on 5 Jan 2018, Broadway was trading at a historical end Sep 2017 P/BV of 0.58x. Broadway did not pay any dividends for FY13-15. For FY16, it paid a S$0.085 DPS from the proceeds of the disposal of its two businesses.

In 2017, Broadway's share price declined by 34.2%. Broadway resumed its share buy-back programme in 2017. Before 2017, the last share repurchase by the company was carried out on 26 Mar 2015.

Figure 1: Share buy-back programme

Date	Quantity	Price (S$)	Gross cost (S$)
17-Oct-17	200,000	0.1208	24,160.00
14-Nov-17	494,500	0.1230	60,823.50
24-Nov-17	250,000	0.1250	31,250.00

SOURCE: CIMB RESEARCH, COMPANY

Eyes on the Ground

Singapore

NON RATED

Current price:	S$0.20
Consensus Tgt Price:	S$0.23
Up/downside:	N/A
Reuters:	FUYU.SI
Bloomberg:	FUYU SP
Market cap:	US$113.0m
	S$150.6m
Average daily turnover:	US$0.59m
	S$0.80m
Current shares o/s:	753.0m
Free float:	59.7%

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.8	3.1	4.2
Relative (%)	3.2	-3.6	-14.3

Major shareholders	% held
Tam Wai	12.9
Ho Nee Kit	12.9
Ching Heng Yang	11.8

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CIMB's coverage universe. It does not carry investment ratings and CIMB does not commit to regular updates on an ongoing basis.

Fu Yu Corp Ltd

Plastic injection specialist

- Fu Yu is an established plastic injection moulding company and management believes that it is one of the largest such suppliers in Asia.
- Key industries served by Fu Yu include printing and imaging, networking and communications, consumer, medical, automotive and power tools.
- The company has a net cash balance sheet at end-Sep 2017 and dividend payout policy of at least 50% of net profit.
- Fu Yu's historical FY16 P/E of 14.3x was above the industry average of 14.1x, while its FY16 dividend yield of 7.5% was higher than the industry average of 4.3%.

Established plastic injection specialist

Established in 1978 and listed in 1995, Fu Yu is one of the largest manufacturers and suppliers of high precision injection moulds and plastic parts in Asia, with manufacturing plants in Singapore (3 plants), Malaysia (2) and China (5). It offers the entire value chain of services, from design and fabrication, to assembly and secondary processes such as surface treatment and ultrasonic welding.

Key customers

Fu Yu serves customers from diverse industries including printing and imaging, networking and communications, consumer, medical, automotive and power tools. The company works with both direct customers (multi-national corporations) and leading contract manufacturers such as Venture and Jabil. Clients include HP, Philips, Bosch and Verifone.

Strong balance sheet

Fu Yu has a strong balance sheet. As at end-Sep 2017, Fu Yu was in a net cash position with zero debt. Net cash per share as at end-Sep 2017 was 12.6 Scts or 63.0% of its share price of 20.0 Scts on 5 Jan 2018. On 8 Apr 2016, Fu Yu announced a dividend payout policy of at least 50% of its profit after tax attributable to the owners of the company. DPS for FY16 was 1.50 Scts and in 9M17, Fu Yu has declared 0.50 Scts DPS.

Recent restructuring

On 7 Dec 2017, Fu Yu announced its intention to privatise the group's Bursa Malaysia-listed subsidiary, LCTH Corporation Berhad (LCTH MK, Not Rated) through a selective capital repayment exercise (SCRE). The group presently owns 70.64% of LCTH. Upon successful completion of the SCRE, LCTH will become a fully-owned subsidiary of the group. Based on the company's announcement, LCTH made a net profit of S$2.9m in 9M17.

Historical valuations

Fu Yu trades at a historical FY16 P/E of 14.3x, above the industry average of 14.1x. In terms of FY16 P/BV and ROE, the company's P/BV ratio of 0.87x is below the industry average of 1.00x, while its ROE of 6.1% is below the industry average of 7.7%. All three listed plastic injection moulding companies in Singapore (Figure 3) were in a net cash position as at end-Dec 2016. Fu Yu had the highest historical FY16 dividend yield of 7.5% among its peers, above the industry average of 4.3%.

Financial Summary	Dec-12A	Dec-13A	Dec-14A	Dec-15A	Dec-16A
(S$, m)					
Revenue	313.2	283.4	254.4	198.6	190.8
EBITDA	13.5	4.6	25.2	25.6	20.8
EBITDA margins	4.3%	1.6%	9.9%	12.9%	10.9%
Pretax profit	(6.3)	9.7	13.4	18.4	14.9
Net profit	(4.4)	6.6	10.0	14.1	10.3
EPS (S cts)	(0.6)	0.9	1.3	1.9	1.4
EPS growth	na	na	na	41.0%	na
P/E (x)	na	22.2	15.1	10.7	14.3
DPS (S cts)	0.0	0.0	0.0	1.5	1.5
Dividend yield (%)	na	na	na	7.50%	7.50%
P/BV (x)	0.95	0.91	0.87	0.83	0.87
ROE	na	4.1%	5.8%	7.8%	6.1%
Net cash/share (S cts)	6.5	10.1	11.0	13.7	14.0
EV/EBITDA (x)	3.3	9.8	1.8	1.8	2.2

SOURCE: COMPANY DATA, CIMB

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

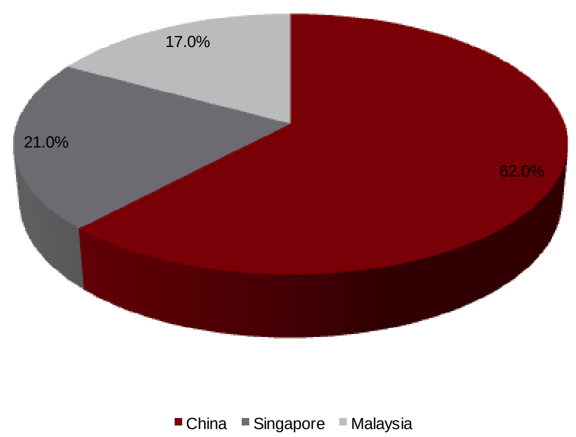
Plastic injection specialist

Company description

Established in 1978 and listed in 1995, Fu Yu is one of the largest manufacturers and suppliers of high precision injection moulds and plastic parts in Asia, with manufacturing plants across Singapore (3), Malaysia (2) and China (5). It offers the entire value chain of services, from design and fabrication, to assembly and secondary processes such as surface treatment and ultrasonic welding. Management has estimated that the overall utilisation level was ~50% in 1H17.

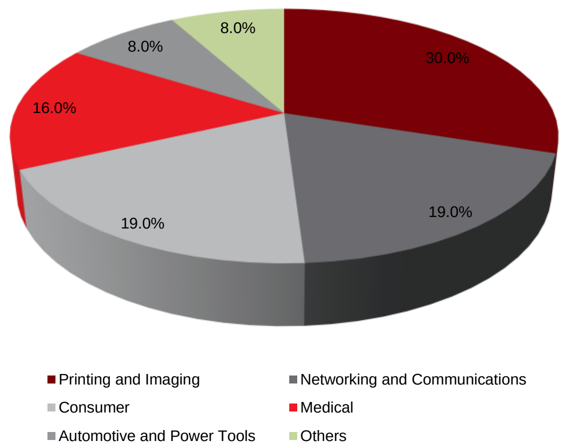
Fu Yu serves customers from diverse industries (Figure 2), including printing and imaging, networking and communications, consumer, medical, automotive and power tools. The company works with both direct customers (multi-national corporations, MNCs) and leading contract manufacturers such as Venture (VMS SP, Add, TP: S$24.74) and Jabil Inc (JBL US, Not Rated). Our channel checks reveal that some of its existing clients include Hewlett Packard Inc (HPQ US, Not Rated) and VeriFone Systems Inc (PAY US, Not Rated).

Figure 1: 1H17 revenue breakdown by country



SOURCE: CIMB RESEARCH, COMPANY

Figure 2: 1H17 revenue breakdown by product segment



SOURCE: CIMB RESEARCH, COMPANY

Competitors

Industry peers are Sunningdale Tech (SUNN SP, Add, TP: S$2.79) and Memtech International (MTEC SP, Add, TP: S$1.33). These companies have overlapping operating segments, such as automotive, consumer electronics, medical/healthcare and telecommunications/networking.

Recent changes

On 20 Apr 2015, Fu Yu announced a capital reduction exercise to write off accumulated losses and return 0.5 Scts to shareholders. Subsequently, Fu Yu declared 0.25 Scts DPS in 2Q17, as well as in 3Q17. In 4Q17, Fu Yu declared a final DPS of 1.0 Scts. On 8 Apr 2016, Fu Yu announced a dividend payout policy of at least 50% of its profit after tax attributable to the owners of the company. DPS for FY16 was 1.50 Scts and in 9M17, Fu Yu has declared 0.50 Scts DPS.

On 23 Oct 2017, a substantial shareholder, Mr Ng Hock Chin's stake was reduced to 1.16% at an average transacted price of S$0.18. Previously, on 3 Mar 2014, Mr Ng made a conditional cash partial offer for Fu Yu shares at S$0.09 per share.

According to Fu Yu's FY16 annual report, as at 24 Mar 2017, the company's three co-founders – Mr Tam Wai (66 years old), Mr Ching Heng Yang (66 years old) and Mr Ho Nee Kit (63 years old) – owned a combined 37.53% direct stake in Fu Yu.

Risk - US dollar depreciation

We understand that 80% of the company's revenue is denominated in US dollars, while only 50% of costs are in US dollars. As Fu Yu does not adopt a hedging policy, any weakening of the US dollar vs. the local operating currencies (Singapore dollar, ringgit and renminbi) will have an adverse impact on both the gross margin level and net profitability.

Balance sheet

As at end-Sep 2017, Fu Yu was in a net cash position with zero debt. Net cash per share as at end-Sep 2017 was 12.6 Scts or 63% of its share price of 20.0 Scts on 5 Jan 2018.

3Q17/9M17 performance

Revenue grew 4.5% yoy to S$50.2m in 3Q17 and gross profit margin was 16.8%. Net profit fell 55.9% yoy to S$0.8m. For 9M17, revenue fell 5.2% yoy to S$142.3m while gross profit margin was 16.3%. Net profit for Fu Yu for 9M17 fell 58.3% yoy to S$2.1m.

Historical valuations

Fu Yu trades at a historical FY16 P/E of 14.3x, above the industry average of 14.1x. In terms of FY16 P/BV and ROE, the company's P/BV ratio of 0.87x is below the industry average of 1.00x, while its ROE of 6.1% is below the industry average of 7.7%. All three listed plastic injection moulding companies in Singapore (Figure 3) were in a net cash position as at end-Dec 2016. Fu Yu had the highest historical FY16 dividend yield of 7.5% among its peers, above the industry average of 4.3%.

Figure 3: Peers Comparison

	Bloomberg		Price	Target Price	Market Cap	Historical*			
Company	**Ticker**	**Recom.**	**(lcl curr)**	**(lcl curr)**	**(US$ m)**	**P/E (x)***	**P/BV (x)***	**ROE***	**Div yield***
Fu Yu Corporation Limited	FUYU SP	Not rated	0.20	NA	113.54	14.3	0.87	6.1%	7.5%
Memtech International Ltd	MTEC SP	Add	1.12	1.33	118.97	18.8	1.08	5.7%	2.2%
Sunningdale Tech Ltd	SUNN SP	Add	1.96	2.79	279.58	9.4	1.05	11.2%	3.1%
Simple average						**14.1**	**1.00**	**7.7%**	**4.3%**

** Dec-16A. Share price as at end of 5 Jan 2018.*

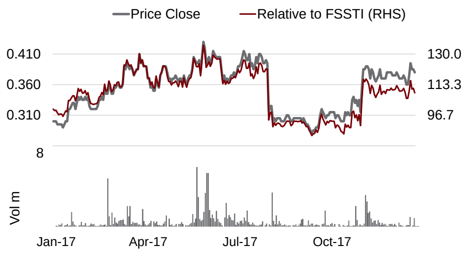
SOURCE: CIMB RESEARCH, COMPANY, BLOOMBERG

Eyes on the Ground

Singapore

NON RATED

Current price:	S$0.38
Consensus Tgt Price:	S$
Up/downside:	N/A
Reuters:	INTK.SI
Bloomberg:	INNOT SP
Market cap:	US$63.92m
	S$85.17m
Average daily turnover:	US$0.10m
	S$0.13m
Current shares o/s:	224.1m
Free float:	51.0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.7	20.6	28.8
Relative (%)	0.1	13.9	10.3

Major shareholders	% held
Advantec Holding SA	37.2
Gazelle Capital Pte Ltd	6.3
Lou Yiliang	5.3

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CIMB's coverage universe. It does not carry investment ratings and CIMB does not commit to regular updates on an ongoing basis.

Innotek Limited

Restructuring to stay ahead

- InnoTek is a precision metal components manufacturer serving the consumer electronics, office automation and automotive industries.
- Its stamped components are used in printers and copiers, TVs and cars.
- Its end-customers include Sony, Canon, Ricoh, Continental, Imasen, Kyocera, Konka, Innolux and Wistron.
- Restructuring efforts over the years and a change in management has led to the return to positive net profit since 2Q16.
- InnoTek is trading at a historical (end-Sep 2017) P/BV of 0.66x. The company resumed paying dividends in FY16.

What it does

Mainboard-listed InnoTek is a precision metal components manufacturer serving the consumer electronics, office automation and automotive industries. With five manufacturing facilities in China, the group's wholly-owned subsidiary, Mansfield Manufacturing Company Limited, provides precision metal stamping, commercial tool and die fabrication and sub-assembly work to Japanese and European end-customers.

Key products and customers

Its stamped components are used in printers and copiers, TV frames, bezels, chassis frames and in car seat frames, guide rails, exhaust system. Its end-customers include Sony, Canon, Ricoh, Continental, Imasen, Kiekert, Kyocera, Konka, Innolux and Wistron.

Restructuring since FY12

InnoTek's revenue in FY12 fell to a low of S$259m versus S$416m in FY10. The group slipped into net loss of S$18.4m in FY12 due to a combination of lower revenue arising from the political tension between China and Japan, as well as the commencement of its restructuring and consolidation efforts. Today, InnoTek has a new CEO, Mr Lou Yiliang, who has significant experience in the consumer electronics and home appliances business in Asia.

Balance sheet

As at end-Sep 2017, InnoTek was in a net cash position of S$31.9m. InnoTek did not pay any dividends in FY14 and FY15 but paid DPS of 0.5 Scts in FY16. The company has not announced any formal dividend policy. In FY12 and FY13, it paid DPS of 1 Sct. InnoTek turned positive net profit in 2Q16 onwards.

Historical valuation

As at end-Sep 2017, InnoTek's BVPS was S$0.575. Based on its share price of S$0.385 on 5 Jan 2018, its historical end-Sep 2017 P/BV is 0.66x. As at end-Sep 2017, InnoTek's net cash position was S$31.9m or 37.0% of its market cap of S$86.18m on 5 Jan 2018.

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

Financial Summary	Dec-12A	Dec-13A	Dec-14A	Dec-15A	Dec-16A
(S$, m)					
Revenue	258.9	246.9	225.6	233.1	214.7
EBITDA	(1.5)	4.9	(4.1)	(2.2)	19.2
EBITDA margins	-0.6%	2.0%	-1.8%	-0.9%	9.0%
Pretax profit	-18	0.5	(28.6)	(15.3)	13.8
Net profit	(18.4)	0.9	(28.2)	(16.3)	11.6
EPS (S cts)	loss	0.41	(12.61)	(7.28)	5.17
EPS growth	na	na	na	-42.3%	na
P/E (x)	na	93.1	na	na	7.4
DPS (S cts)	1.0	1.0	0.0	0.0	0.5
Dividend yield (%)	2.60%	2.60%	0.00%	0.00%	1.30%
P/BV (x)	0.55	0.53	0.66	0.74	0.69
ROE	na	0.6%	na	na	9.3%
Net cash/share (S cts)	8.8	7.9	6.3	8.9	13.4
EV/EBITDA (x)	na	11.3	na	na	2.9

SOURCE: COMPANY DATA, CIMB

Restructuring to stay ahead

Company description

Mainboard-listed InnoTek Limited (Innotek) is a precision metal components manufacturer serving the consumer electronics, office automation and automotive industries. With five manufacturing facilities in China, the group's wholly-owned subsidiary, Mansfield Manufacturing Company Limited, provides precision metal stamping, commercial tool and die fabrication and sub-assembly work to Japanese and European end-customers. Its stamped components are used in printers and copiers, TV frames, bezels, chassis frames and in car seat frames, guide rails, exhaust system. Its end-customers include Sony Corp (6758 JP, Not Rated), Canon Inc (7751 JP, Not Rated), Ricoh Corp (7752 JP, Not Rated), Continental AG (CON GY, Not Rated), Imasen Electric Industrial Co (7266 JP, Not Rated), Kyocera Corp (6971 JP, Not Rated), Konka Group (000016 CH, Not Rated), Innolux Corp (3481 TT, Not Rated) and Wistron Corp (3231 TT, Not Rated).

What has changed?

InnoTek's revenue in FY12 fell to a low of S$259m versus S$416m in FY10. The Group reported a net profit of S$536,000 in FY11 and slipped into a net loss of S$18.4m in FY12. FY12 losses were due to a combination of lower revenue arising from the political tension between China and Japan as well as commencement of restructuring and consolidation efforts by InnoTek to combat the revenue decline.

In FY14, InnoTek's restructuring efforts continued as Japanese office automation customers shifted their production base to lower cost countries such as Vietnam. Managing Director, Mr Yong Kok Hoon, also stepped down to pursue other career opportunities.

On 2 Nov 2015, Mr Lou Yiliang was appointed Executive Director of the Group and CEO of Mansfield. Mr Lou has significant experience in the consumer electronics and home appliances business in Asia. Mr Lou's strategy was: 1) to further drive cost efficiencies; 2) to improve the group's skill sets and use of technology, noting that the group had fallen behind peers in capabilities such as mould making, machining and line management skills, and 3) to personally drive customer engagement efforts.

On 1 Mar 2017, Mr Lou was appointed CEO of InnoTek. Mr Lou has been purchasing shares from the open market over April to July 2016. On 27 Apr 2017, Mr Neal M. Chandria was appointed Chairman of the Board of Directors.

Figure 1: Background of Mr Lou Yiliang

Mr. Lou Yiliang was appointed Executive Director of InnoTek and Chief Executive Officer of InnoTek's Mansfield Group on 2 November 2015. On 1 March 2017, Mr. Lou was re-designated Chief Executive Officer of the Company.

Born in Shanghai, Mr. Lou has deep experience in the consumer electronics and home appliances businesses in Asia. He started his career as an entrepreneur in the 1980s by helping to procure Toshiba consumer electronic products from Japan to China. The business helped pave the way for the transfer of technology from Toshiba in Japan to major Chinese manufacturers of TV sets and other consumer electronics. These included Chang Hong, Haier, Hisense and Konka.

In 2000, Mr. Lou set up Toyo Communication Technology (Shenzhen) Co. Ltd., which makes and assembles printed circuit boards and provides electronic manufacturing services. He remains Chairman and CEO of the company, which is preparing for a listing on the Shenzhen Stock Exchange.

In 2006, Mr. Lou formed a joint venture with major TV manufacturer Konka to develop precision moulds for TV and office automation components as well as automotive products. The joint venture boasts revenues of about RMB500 million.

Mr. Lou is Chairman of Konka Precision Mould Plastic Co. Ltd. and director of Shenzhen Konka Precision Mould Manufacturing Co. Ltd., which has a 51:49 joint venture company, Anhui KM Technology Co., Ltd., with Mansfield Manufacturing Co. Ltd., a wholly owned subsidiary of InnoTek.

Besides Chinese, Mr. Lou is also proficient in Japanese. He was re-elected as a Director of the Company at the 2016 AGM.

SOURCE: COMPANY

Figure 2: Background of Mr Neal Chandaria

Mr. Neal Chandaria joined InnoTek as a Non-Executive and Non-Independent Director on 2 November 2015 and is a member of the Nominating Committee. He is a senior executive at Comcraft Group, a global conglomerate with businesses in industries including steel, aluminum, plastics, packaging and information technology. Based in Singapore, he has been helping Comcraft develop its businesses in Asia for more than 20 years. He was previously involved in Comcraft's businesses in Africa and Europe.

Mr. Chandaria graduated from Stanford University with a degree in economics. He is the Honorary Consul of the Republic of Kenya in Singapore. Mr. Chandaria was re-elected as a Director of the Company at the 2016 AGM.

SOURCE: COMPANY

Figure 3: Share purchases from open market by Mr Lou Yiliang

Date	Quantity	Price (S$)	Gross value (S$)
8 April, 2016	100,000	0.135	13,500
8 April, 2016	100,000	0.130	13,000
11 April, 2016	300,000	0.130	39,000
17 May, 2016	65,000	0.145	9,425
19 May, 2016	2,000	0.150	300
5 July, 2016	35,200	0.151	5,315
5 July, 2016	350,000	0.154	53,900

SOURCE: CIMB RESEARCH, COMPANY

InnoTek also announced plans to build a new factory in Thailand to support an office automation customer. The plant is scheduled to be ready in 1H18 and management expects revenue contribution to commence in 2H18. On 11 Oct 2017, InnoTek also announced the incorporation of a subsidiary, Mansfield Technology (Weihai) Co Ltd to support Hewlett-Packard's newly-acquired Samsung Printer business.

Management's plans

In the printing & imaging segment, InnoTek believes its Mansfield Weihai subsidiary will benefit from supporting Hewlett-Packard's printer business (via the Samsung printer business acquisition). Mansfield Weihai will be involved in the R&D, design and manufacturing of precision metal stamping and tooling.

For the office automation business, management expects its new Thailand plant to commence production in 2H18F and gather momentum in FY19F onwards.

In the automotive segment, InnoTek plans to pursue more programmes and orders for car seat moulds and stamped products. It plans to expand into the children's car seat segment, according to management.

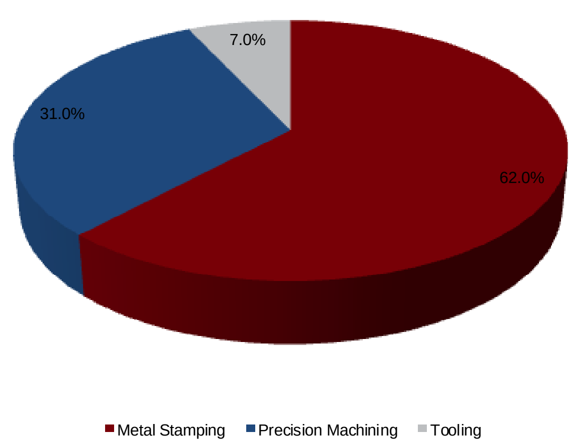
In the TV segment, InnoTek reported that the market response for its aluminum heat sink for TVs has been positive. InnoTek expects the TV segment to remain a significant revenue contributor given growing consumer demand for high-definition TV panels with thin but strong bezels.

9M17 financials

9M17 revenue fell 1.7% yoy to S$156.6m due to lower revenue from the office automation segment. Gross profit margin rose 0.9 % points to 18.9% due to lower headcount and lower depreciation arising from the disposal of old equipment in FY16A. Net profit rose 3.8% yoy to S$7.1m.

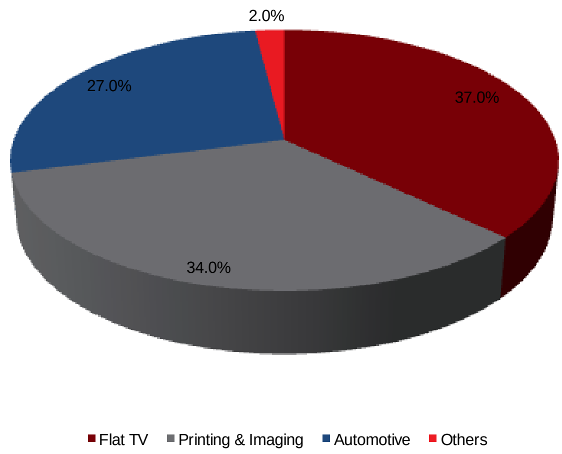
By manufacturing activity, metal stamping accounted for 62% of 9M17 revenue, precision machining accounted for 31% while Tooling accounted for the remaining 7%. In terms of product segment, flat-screen TVs accounted for 37% of 9M17 revenue, printing and imaging accounted for 34%, automotive accounted for 27%.

Figure 4: 9M17 revenue breakdown by activity



SOURCE: CIMB RESEARCH, COMPANY

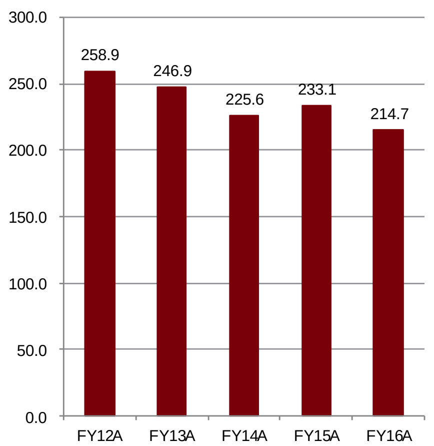
Figure 5: 9M17 revenue breakdown by product segment



SOURCE: CIMB RESEARCH, COMPANY

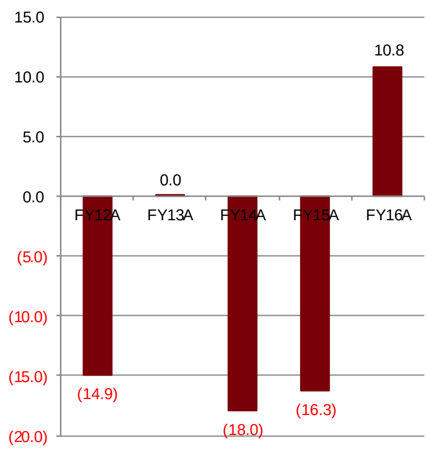
Historical 5-year financial performance

Figure 6: Historical revenue (S$ m)



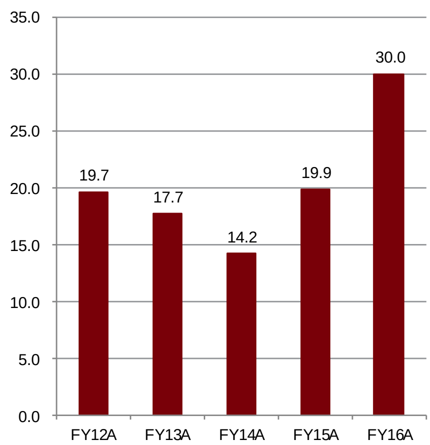
SOURCE: CIMB RESEARCH, COMPANY

Figure 7: Historical operating profit (S$ m)



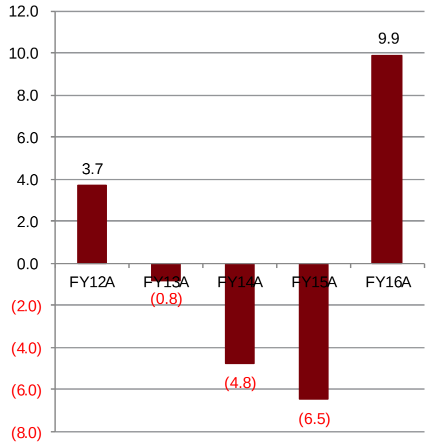
SOURCE: CIMB RESEARCH, COMPANY

Figure 8: Historical net cash (S$ m)



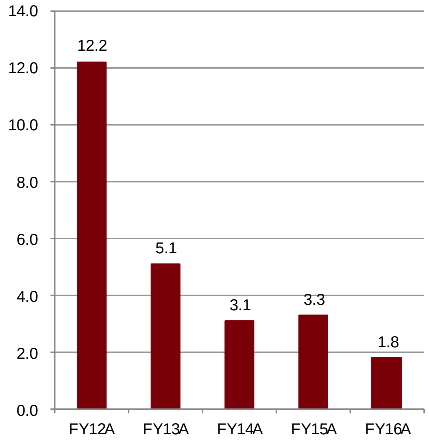
SOURCE: CIMB RESEARCH, COMPANY

Figure 9: Operating cash flow (S$ m)



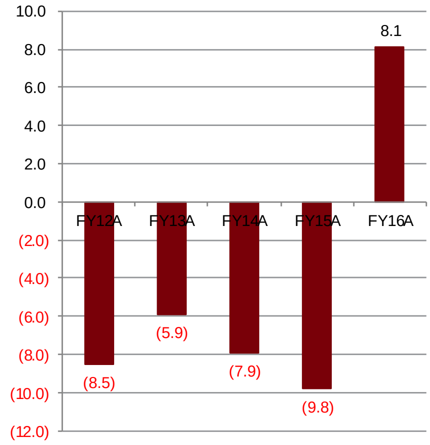
SOURCE: CIMB RESEARCH, COMPANY

Figure 10: Capex (S$ m)



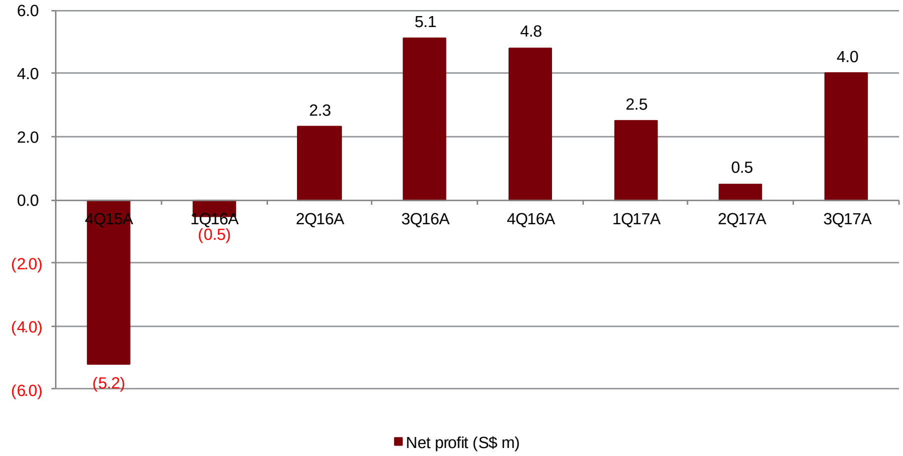
SOURCE: CIMB RESEARCH, COMPANY

Figure 11: Free cash flow (S$ m)



SOURCE: CIMB RESEARCH, COMPANY

Figure 12: InnoTek turned positive net profit in 2Q16 onwards



SOURCE: CIMB RESEARCH, COMPANY

Historical valuation

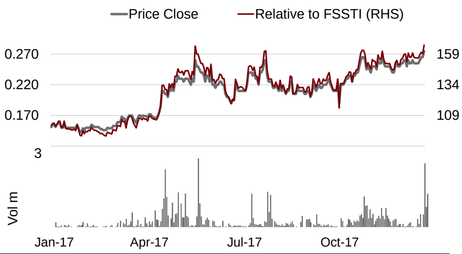
As at end-Sep 2017, Innotek's BVPS was S$0.575. Based on its share price of S$0.385 on 5 Jan 2018, its historical end-Sep 2017 P/BV is 0.66x. As at end-Sep 2017, InnoTek's net cash position was S$31.9m.

Eyes on the Ground

Singapore

NON RATED

Current price:	S$0.28
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	MITD.SI
Bloomberg:	MIT SP
Market cap:	US$47.32m
	S$63.05m
Average daily turnover:	US$0.06m
	S$0.08m
Current shares o/s:	224.6m
Free float:	52.6%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.2	19.6	83.3
Relative (%)	10	11.9	64.4

Major shareholders	% held
MIT Technologies Pte Ltd	52.6
Kwong Kim Mone	2.2

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CIMB's coverage universe. It does not carry investment ratings and CIMB does not commit to regular updates on an ongoing basis.

Analyst(s)

William TNG, CFA
T (65) 6210 8676
E william.tng@cimb.com

Manufacturing Integration Technology Ltd

Winning orders again

- MIT is a capital goods supplier primarily serving the semiconductor industry.
- Management believes that the company will benefit from the strong outlook for the global semiconductor industry.
- MIT has announced new order wins in the past 12 months.
- MIT had a net cash balance sheet as of end-Jun 2017 and has adopted a 25% dividend payout policy.
- MIT posted net loss in FY16 and is trading at a historical FY16 P/BV of 1.37x versus AEM's 4.76x and Vitrox's 11.41x.

What it does

MIT was founded in 1992 to provide industrial automation services to the electronics industry in Singapore. MIT has since evolved to become a capital goods supplier serving the semiconductor, solar and contract equipment manufacturing industries. In its semiconductor business, the company's range of products include wafer level die marking and sorting systems, vision inspection, laser marking and tape and reel systems.

Winning new orders

MIT incurred a net loss of S$5.5m in FY16 due to the lack of order wins. In FY17, MIT announced new order wins. On 8 May 2017, MIT won an order of S$18m for its semiconductor equipment business. Management attributed its return to profitability in 1H17 to this order win. MIT continued to receive new orders. On 4 Sep 2017, S$5.5m new orders were received and on 2 Jan 2018, MIT clinched another S$14.2m in new orders.

Outlook

According to the World Semiconductor Trade Statistics Association (WSTSA), global semiconductor sales are forecast to hit US$408.7bn in 2017F. This would mark the industry's highest-ever annual sales and the first-time sales have crossed the US$400bn mark. For 2018F, WSTSA is projecting global semiconductor revenue growth of 7.0%.

Strong balance sheet

Over FY12-16, MIT has mainly been in a net cash position. As at end-Jun 2017, MIT was in a net cash position of S$19.7m or S$0.0868 per share. Net cash per share as at end-Jun 2017 of S$0.0868 represents 31.6% of its share price of S$0.275 on 5 Jan 2018. Given its substantial net cash position and limited capex needs, the company announced (on 2 May 2017) it would implement a formal dividend policy of paying out not less than 25% of its net profit.

Non-binding offer for its semiconductor equipment business

On 8 Jan 2018, MIT announced that it had entered into a non-binding term sheet with China Fortune-Tech Capital Co Ltd (CFTC, Unlisted) in relation to the proposed disposal of certain MIT subsidiaries involved in the design and manufacturing of automated equipment for the semiconductor industry.

Historical valuations

MIT posted a net loss in FY16. MIT did not pay any dividends for FY16 and is trading at a historical FY16 P/BV of 1.37x versus AEM Holdings Ltd's (AEM SP, Add, TP: S$4.55) 4.76x and Vitrox Corporation Bhd's (VITRO MK, Not Rated) 11.41x.

Financial Summary	Dec-12A	Dec-13A	Dec-14A	Dec-15A	Dec-16A
(S$, m)					
Revenue	40.6	31.3	64.3	90.4	35.5
EBITDA	1.3	(5.2)	11.0	20.5	(3.3)
EBITDA margins	3.3%	-16.6%	17.1%	22.7%	-9.4%
Pretax profit	(0.3)	(6.5)	9.3	18.9	(4.6)
Net profit	0.3	(6.5)	10.2	15.4	(5.5)
EPS (S cts)	0.1	(3.0)	4.7	6.8	(2.5)
EPS growth	na	na	na	46.0%	na
P/E (x)	196.4	na	5.9	4.1	na
DPS (S cts)	0.0	0.0	0.5	1.0	0.0
Dividend yield (%)	na	na	1.82%	3.64%	na
P/BV (x)	1.77	2.17	1.58	1.18	1.37
ROE	0.9%	na	26.7%	29.2%	na
Net cash/share (S cts)	6.0	net gearing	3.7	7.0	6.3
EV/EBITDA (x)	na	na	4.3	2.3	na

SOURCE: COMPANY DATA, CIMB

Winning orders again

Company description

MIT was founded in 1992 by its Chairman and Managing Director, Mr. Tony Kwong, to provide industrial automation services to the electronics industry in Singapore. In a span of 25 years, MIT has evolved to become a capital goods supplier serving the semiconductor, solar and contract equipment manufacturing (CEM) industries in Singapore, USA, Europe and Asia. MIT became a publicly listed company in 1999 with its shares traded on the Mainboard of the Singapore Exchange Ltd.

The group operates from two rented facilities; one in Ang Mo Kio (Singapore) and the other in Jiading District (Shanghai, China). Its corporate headquarters is in Singapore together with its R&D centre for semiconductor equipment. Its semiconductor equipment is manufactured in Singapore while the heavy and bulky solar machines are assembled in the Jiading facility. MIT provides CEM services to a wide international customer base from both facilities.

In its semiconductor business, the company primarily designs, develops and distributes a wide range of automated equipment that caters to the front- and back-end processes of Integrated Circuits assembly. Its flagship range of high-end semiconductor equipment includes wafer level die marking and sorting systems, vision inspection, laser marking and tape and reel systems.

MIT's customers include Micron Technology Inc (MU US, Not Rated), Texas Instruments Inc (TI US, Not Rated) Maxim Integrated Products (MXIM US, Not Rated), STMicroelectronics NV (STM FP, Not Rated), Infineon Technologies AG (IFX GY, Not Rated), Advanced Semiconductor Engineering Inc (2311 TT, Hold, TP: NT$42.00), Amkor Technology Inc (AMKR US, Not Rated), amongst others. etc - all of which are renowned global players in their respective semiconductor spaces. Its top five customers accounted for 75% of MIT's FY16 revenue.

In the solar business, MIT designs and produces high-end solar equipment such as laser scribers and ablation solutions for the Photovoltaic (PV) Industry.

Figure 1: Equipment samples

SOURCE: COMPANY

In the CEM business, MIT's key subsidiaries are i.PAC Manufacturing Pte Ltd (Unlisted), and AMS Biomedical Pte Ltd (Unlisted). i.PAC Manufacturing and AMS Biomedical provide modular and full turnkey assembly, system integration, reliablility testing, packing and distribution services for different industries. i.PAC's depth of expertise in mechanical, electronics and electrical engineering also embraces vision systems and laser technology, enabling it to handle wide ranging complex projects across multi-electronic sectors such as in displays, semiconductors, storage media, aerospace, solar and other high-tech capital equipment industries.

AMS Biomedical, with its ISO9001 and ISO13485 accreditation, is a leading choice as a contract manufacturer of medical equipment and devices, specifically for the medtech industry, according to management.

Underpinning the above core businesses are the precision machining capabilities of its overseas MIT (Shanghai) plant. Shanghai's operations offer high precision products manufactured to tight tolerance supporting the electro-mechanical components and sub-systems sectors for an equally wide range of industries within and outside of China. According to management, the facility is equipped with high-speed and highly versatile machines to ensure top quality finishing of products at the most competitive cost.

Financials

As MIT's core business is in the semiconductor industry, the group has historically experienced fluctuations in revenue and profitability given the cyclical nature of the industry.

In the past five years, MIT recovered from net loss of S$6.5m in FY13 to register net profit of S$10.2m in FY14, followed by a higher S$15.4m in FY15 before slipping into the red again to net loss of S$5.5m in FY16. Since then, MIT returned to positive net profit of S$2.8m in 1H17, as orders from customers resumed. In its 1H17 results announcement on 4 Aug 2017, management announced that its order book as at 4 Aug 2017 stood at S$22.4m.

Figure 2: Historical financial performance

(All amounts in S$'000)

Statement of Comprehensive Income	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenue	40,609	31,301	64,273	90,351	35,527
EBITDA	1,348	(5,207)	10,962	20,495	(3,345)
(Earnings before interest, tax , dep & amort)					
EBIT	(247)	(6,505)	9,493	18,772	(4,674)
(Earnings before interest & tax)					
Finance cost	117	85	261	184	108
(Loss) Income before tax from continuing operations	(276)	(6,491)	9,305	18,866	(4,556)
(Loss) Income from continuing operations, net of tax	311	(6,491)	10,172	15,426	(5,496)

SOURCE: COMPANY

According to the World Semiconductor Trade Statistics Association (WSTSA), global semiconductor sales are forecast to hit US$408.7bn in 2017F. This would mark the industry's highest-ever annual sales and the first-time sales crossed the US$400bn mark. For 2018F, WSTSA is projecting that all major product categories and regions will continue to see yoy growth. It expects global semiconductor revenue to grow by 7.0% yoy in 2018F.

Figure 3: Global semiconductor revenue forecasts

WSTS Forecast Summary

From the autumn 2017 Forecast Meeting, held November 14 to 16, 2017:

Autumn 2017	Amounts in US$M			Year on Year Growth in %		
	2016	2017	2018	2016	2017	2018
Americas	65,537	86,458	95,380	-4.7	31.9	10.3
Europe	32,707	38,048	39,799	-4.5	16.3	4.6
Japan	32,292	36,350	37,990	3.8	12.6	4.5
Asia Pacific	208,395	247,834	264,097	3.6	18.9	6.6
Total World - $M	338,931	408,691	437,265	1.1	20.6	7.0
Discrete Semiconductors	19,418	21,498	22,490	4.3	10.7	4.6
Optoelectronics	31,994	34,467	37,302	-3.8	7.7	8.2
Sensors	10,821	12,537	13,439	22.7	15.9	7.2
Integrated Circuits	276,698	340,189	364,034	0.8	22.9	7.0
Analog	47,848	52,711	55,909	5.8	10.2	6.1
Micro	60,585	63,147	65,331	-1.2	4.2	3.5
Logic	91,498	101,413	108,467	0.8	10.8	7.0
Memory	76,767	122,918	134,327	-0.6	60.1	9.3
Total Products - $M	338,931	408,691	437,265	1.1	20.6	7.0

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

SOURCE: WSTSA

Strong balance sheet

MIT has witnessed and overcome numerous economic cycles in the past 25 years of its corporate history. The key factors that allows MIT to rise from these economic down cycles, according to management, are: 1) positive growth prospects for the semiconductor industry underpinned by the technological capabilities that the group has honed over the years; 2) a blue-chip customer base, and 3) a strong balance sheet that enables the group to quickly recover from the bad patch, as well as low reliance on debt financing.

Over FY12-16, MIT has been in a net cash position. As at end-Jun 2017, MIT was in a net cash position of S$19.7m or S$0.0868 per share. Net cash per share as at end-Jun 2017 of S$0.0868 represents 31.6% of its share price of S$0.275 on 5 Jan 2018. Given its substantial net cash position and limited capex needs, the company announced (on 2 May 2017) that it would implement a formal dividend policy of paying out not less than 25% of its net profit. In the profitable years of FY14 and FY15, MIT's dividend payout ratio was 10.8% and 14.7%, respectively. In 1H17, MIT proposed an interim DPS of S$0.025 or a dividend payout ratio of 19.8%.

1H17 performance

Revenue grew 51.9% yoy to S$33.1m in 1H17 and gross profit margin was 34.0%. It registered turnaround from net loss of S$833,000 in 1H16 to net profit of S$2.8m in 1H17. Free cash flow generated in 1H17 was S$5.4m.

Valuations

MIT incurred net loss in FY16. MIT did not pay any dividends for FY16 and is trading at a historical FY16 P/BV of 1.37x versus AEM's 4.76x and Vitrox's 11.41x.

Figure 4: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US$ m)	Historical* P/E (x)*	P/BV (x)*	ROE *	Div yield*
Mfg Integration Technology Ltd	MIT SP	Not rated	0.28	NA	46.57	loss	1.37	loss	0.0%
AEM Holdings	AEM SP	Add	3.33	4.55	164.44	44.8	4.76	10.6%	0.4%
Vitrox Corp	VITRO MK	Not rated	6.38	NA	750.44	45.9	11.41	24.9%	0.5%
Simple average						**45.3**	**5.85**	**17.7%**	**0.3%**

**FYE Dec-16A. Share price as at end 5 Jan 2018.*

SOURCE: CIMB RESEARCH, BLOOMBERG

DISCLAIMER

#03

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to CIMB and is distributed by CIMB.

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 law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in this report. CIMB has no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CIMB disclaims all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements 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 as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research 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, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst 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. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("**CIMBGH**") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of January 8, 2018, CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) Advanced Semiconductor, AEM Holdings Ltd, AVI-Tech Electronics Ltd, Broadway Industrial Group Ltd, Fu Yu Corp Ltd, Memtech International, Sunningdale Tech Ltd

(ii) As of January 9, 2018, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally 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. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report.

The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at https://researchcentral.cibcwm.com .

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are 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. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on other securities mentioned in the report.

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CIMB India is registered with SEBI as a Research Analyst pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

CIMB Securities (India) Pte Ltd has not received any investment banking related compensation from the companies mentioned in the report in the past 12 months.

CIMB Securities (India) Pte Ltd has not received any compensation from the companies mentioned in the report in the past 12 months.

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are 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. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. 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. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

(a) Section 25 of the FAA (obligation to disclose product information);

(b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;

(c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];

(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];

(e) Section 36 (obligation on disclosure of interest in securities), and

(f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research 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, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of January 8, 2018, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMB Research Pte Ltd does not make a market on other securities mentioned in the report.

CIMB Securities Singapore Pte Ltd does not make a market on other securities mentioned in the report.

CIMB Bank Berhad, Singapore branch does not make a market on other securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited ("CIMBS") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

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 are unaffected.

CIMB Securities (Thailand) Co., Ltd. may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEC, BEM, BJC, BH, BIG, BLAND, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DTAC, EA, EGCO, EPG, ESSO, GGC, GFPT, GLOBAL, GPSC, GUNKUL, HANA, HMPRO, INTUCH, IRPC, ITD, IVL, JMART, JWD, KBANK, KCE, KKP, KTB, KTC, LH, LPN, MAJOR, MC, MEGA, MINT, MONO, MTLS, ORI, PSH, PSL, PTG, PTT, PTTEP, PTTGC, QH, ROBINS, SAWAD, SCB, SCC, SGP, SIRI, SPALI, SPRC, STA, STEC, SUPER, TASCO, TCAP, THAI, THCOM, TISCO, TKN, TMB, TOP, TPIPL, TPIPP, TRUE, TTA, TU, TVO, UNIQ, UV, WHA, WHAUP, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is also being distributed by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CIMB UK has been prepared in accordance with CIMB Group's policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material(all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research and will not subject to any prohibition on dealing ahead of the dissemination of research. Any such non-independent material must be considered as a marketing communication.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc does not make a market on other securities mentioned in the report.

Neither CIMB Securities (USA) Inc., nor its affiliates have managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

Neither CIMB Securities (USA) Inc., nor its affiliates have received compensation for investment banking services from any of the company mentioned in the past 12 months.

Neither CIMB Securities (USA) Inc., nor its affiliates expects to receive or intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2017		
1235 companies under coverage for quarter ended on 31 December 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.5%	6.4%
Hold	31.7%	2.6%
Reduce	9.0%	0.7%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.