

Singapore

Neutral (no change)

Highlighted Companies

AEM Holdings Ltd**ADD, TP S\$2.38, S\$1.95 close**

AEM Holdings Ltd provides solutions in equipment systems, precision components and related manufacturing services across various industries.

Sunningdale Tech Ltd**REDUCE, TP S\$1.14, S\$1.23 close**

Sunningdale Tech Ltd is a manufacturer of precision plastic components. The group provides one-stop, turnkey plastic solutions.

Valuetronics Holdings Ltd**HOLD, TP S\$0.72, S\$0.73 close**

Valuetronics is an Electronic Manufacturing Service provider, which focuses on the design and development of products for customers.

Summary Valuation Metrics

P/E (x)	Dec-19F	Dec-20F	Dec-21F
AEM Holdings Ltd	11.74	9.30	9.78
Sunningdale Tech Ltd	29.31	14.72	13.25
Valuetronics Holdings Ltd	9.30	9.01	8.45
P/BV (x)	Dec-19F	Dec-20F	Dec-21F
AEM Holdings Ltd	4.27	3.18	2.56
Sunningdale Tech Ltd	0.61	0.61	0.61
Valuetronics Holdings Ltd	1.47	1.37	1.27
Dividend Yield	Dec-19F	Dec-20F	Dec-21F
AEM Holdings Ltd	2.13%	2.69%	2.56%
Sunningdale Tech Ltd	6.50%	6.50%	6.50%
Valuetronics Holdings Ltd	6.03%	6.06%	6.04%

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Tech Manufacturing Services

Factory closure impact

- Chinese authorities have directed most factories in its key manufacturing hubs to resume operations only after 9 Feb.
- Least affected companies under our coverage are AEM and UMS.
- Most affected companies are Valuetronics and Sunningdale Tech.

Most Chinese factories to resume operations only after 9 Feb

Under the directive from the Chinese government, most factories in China will not resume operations until after 9 Feb 2020. In Singapore, Powermatic Data Systems Ltd (PDS SP, Unrated) has announced that its Suzhou plant will resume operations only after 9 Feb. Other SGX-listed companies such as Spindex Industries Ltd (SPE SP, Unrated) and Micro-Mechanics Holdings Ltd (MMH SP, Unrated) have made similar announcements.

Wuhan is a major automotive hub

Wuhan is a key industrial (as well as automotive) hub in China. As such, the longer Wuhan remains locked down in response to the coronavirus outbreak, and if the Chinese government further prolongs the resumption of factory operations in China, there will be impact on companies' performance.

Most affected

We think that companies under our coverage that will be most affected by the delay in the resumption of factory operations are those that have factories solely in China (Valuetronics Holdings Ltd and ISDN Holdings Ltd) and those that have a significant amount of their manufacturing facilities in China (Fu Yu Corp Ltd and Sunningdale Tech Ltd).

Not affected

AEM Holdings Ltd only has a small plant in China that accounted for a mere 2.2% of its FY18 revenue. As its production is mainly in Singapore, we see no direct impact from the factory closure. UMS Holdings Ltd will also see no operational impact as the company has no factory in China.

Moderately affected

Frencken Group Ltd has plants in China but the impact may be manageable as the Group has other plants outside of China. Venture Corporation also has a plant in Shanghai but this manufacturing site accounts for just 4.8% of its total manufacturing site area. The risk for Venture is possible production disruptions due to delays in receiving components from other China-based suppliers.

Add AEM, Reduce Sunningdale Tech

Our top pick is AEM Holdings Ltd (Add, TP S\$2.38) as customer capex is driven by its need to regain competitiveness. We think earnings risks are high for Sunningdale Tech (China factory and automotive sector exposure). We reiterate Reduce on Sunningdale Tech with a TP of S\$1.14. We remain Neutral on the sector given muted earnings growth. A potential upside risk is earlier-than-expected containment of the coronavirus outbreak while a downside risk is worsening coronavirus outbreak.

Figure 1: Factory closure impact

Most affected	Not affected	Moderately affected
Valuetronics Holdings Ltd	UMS Holdings Ltd	Frencken Group Ltd
Sunningdale Tech Ltd	AEM Holdings Ltd	Venture Corporation
ISDN Holdings Ltd		
Fu Yu Corp Ltd		

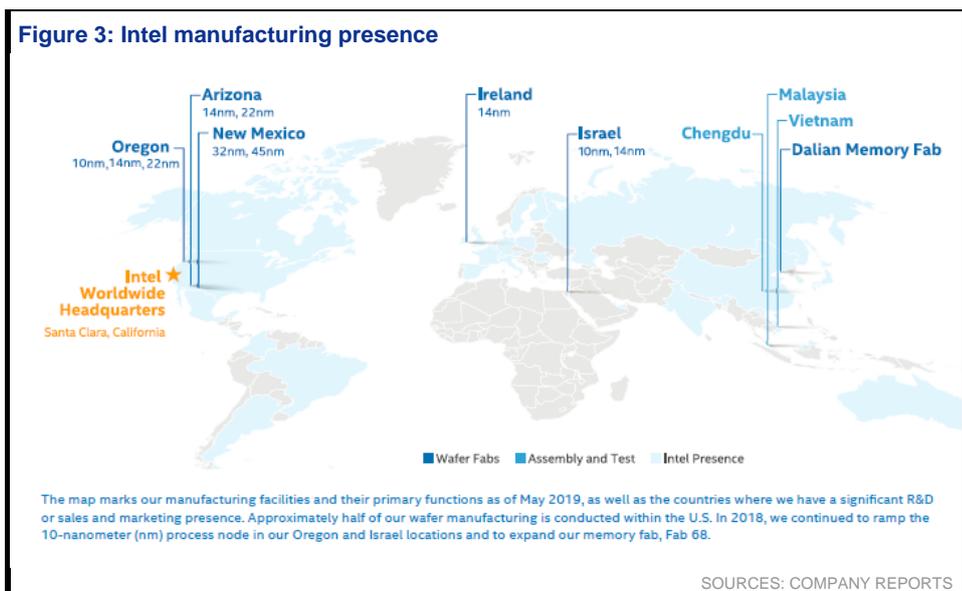
SOURCES: CGS-CIMB RESEARCH, COMPANY

Figure 2: Potential impact of factory closure in China due to coronavirus

Company	Presence in China	Comments
AEM Holdings Ltd	One field service office in Chengdu, one small plant in Suzhou.	No impact on AEM's operations. China plant is small and produces some precision components (only 2.2% of FY18 revenue). Bulk of production for key customer is located in Singapore. Intel has a test and assembly plant in Chengdu and a 3D NAND memory fab (Fab 68) in Dalian.
Frencken Group Ltd	Plants in Wuxi, Tianjin, Chuzhou and Zhuhai.	According to local government directive, work will resume after 9 Feb (barring further notice). Seagate Technology (STX US, Unrated), a key customer for Frencken's industrial automation business has a factory in Wuxi.
Fu Yu Corp Ltd	Plants in Dongguan, Suzhou, Chongqing, Zhuhai.	Factory (barring further directive from the Chinese authorities) will only resume work on 10 Feb. As China accounted for nearly 57% of FY18 revenue, there will be an impact on 1Q19 performance if the coronavirus situation worsens. Mitigating factors are 1) the automotive and power tools segment accounted for only 11% of 1H19 revenue and 2) Fu Yu has been right sizing the China operations over the past few years in response to slower demand for its services.
ISDN Holdings Ltd	Sole production space (gross floor area of approximately 40,657 sq.m) in an industrial park in Wujiang district, Suzhou, Jiangsu province where the company makes certain range of products such as hinges and locks, precision gearboxes and other industrial hardware for its other specialised engineering solutions by installing and assembling components and parts sourced.	Factory (barring further directive from the Chinese authorities) will only resume work on 10 Feb. As China accounted for nearly 70% of FY18 revenue, there will be an impact on 1Q19 performance if the coronavirus situation worsens.
Sunningdale Tech Ltd	Plants in Tianjin, Shanghai, Suzhou, Guangzhou and Chuzhou.	Factory (barring further directive from the Chinese authorities) will only resume work on 10 Feb. As the China plants mainly produce parts for the automotive industry, the lock down in Wuhan (a major automotive hub) will have a negative impact on 1Q20 performance. The automotive segment accounted for 37% of Sunningdale Tech's FY18 group revenue.
UMS Holdings Ltd	No factory in China.	No direct impact on operations.
Valuetronics Holdings Ltd	Plants are in Daya Bay, Huizhou City, Guangdong province.	Business is seasonally weak in the first quarter of the calendar year. Based on our channel checks, some of Valuetronics customers are facing production disruption. This could affect 4QFY3/20 results.
Venture Corporation	Has one plant in Shanghai.	The Shanghai plant represented 4.8% of the total site area of its facilities based on its FY18 annual report.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Intel manufacturing presence



SOURCES: COMPANY REPORTS

Figure 4: CIMB small-cap universe

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY19F	CY20F		CY19F	CY20F	CY19F	CY20F	CY19F	CY20F	CY19F	CY20F
Technology																
AEM Holdings Ltd	AEM SP	Add	1.95	2.38	384	11.7	9.3	17.3%	4.27	3.18	41.6%	39.3%	7.1	5.2	2.1%	2.7%
Frencken Group Ltd	FRKN SP	Add	0.87	0.94	268	9.6	9.2	4.2%	1.25	1.15	13.7%	13.0%	5.2	4.8	3.1%	3.3%
Fu Yu Corp Ltd	FUYU SP	Hold	0.26	0.22	140	15.3	15.4	2.5%	1.17	1.17	7.7%	7.6%	6.6	6.4	6.5%	6.3%
ISDN Holdings Ltd	ISDN SP	Add	0.21	0.27	64	8.9	7.5	2.9%	0.56	0.52	6.3%	7.2%	4.2	3.5	2.9%	3.4%
Sunningdale Tech Ltd	SUNN SP	Reduce	1.23	1.14	172	29.3	14.7	-3.6%	0.61	0.61	2.1%	4.2%	4.2	3.5	6.5%	6.5%
UMS Holdings Ltd	UMSH SP	Hold	0.95	0.96	372	14.7	12.3	1.2%	2.08	1.91	14.5%	16.3%	11.4	9.2	3.7%	3.7%
Valuetronics Holdings Ltd	VALUE SP	Hold	0.73	0.72	232	9.2	9.0	0.1%	1.47	1.37	16.6%	15.7%	2.9	2.5	6.0%	6.1%
Venture Corporation	VMS SP	Hold	16.34	16.88	3,440	13.4	12.7	1.7%	1.88	1.77	14.3%	14.4%	9.0	8.2	4.3%	4.3%

SOURCES: CGS-CIMB, BLOOMBERG

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Corporate Governance Report:

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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. CGS-CIMB Thailand 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	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2019		
798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** –

Good, n/a, **CENTEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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.