



Industry Focus: **TRANSPORTATION**

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**KEMENTERIAN PEMBANGUNAN
USAHAWAN DAN KOPERASI**
MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES



Dasar Keusahawanan Nasional
"Negara Keusahawanan Unggul 2030"

The market structure and level of competition in Malaysia's transportation segments and subsectors varies. While **air and railway** transport is dominated by businesses with ties to or ownership by the government, the **warehousing, postal & courier and water transport** sub-sectors are **very competitive**.

Sub-Sector	Outlook
Land transport and transport via pipeline	Stable
Warehousing & support and postal & courier activities	Positive
Water transport	Stable
Air transport	Stable

Key developments

- + Starting on June 16, operations began for the 1st phase of the 17.5KM Putrajaya MRT (from Kwasa Damansara to Kampung Batu). This complements the other urban rail public transportation (refer slide 8).
- + Since the border reopened on **April 1, Malaysia has been able to draw in over 1 mil tourists**, or more than half of the 2 mil tourists target. A new target of 4.5 mil is currently set. However, this is still a far cry from pre-pandemic traffic flow of 26.1 mil in 2019 as these arrivals are mainly business travelers.
- Pending the National Airports Strategic Plan (NASP) study which began early March 2022, **the Ministry of Transport (MoT) has not approved the expansion project for Penang International Airport and the Kulim International Airport**. The NASP study will take 18 months to complete.
- + With the establishment of the first e-commerce and logistics centre **involving the import and export of goods via road mode** by KT Express Logistics in Bukit Kayu Hitam, Kedah scored a milestone of its own.
- + The Petaling Jaya Traffic Dispersal Elevated Highway, Putrajaya-Bangi Expressway and Kuala Lumpur Northern Dispersal Express-way projects have obtained approval from the government. These highways should alleviate traffic congestions in the city. Given the government's fiscal position, constructions projects that have not started will be delayed, with the cost and any risks to be fully borne by the concessionaires.

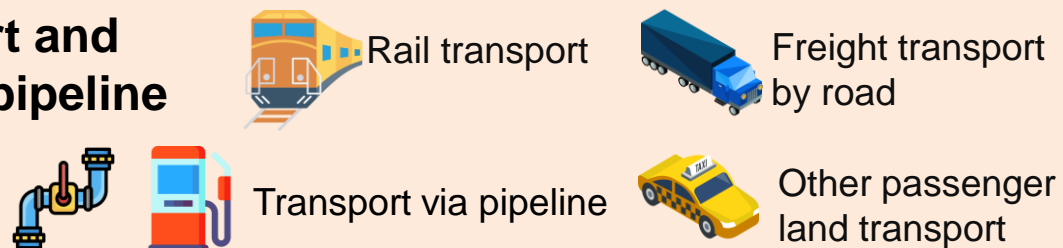


Industry Focus: Transportation (2/21)



Land transport and transport via pipeline

Stable



- + Reopening of economy will rejuvenate this sub-sector
- + High hydrocarbon prices is anticipated to help oil related businesses (i.e. transport via pipeline)
- Insufficient first- and last-mile connectivity plagues public transport users
- Inflationary pressures, high energy prices and potential removal of blanket fuel subsidy will be a drag on land logistics

Warehousing & support and postal & courier activities

Positive



- + MCMC projects e-commerce revenue to increase to USD5.75 bil and number of users +10.7% to 21.6 mil by 2023.
- + Courier sub-sector is expected to grow +6% by 2025. The demand has spiked due to the e-commerce boom, thanks to digitalisation and busy lifestyles.
- + Demand for steel racking systems robust as e-commerce fuels warehouse expansion. Low barriers of entry and steep competition

Water transport

Stable



- + Pent-up demand and normalisation of domestic and global economic activities should lend support to this sub-sector
- Competitive but high barriers of entry. Singapore port is our main competitor
- The National Transport Policy 2019-2030 highlights a shift towards larger and more centralised ports. Smaller ports could lose out
- Global port congestion (supply chain bottleneck), labour shortages and limited shipping container capacity are difficult to alleviate in the near-term

Air transport

Stable



- + Surge in demand for business/leisure trips (air travel) have built up since the pandemic
- Rising concerns over profitability with worsening fuel cost pressures. Jet fuel price reached USD170 per barrel in June, a +120% YoY gain
- Subject to stringent regulatory oversight
- High capital requirements which discourages entry of new players

Industry Focus: Transportation (3/21)

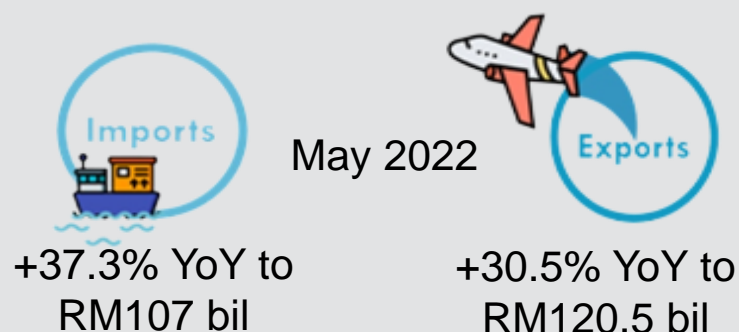
Global trade

- The World Trade Organization (WTO) warned of a potential food crisis brought on by rising prices and **lowered** its forecast for **global trade volume growth** this year from 4.7% to **3.0%** as a result of the Russia-Ukraine war and an uptick to **3.4% in 2023**.
- Against the backdrop of the protracted US-China disputes, supply chain snarls and Russia-Ukraine invasion, **trade protectionism is growing** and could undermine global trade outlook in the coming decade.



Malaysia

- Total trade rose +33.6% YoY to RM228 bil in May 2022, the 16th consecutive month of double-digit growth. However, higher growth in import > export led to a **narrower trade surplus** of RM12.6 bil (April: RM23.5 bil)
- Rise in Malaysia's exports was lifted by higher shipments of Electric & Electronic (E&E) products, notably **semiconductors** spurred by global digitalisation trends. Most of the trade activities were dominated by **sea transport (54.6%)**, followed by **air (32.7%)** and **land (12.7%)**.



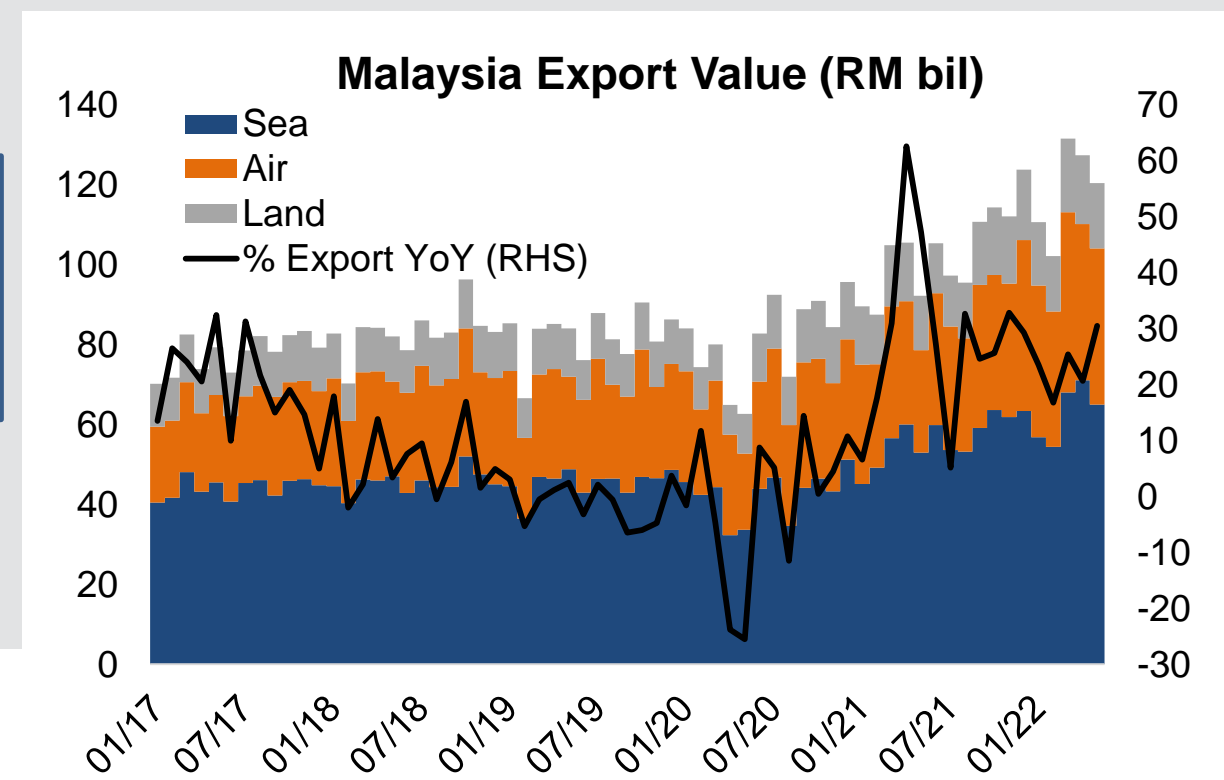
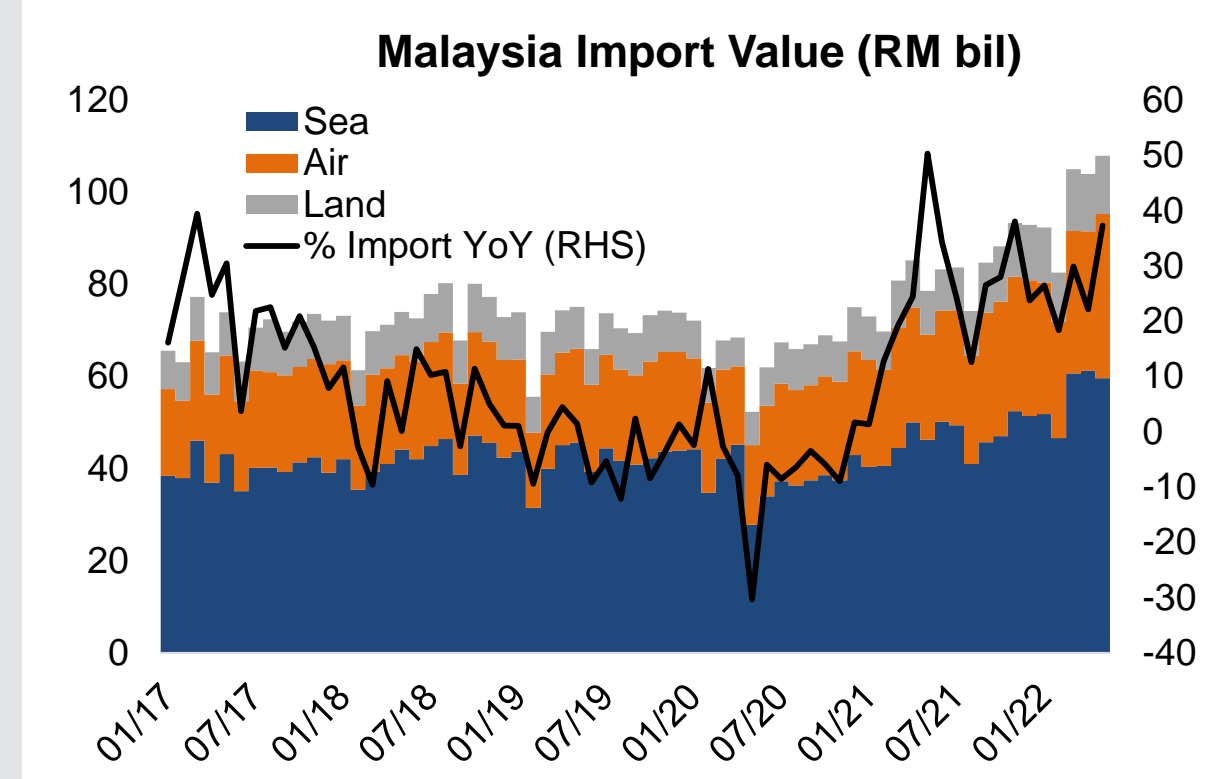
GVC participation index, 2018

(% share in total gross exports)

Regional averages

	Malaysia	Asia	Europe	North America	South America
Total GVC participation	55.1	44.4	48.8	37.8	36.5
Forward participation	20.4	20.0	21.2	22.0	23.5
Backward participation	34.8	24.4	27.6	15.8	13.0

>50% of Malaysia's exports in the global value chain (GVC) are **raw materials and intermediate goods**. Should **the decoupling of global trade happen in the future**, Malaysia could stand to gain from its raw material exports.



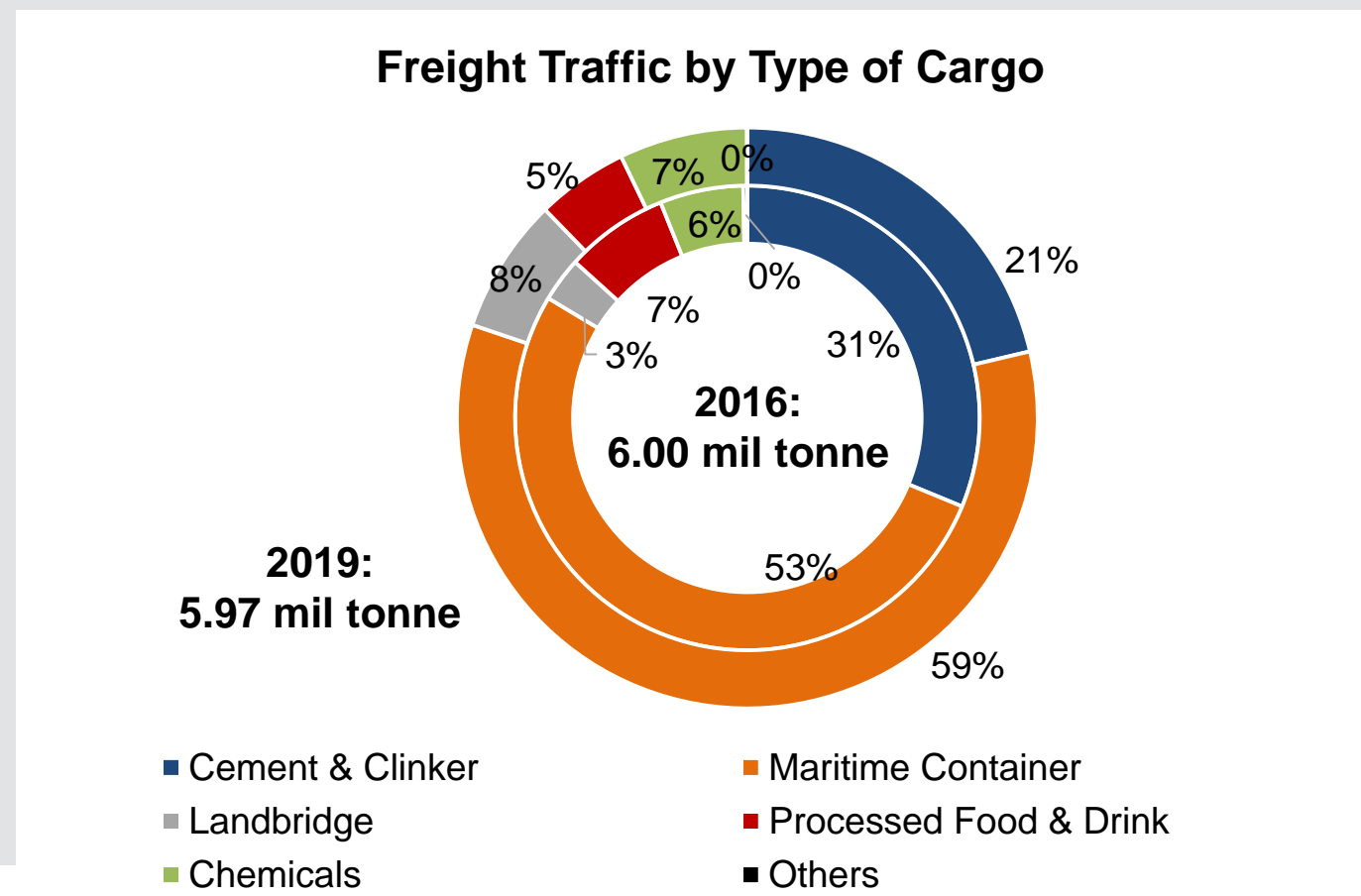
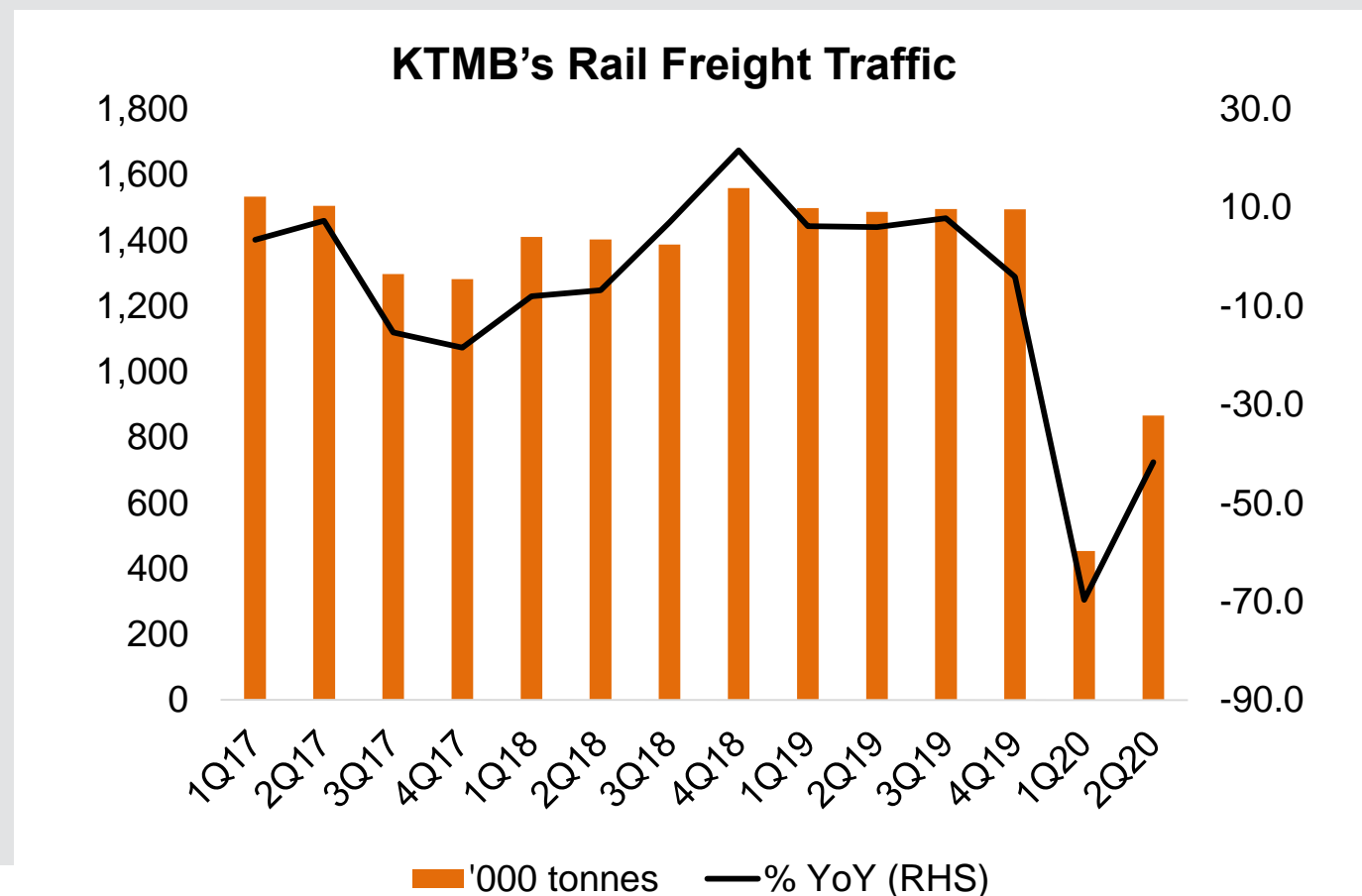
Backward linkages are directed towards suppliers, while the forward linkages are directed towards consumers.

Industry Focus: Land transport and transport via pipeline (4/21)

Sub-Sector	Outlook
Land transport and transport via pipeline	Stable

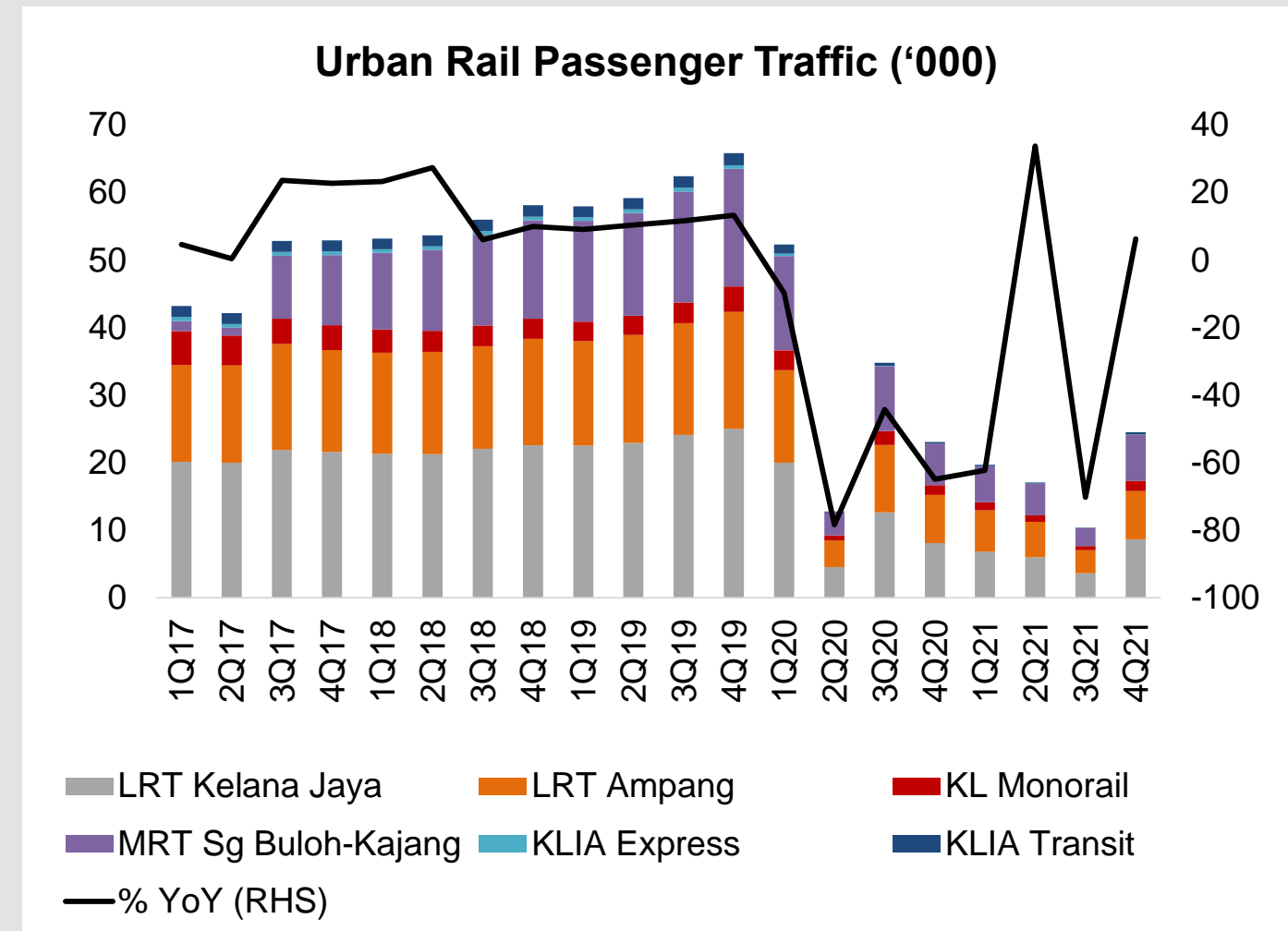
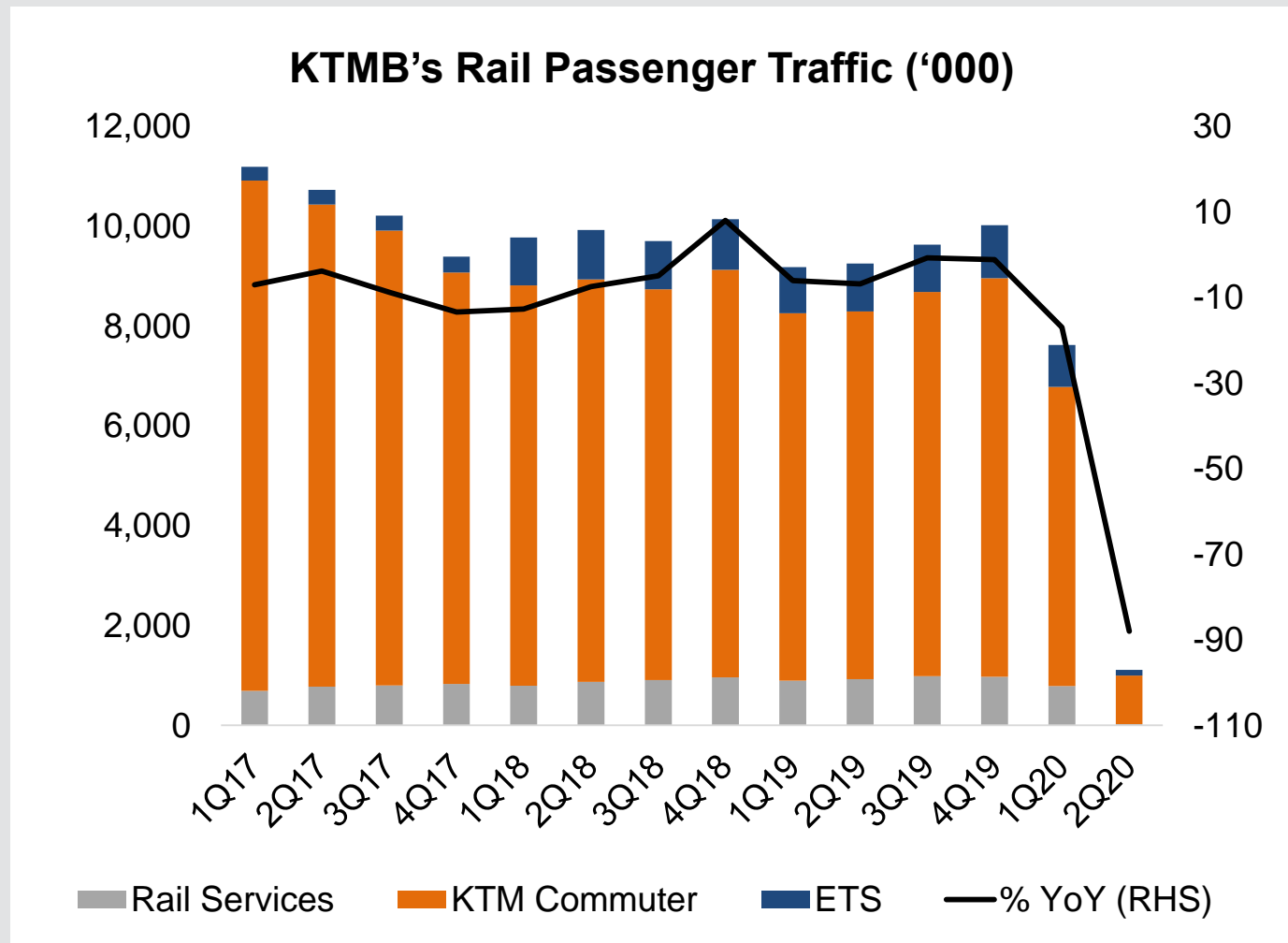
Land transport

- KTMB's **freight volume has declined**, down 3.7% to 6.0 mil tonnes in 2019 (2015: 6.2 mil tonnes).
- Rail freight is **expected to rebound by 5.1% in 2022**, in line with the country's economic recovery. By 2025, rail freight volume is expected to surpass the pre-Covid level of 6.0 mil tonnes in 2019. Stronger economic growth in Malaysia and the Southeast Asia region will boost **demand for freighting of goods inland** from the ports of Klang and Tanjung Pelepas.



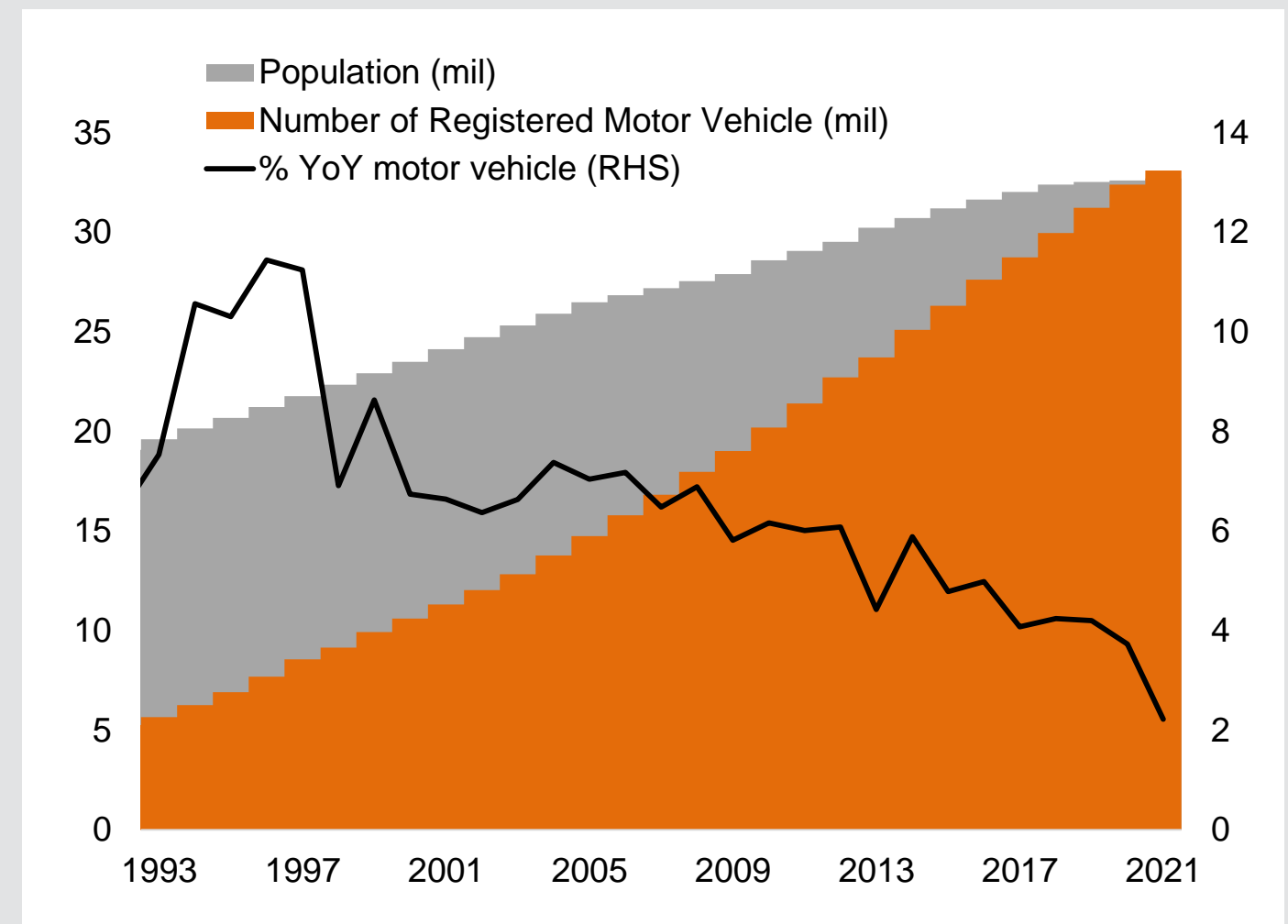
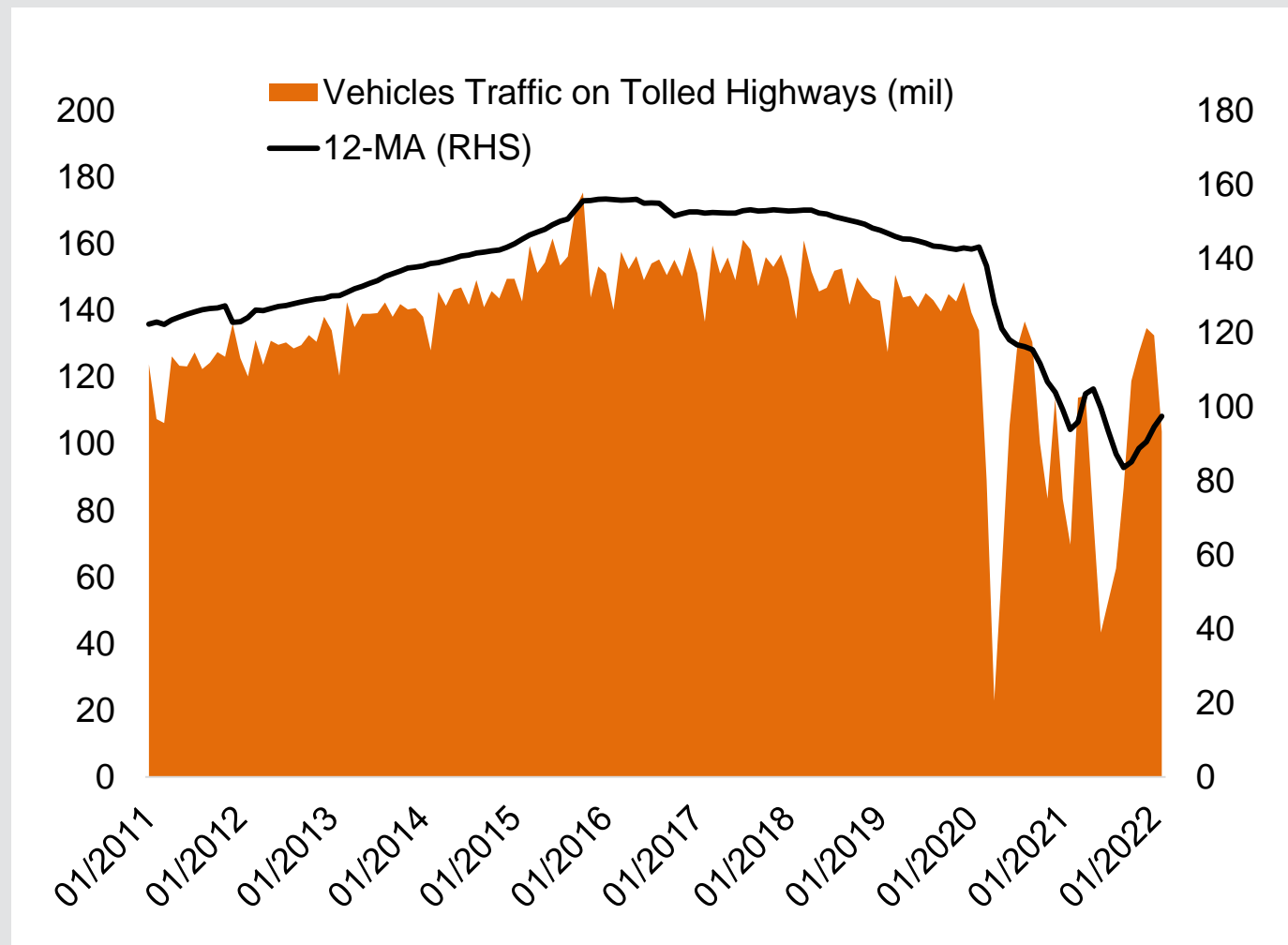
Industry Focus: Land transport and transport via pipeline (5/21)

- Similar to KTMB's rail freight traffic, the number of **passengers travelling on KTMB's trains have also decreased over several years**, dropping by a 15.8% to 38.1 mil in 2019 (2016: 45.2 mil). KTM commuter traffic makes up 79.8% of KTMB's total passenger traffic. The decrease in KTMB's passenger traffic was brought primarily by decreased KTM commuter traffic, which fell to 30.4 mil passengers in 2019 (2015: 49.7 mil).
- The **KTM commuter service** in Klang Valley has been **negatively impacted** due to (1) ongoing double-track rehabilitation work, (2) increased delays, (3) reduced service frequency, and (4) passenger cannibalisation by LRT and MRT.
- Train system plays an important role in Malaysia's transport plan as the government aims to increase its public transport modal share to 40% by 2030 (2018: 21%).



Industry Focus: Land transport and transport via pipeline (6/21)

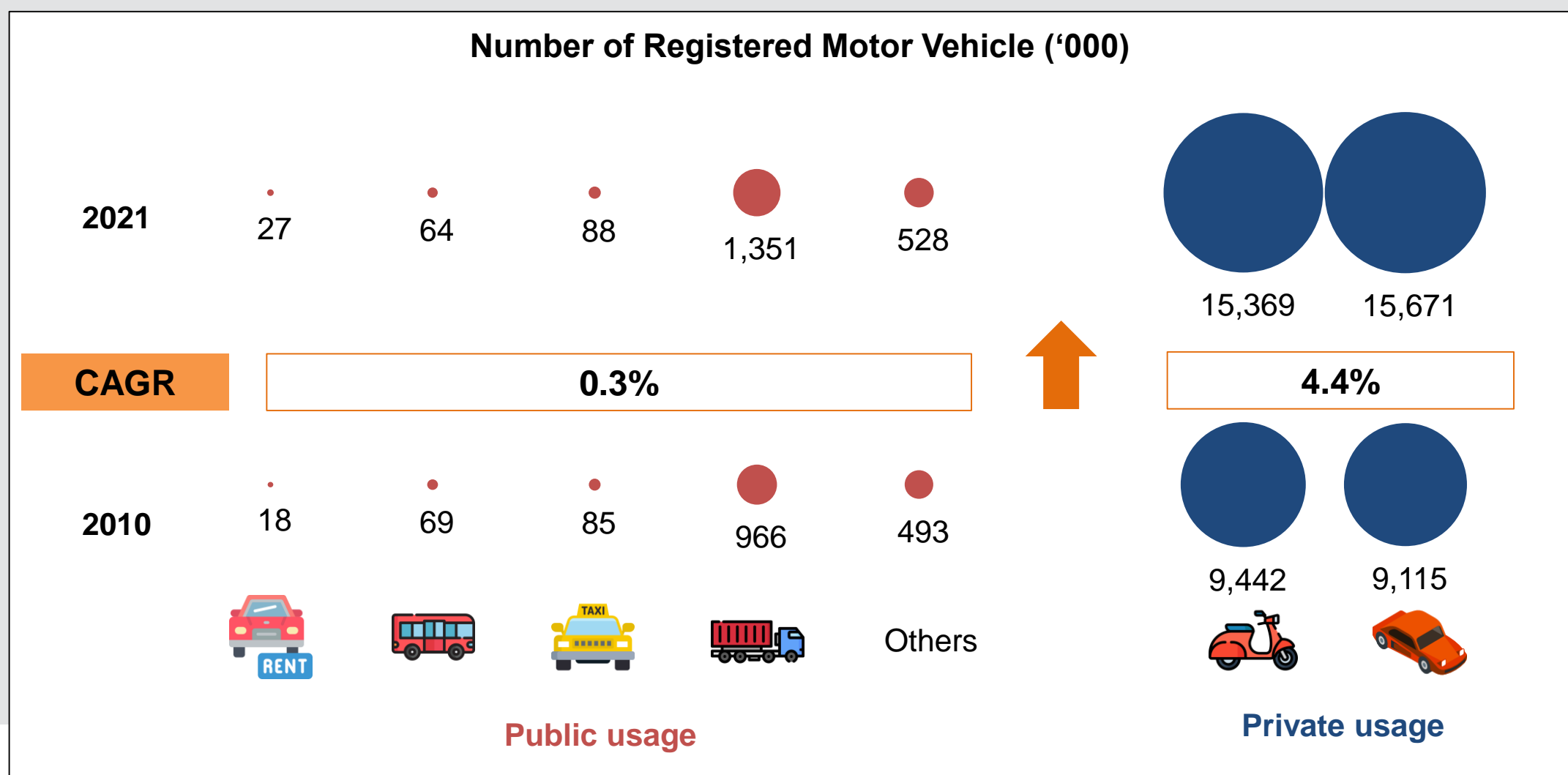
- The relaxation of the interstate travel restrictions since 11 October 2021 have boosted travel demand. **By 2023–2024, we expect the road traffic to fully rebound to 2019’s level, following a progressive recovery through 2022.**
- KL residents bear the weight of traffic congestion. On average, road users are stuck in traffic for 53 minutes per day and 13.4 days each year. In Malaysia, **64% of people believe that traffic will deteriorate over the next 12 months.**
- The number of registered motor vehicle exceeded total population of Malaysia in 2021, sparking concerns over worsening traffic conditions in urban areas. The ratio of **vehicles to population stood at 1.01 in 2021 (2010: 0.71).**



Industry Focus: Land transport and transport via pipeline (7/21)

- Following a 3.1% contraction in 2020 and a projected +8.9% rebound in 2021, road freight is forecasted to expand by 2.5% this year. A rise in household spending will **increase demand for consumer products shipped by road**.
- Vehicles for **public/commercial usage** accounted for only **6.2%** of motor vehicles while **privately own vehicles** constituted a whopping **93.8%**. CAGR for privately owned vehicles grew by 4.4% over the last 10 years.
- That being said, e-hailing services that connects the first- and last-mile of journey is also important. While there are 32 licensed e-hailing service providers, **Grab dominates the market**.

Number of Registered Motor Vehicle ('000)



Note: Motorcars used for e-hailing services are categorised under the 15,671 private motorcars (47.3% of total vehicles)

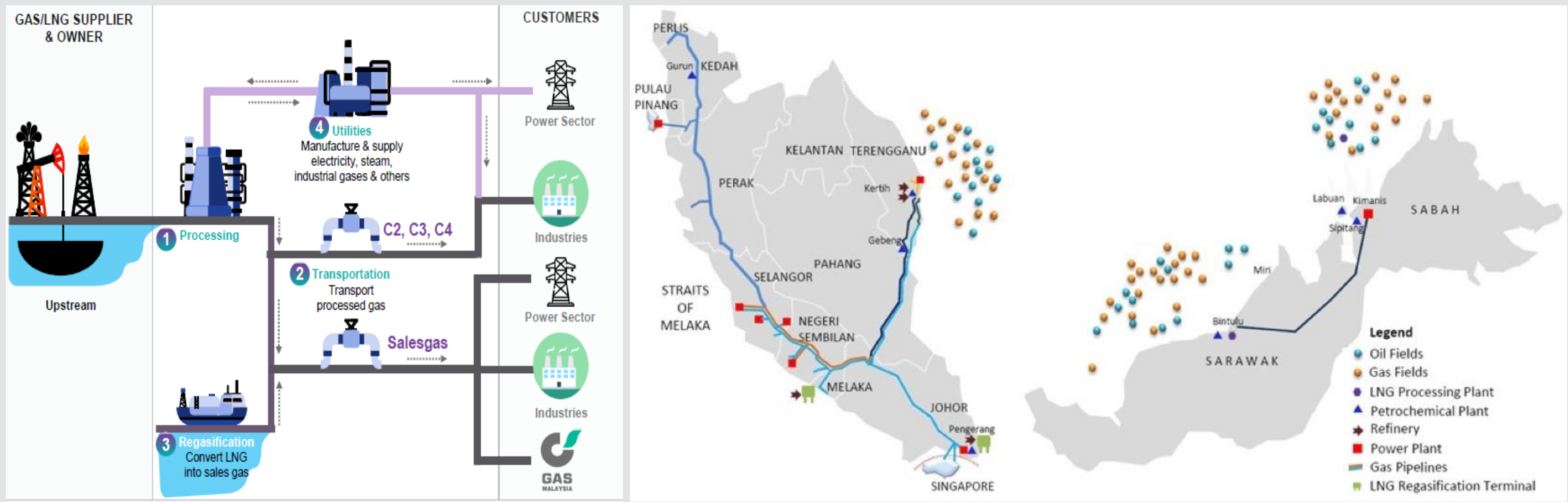
Grab dominates e-hailing market, commanding 72% of regional market share.

BIL	NAMA SYARIKAT	NAMA APLIKASI
1	ABLE APPS SDN BHD	ABLE
2	AIRASIA RIDE SDN. BHD.	AIRASIA
3	AIST MALAYSIA SDN BHD	MAXIM
4	ASIAN FAMOUS TOURS & TRAVEL SDN BHD	GOJO
5	CABCAR SDN BHD	TRANSPORTER
6	CUBIQSOFT SDN BHD	UNID
7	DACSEE SDN BHD	DACSEE
8	EEVOM SDN BHD	EEVOM
9	EZCAB SDN BHD	EZCAB
10	GET CAR SDN. BHD.	GETCAR
11	GLOBAL TRANSPORTATION NETWORK SDN BHD	DRIVE GTH
12	GOLA SYSTEMS SDN BHD	GOLA
13	GRABCAR SDN BHD	GRAB
14	HI TECH MT SDN. BHD.	INDRIVER
15	IDEAL TECHNOLOGY ADVANCEMENT SDN BHD	CIAOZ
16	KABEER TECH SDN BHD	IHANTAR
17	MULA CAR (M) SDN BHD	MULA
18	OSO CAPTO SDN BHD	CAPTO
19	OSO SOLUTIONS SDN BHD	OSO
20	PICK N GO SDN BHD	PICKNGO
21	PLATFORM APPS SDN BHD	MYCAR
22	QUICKSENT EHALING SDN BHD	QUICK CAB
23	RIDING PINK SDN BHD	RIDING PINK
24	SAFER GROUP SDN. BHD.	SAFER
25	SIGNCHINA INTERNATIONAL TRAVEL ADMIN SDN. BHD.	TRIPON
26	TEXSPO TECHNOLOGY SDN BHD	TEXSPO CAB
27	TRAVELERS TOURS MALAYSIA SDN BHD	MY2SG
28	TRITON COMMUTER SDN BHD	KUMPOOL
29	TUNE TRAVEL SDN BHD	TUNE TRAVEL
30	TUTUCARS SDN BHD	TUTUCARS
31	USGA (MALAYSIA) SDN BHD	JOMRIDES
32	VARADA CLUB SDN BHD	VARADA

Industry Focus: Land transport and transport via pipeline (8/21)

Transport via pipeline

- The establishments of refining and/or petrochemical complexes (controlled by Petronas) span over 7 states, with **interstate gas pipelines** linking the industrial and power sectors across Malaysia and into Singapore.
- **The demand for transport via pipeline services is expected to remain high** as it is associated with continued rise in demand for energy (i.e. petroleum and petroleum products), in line with relentless urbanisation and industrialisation.
- For more information, please refer to the industry focus “Utility – Electricity & Gas” and “Oil & Gas” papers prepared by SCEA in March 2022.

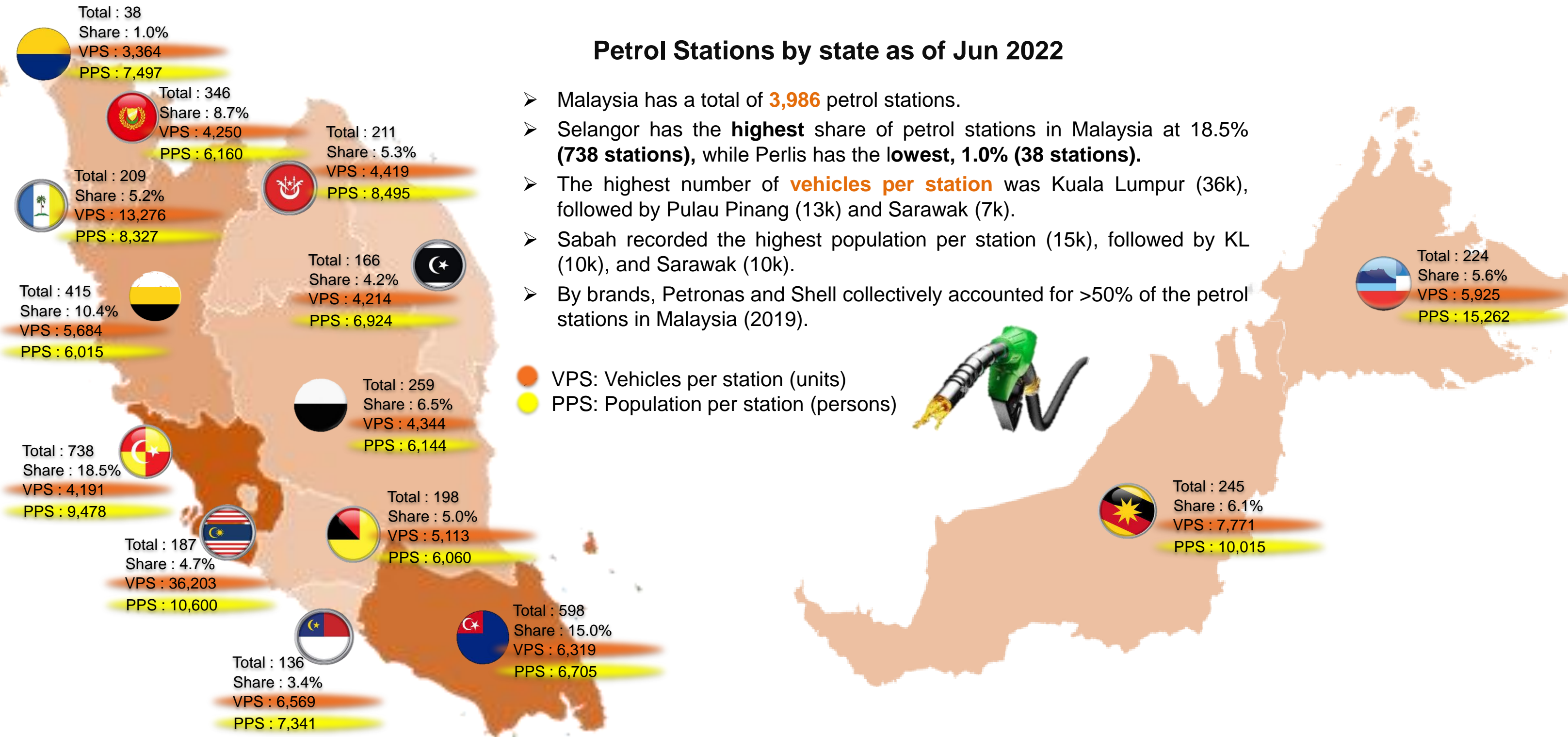


Industry Focus: Land transport and transport via pipeline (9/21)

Petrol Stations by state as of Jun 2022

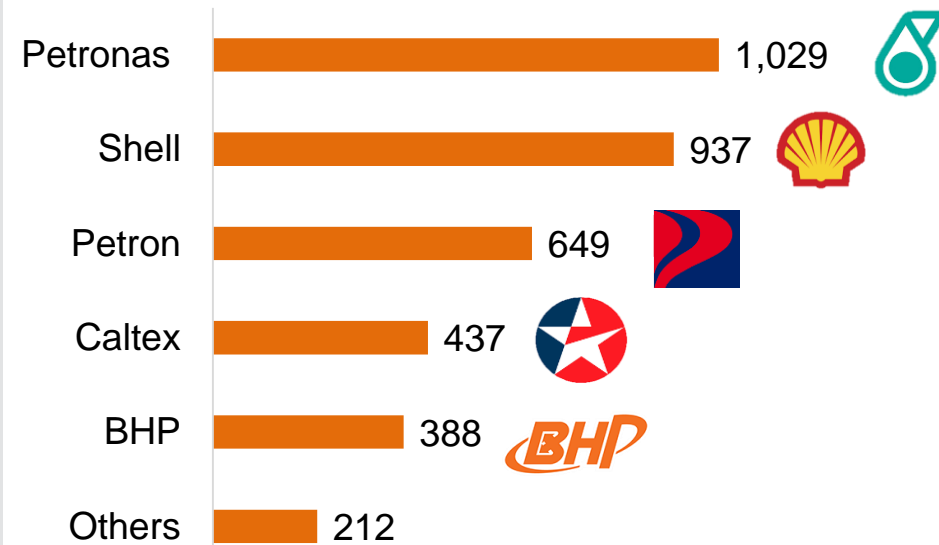
- Malaysia has a total of **3,986** petrol stations.
- Selangor has the **highest** share of petrol stations in Malaysia at **18.5% (738 stations)**, while Perlis has the **lowest, 1.0% (38 stations)**.
- The highest number of **vehicles per station** was Kuala Lumpur (36k), followed by Pulau Pinang (13k) and Sarawak (7k).
- Sabah recorded the highest population per station (15k), followed by KL (10k), and Sarawak (10k).
- By brands, Petronas and Shell collectively accounted for >50% of the petrol stations in Malaysia (2019).

- VPS: Vehicles per station (units)
- PPS: Population per station (persons)



Industry Focus: Land transport and transport via pipeline (10/21)

Petrol Station



Petrol station operating model

1. Company Own, Dealer Operate (CODO) model: **Petrol company owns petrol station**, while the dealer operates the petrol station.
2. Dealer Own, Dealer Operate (DODO) model: **Dealer would be the business owner**, and benefit from petrol company's branding.
3. **95% of the stations are under the CODO arrangement.**



Near term and future prospect

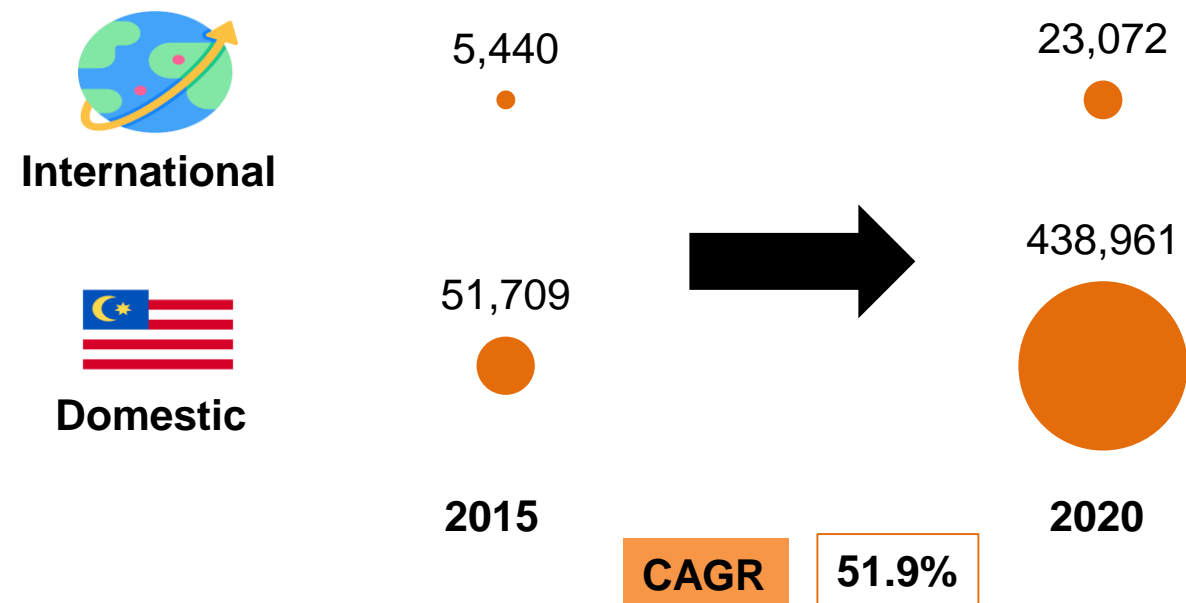
- High inflation rate in 2H 2022 would **suppress discretionary mobility** on the road. This, coupled with the **impending implementation of the targeted fuel subsidy** mechanism will likely **erode petrol station's profitability** amid subdued demand in B40 and M40 group.
- On the longer term, the government is committed to achieve **carbon neutral status by 2050** where **electric vehicles (EVs)** would play an important role. With the **EU banning internal combustion engine (ICE) cars by 2035**, the likes of foreign automakers such as BMW, Mercedes-Benz, Volvo and others will only produce EVs in the next decade. ICE vehicles, which run on petrol, will be eliminated.
- Regionally, **Thailand is looking to establish a strong charging infrastructure**. The local Thai government looks set to **offer soft loans to SMEs and startups** that want to invest in charging stations.
- In **Malaysia**, the installation of charging station is currently **driven by big players**, such as petrol companies, utility companies, highway concessionaires and car producers. With the help of the private sector, the **government plans to set up 10,000 charging stations by 2025** under the **Low Carbon Mobility Blueprint 2021-2030**. As at 1Q 2022, the country has installed an estimated **600 charging stations**.

Industry Focus: Warehousing & support and postal & courier activities (11/21)

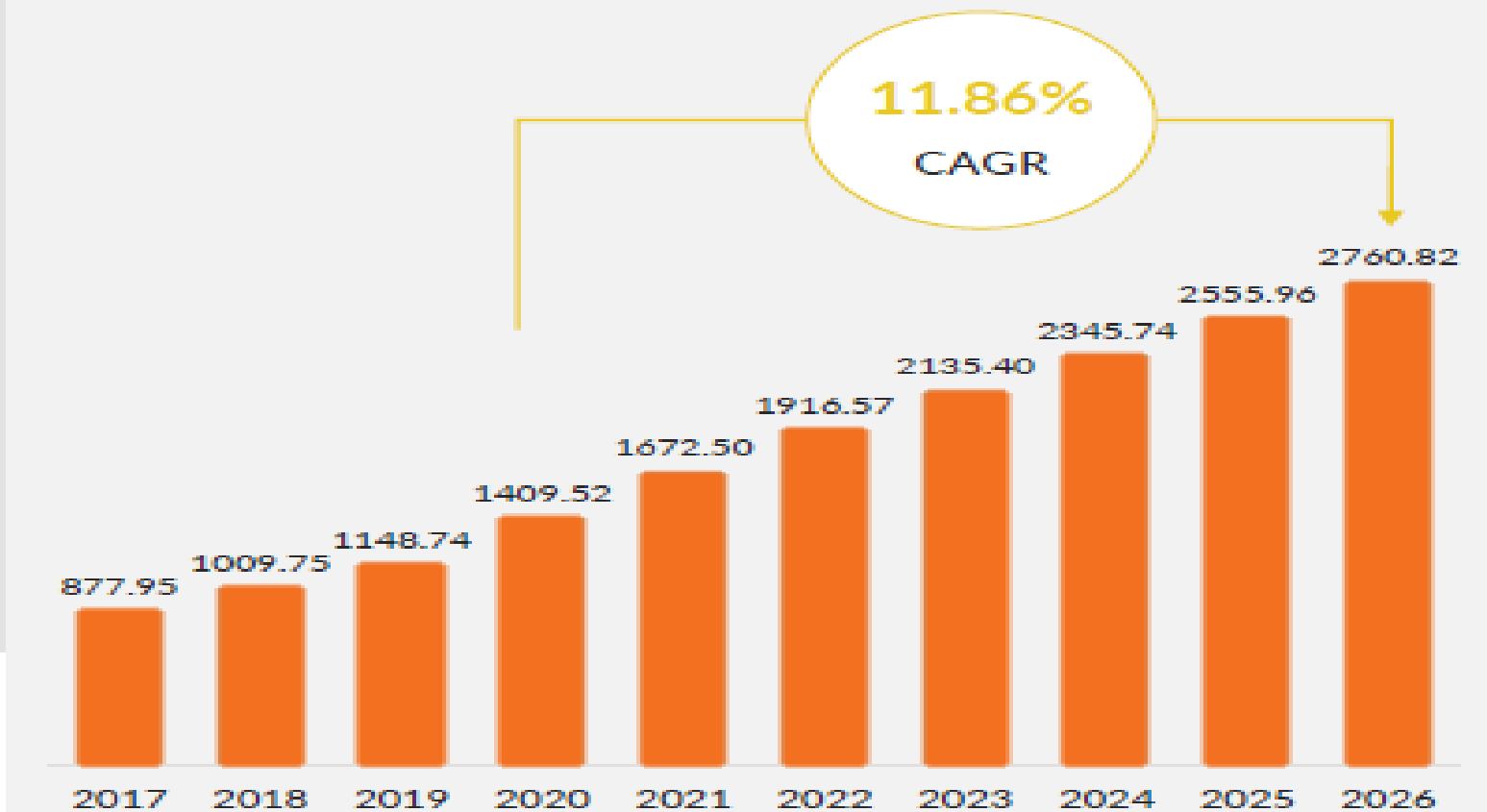
Sub-Sector	Outlook
Warehousing & support and postal & courier activities	Positive

- In recent years, established and new players in the **courier business** have significantly increased their capacity, which resulted in **fierce price competition** and **declining margins**. As people's **spending patterns change** as a result of the pandemic, demand for courier services is anticipated to continue to expand strongly in 2022. **Revenue from courier services** is anticipated to **increase by a CAGR of 11.9% between 2020 and 2026**.
- Growing **middle-class population** is the main driver of **e-commerce** growth in Malaysia. Retailers' reliance on courier services has grown thanks to the **rise in online purchases**, particularly for **fast-moving consumer goods (FMCG)**.
- Between 2017 and 2022, Malaysia's **online grocery sales** value is expected to grow at a **CAGR of >60%**.
- 79% of Malaysians opted to buy products through Shopee in the past 6 months. Lazada was a distant second at 21%, followed by Facebook (18%), Grab (14%) and Mudah.my (5%).

Domestic Courier Traffic: Document & Parcel ('000)

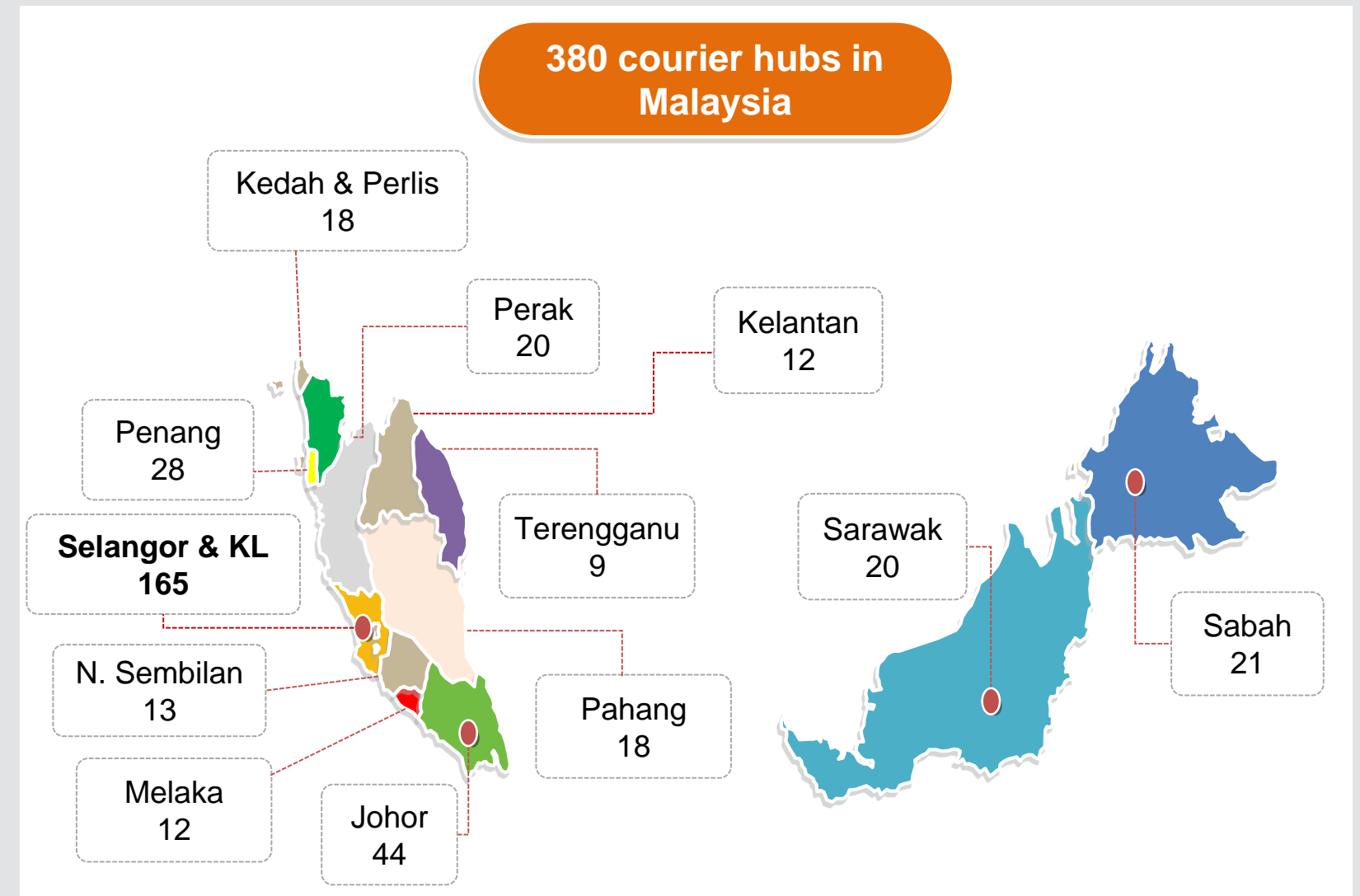
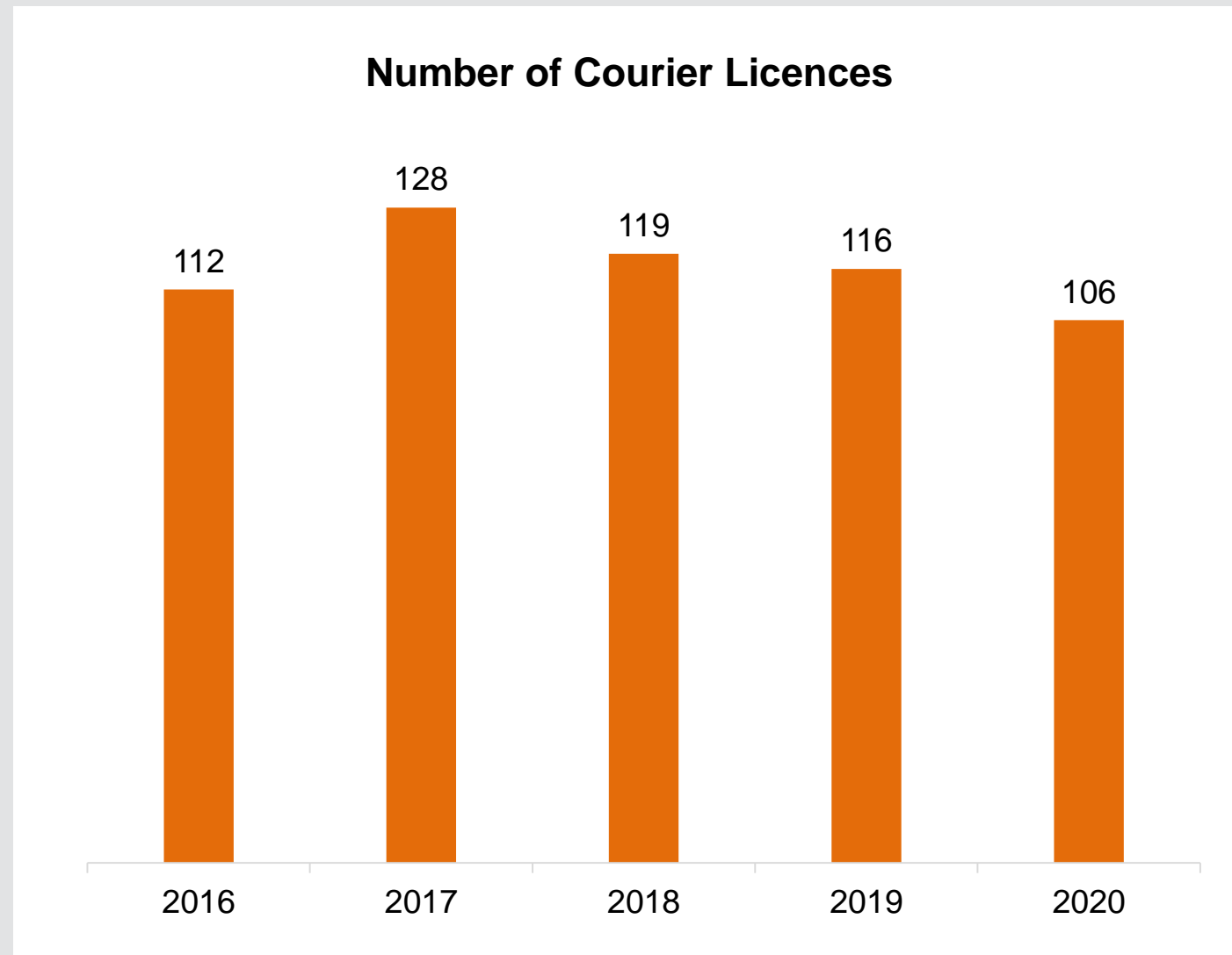


Revenue in USD million, Domestic, Malaysia, 2017-2026



Industry Focus: Warehousing & support and postal & courier activities (12/21)

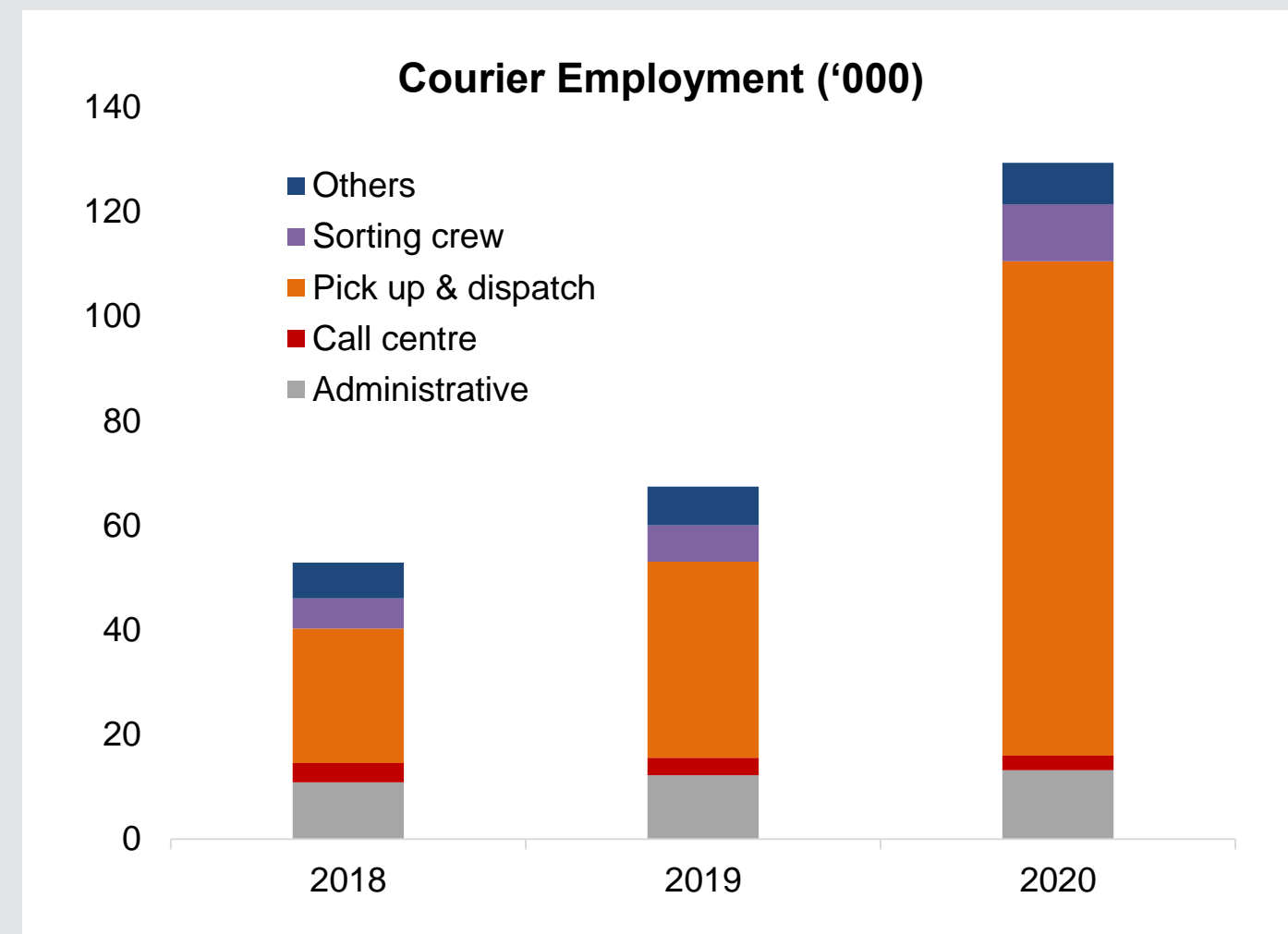
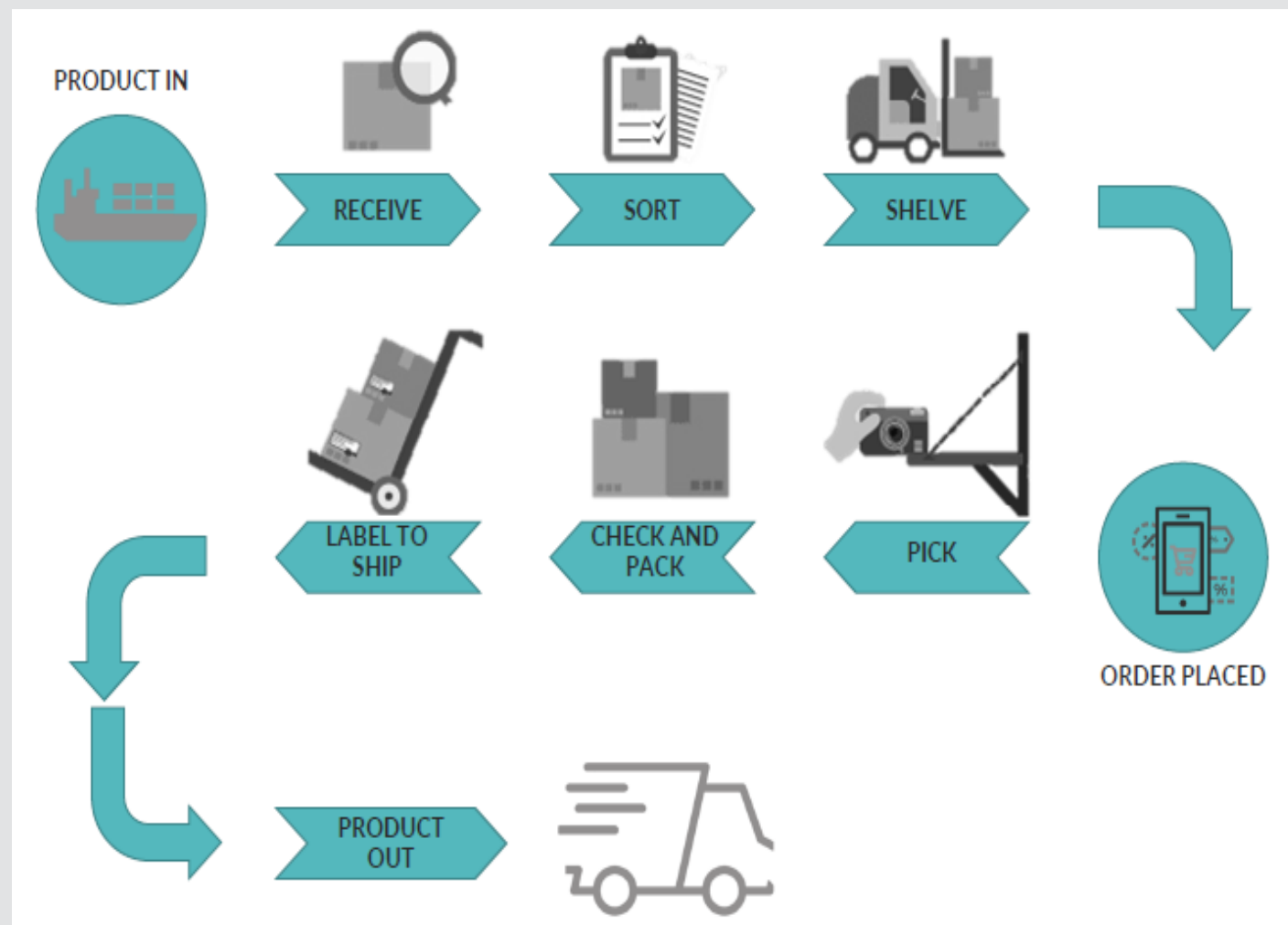
- MCMC has halted the issuance of new courier licences until September 2022 in order to encourage healthy competition and market sustainability. The government is collaborating with key players in the industry to develop future plans. **Future consolidation pressure on the courier market still exist.**
- The courier and parcel industries in Malaysia are **dominated by Pos Malaysia and GD Express**. The market is **highly fragmented due to competition** from both domestic and foreign players.
- In Malaysia, there are 380 courier hubs in 2020. The number of hubs reflects the **state's expanding e-commerce** services and **growing warehouse demands**.



Note: A hub is a place used to consolidate large-scale shipments at terminals and redistribute goods to the destinations.

Industry Focus: Warehousing & support and postal & courier activities (13/21)

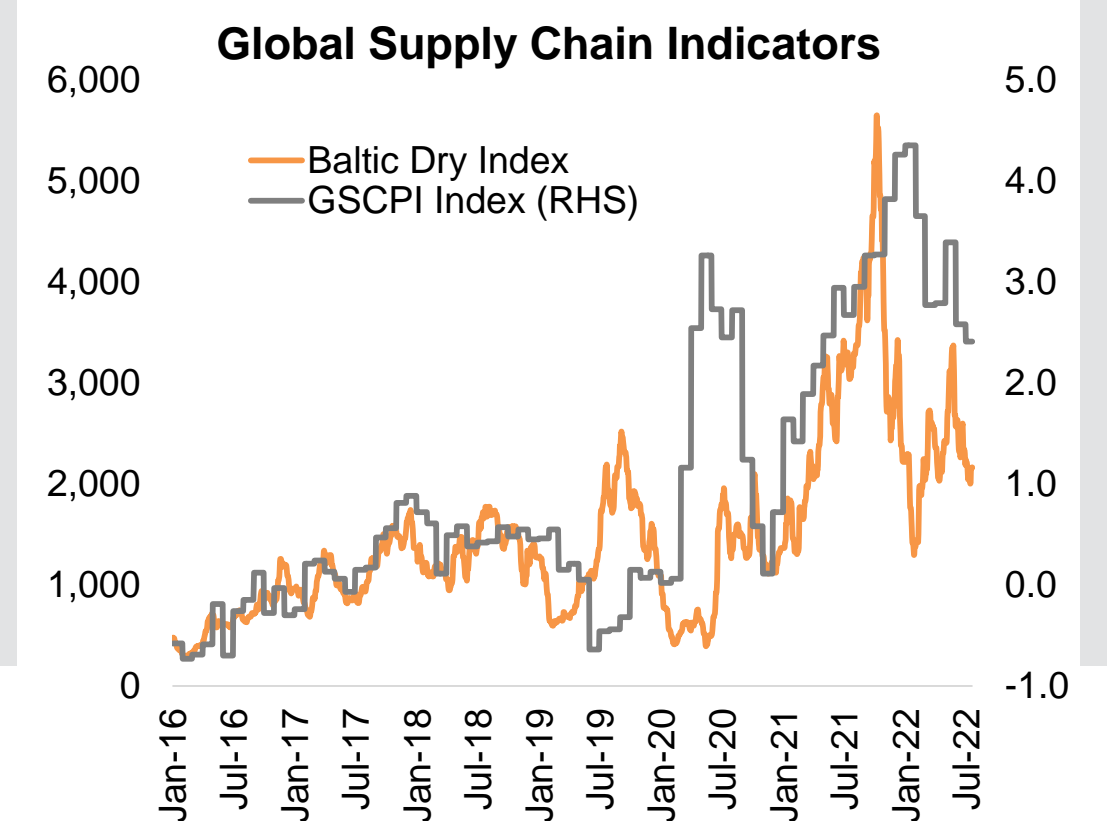
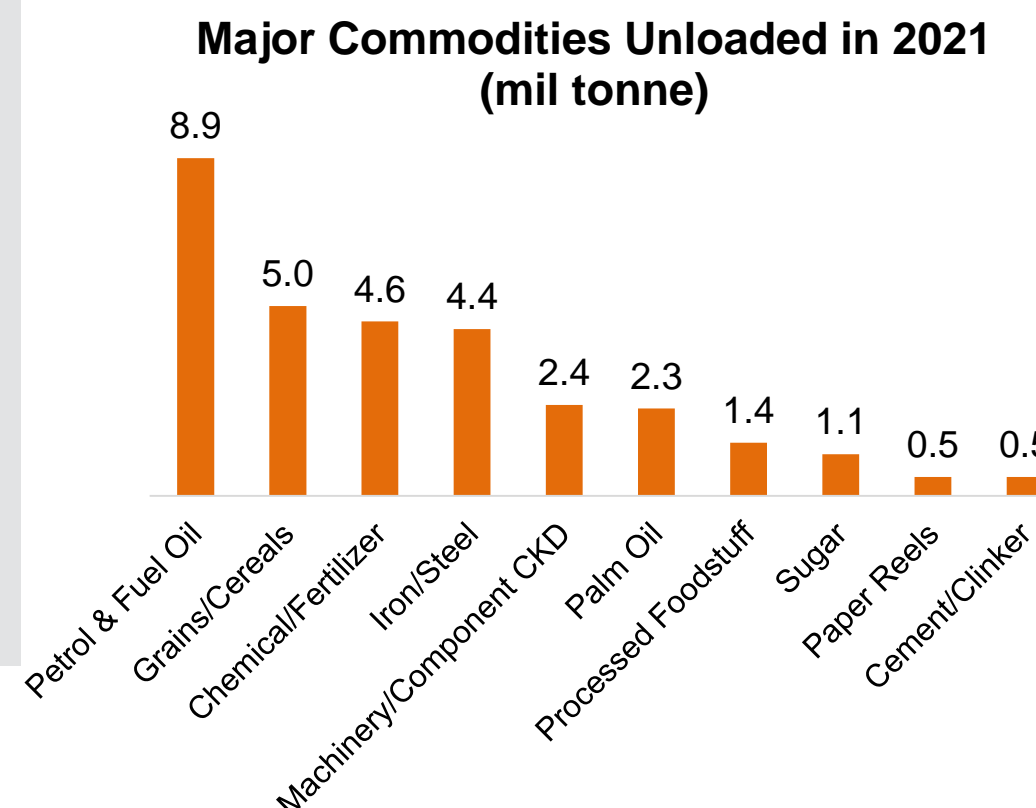
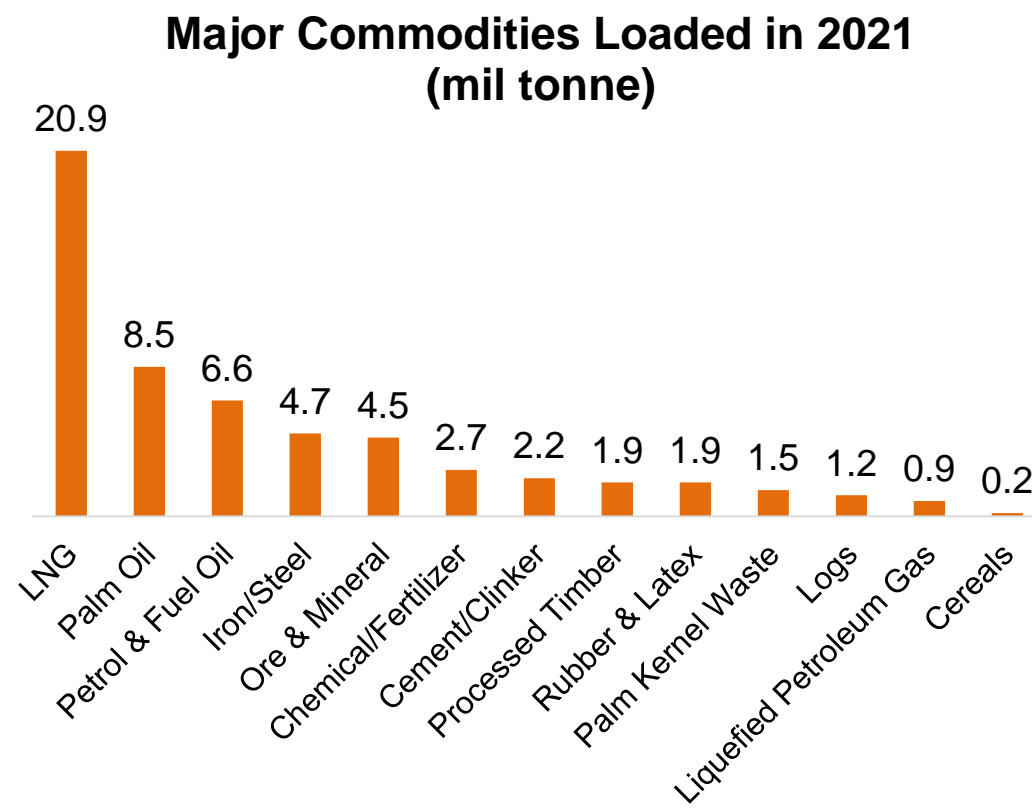
- There are about 130,000 individuals employed in this sector in 2020, **representing a 92% YoY increase in employment**. Employment under the “pick up & dispatch” segment rose by the most. Courier employees are generally in charged of all logistical aspects such as scheduling, packing, routing, documentation, tracking, customs clearance, compliance and client interactions.
- The **Pelan Accelerator Kurier Negara ("PAKEJ")**, a **5-year strategic roadmap**, was proposed by the MCMC based on the findings of the National Postal and Courier Industry Lab conducted in 2020. Players in the industry can anticipate **cost savings** from the initiative. The ideas, which were slated for implementation between 2021 and 2025, include **sharing postmen** among various service providers and **creating a network of shared parcel points with pick-up and drop-off locations**.



Industry Focus: Water transport (14/21)

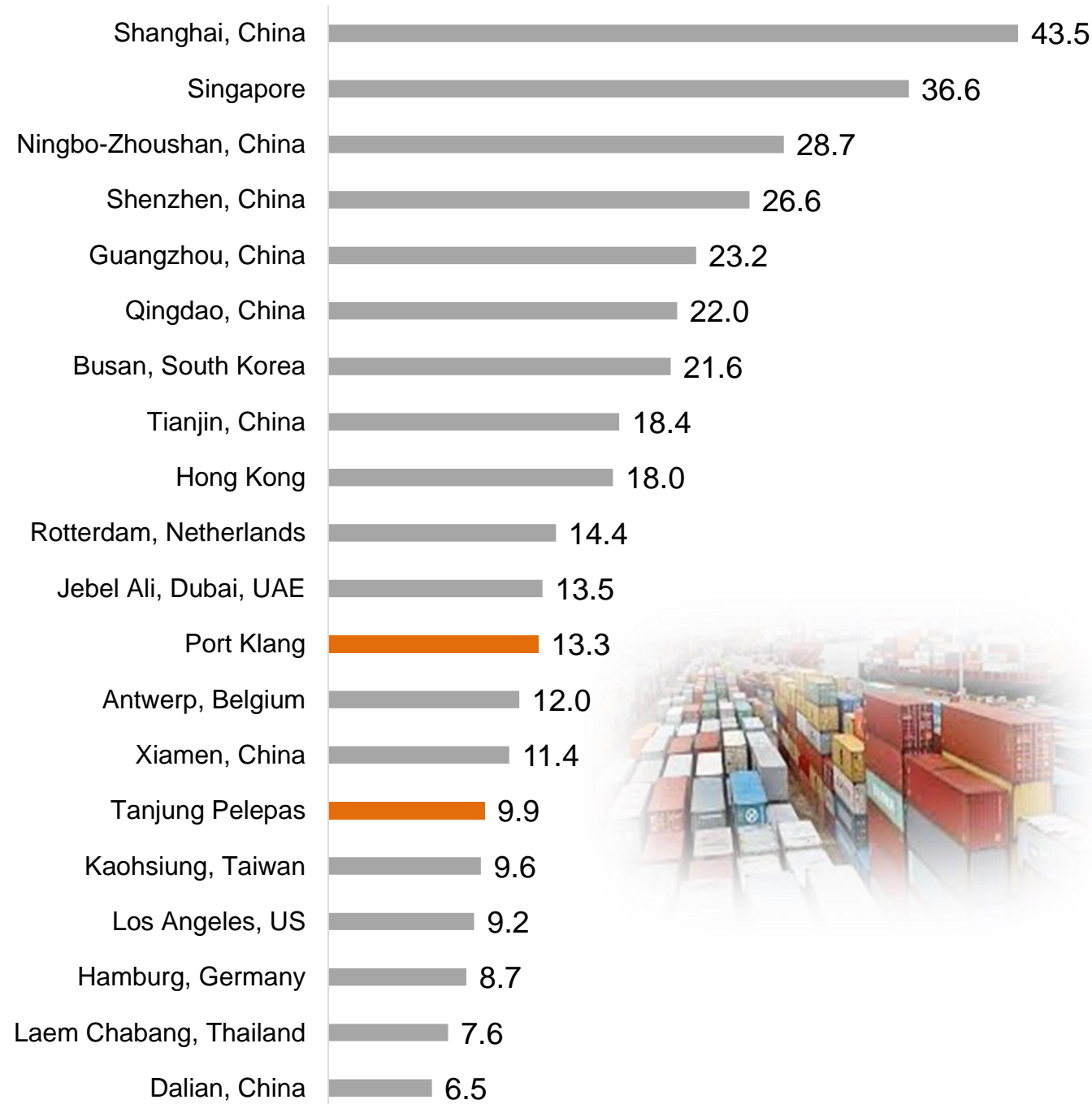
Sub-Sector	Outlook
Water transport	Stable

- **Over 90% of the international trade volume is carried through sea transportation.** Malaysia has a competitive shipping industry/landscape, with local sea liner and ports players such as MISC Berhad, Tasco, Malaysian Bulk Carriers, MMC and Port Klang (PTA).
- The cost of imported inputs and export expenses have skyrocketed as a result of the exorbitant sea freight rates amid high prices of commodity and labour shortages.
- Certain ports in North America and Europe were severely impacted in December 2021, and **there is little sign of improvement since the start of 2022.** The last port of call for ships travelling west (Malaysian ports i.e. Port Klang) would be particularly impacted, forcing shippers to face lengthy port delays and cargo rollovers.
- Less than 40% of ships are arriving on time, and **one-fifth of the world's container fleet is currently stuck** at various ports. Nonetheless, the recent **downtrend seen in the Baltic dry index** and Federal Reserve Bank of New York Supply Chain Pressure Index (GSCPI) **signals easing supply chain disruptions**, albeit readings still above their 5-year averages.
- The bulk of shipping activities are related to **Oil & Gas products.**

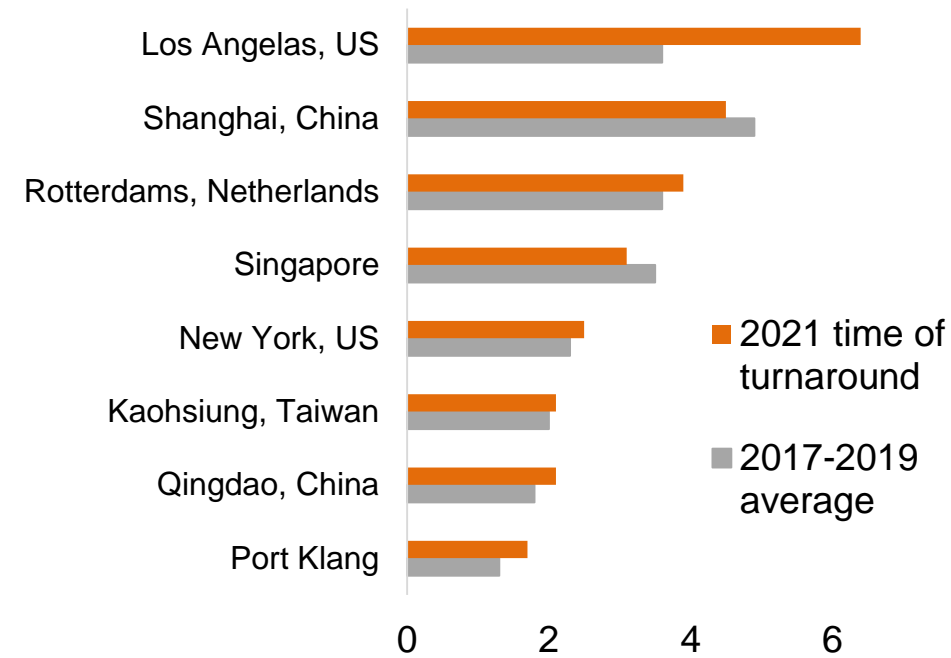


Industry Focus: Water transport (15/21)

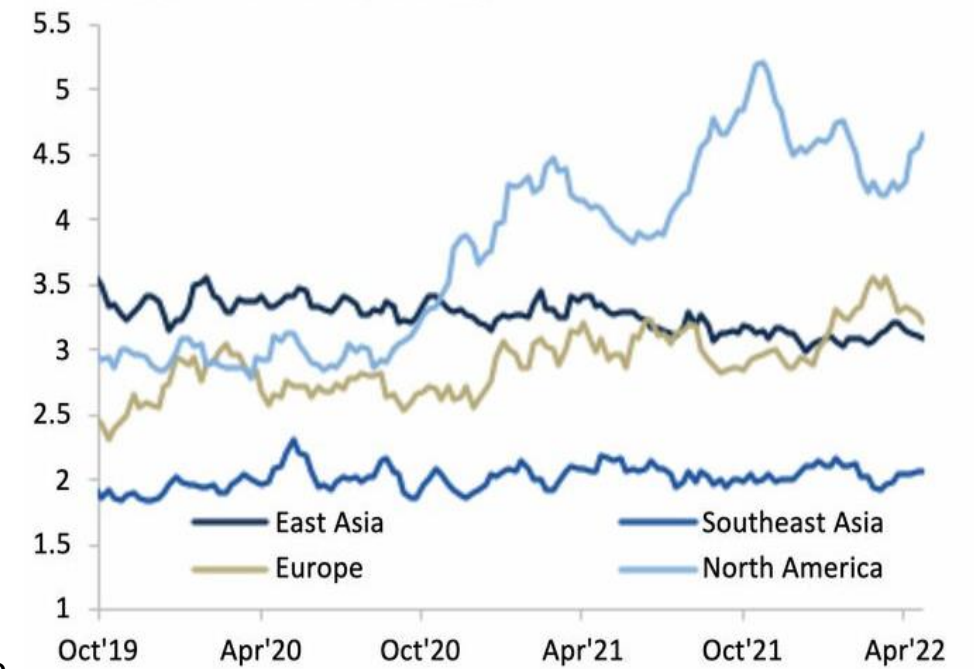
Top 20 Ports by Cargo Throughput in 2020 (mil TEU)



Port Performance (days)



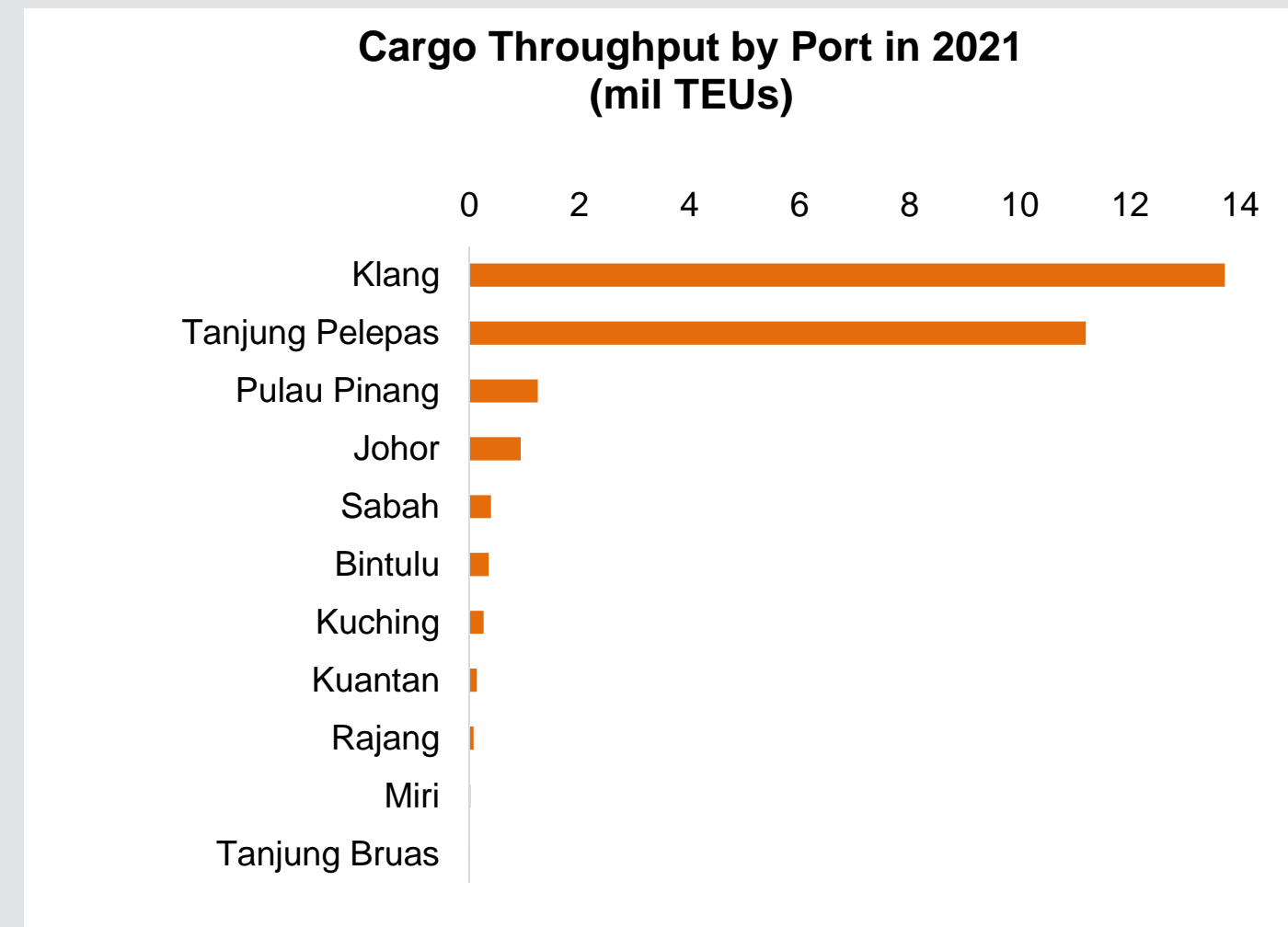
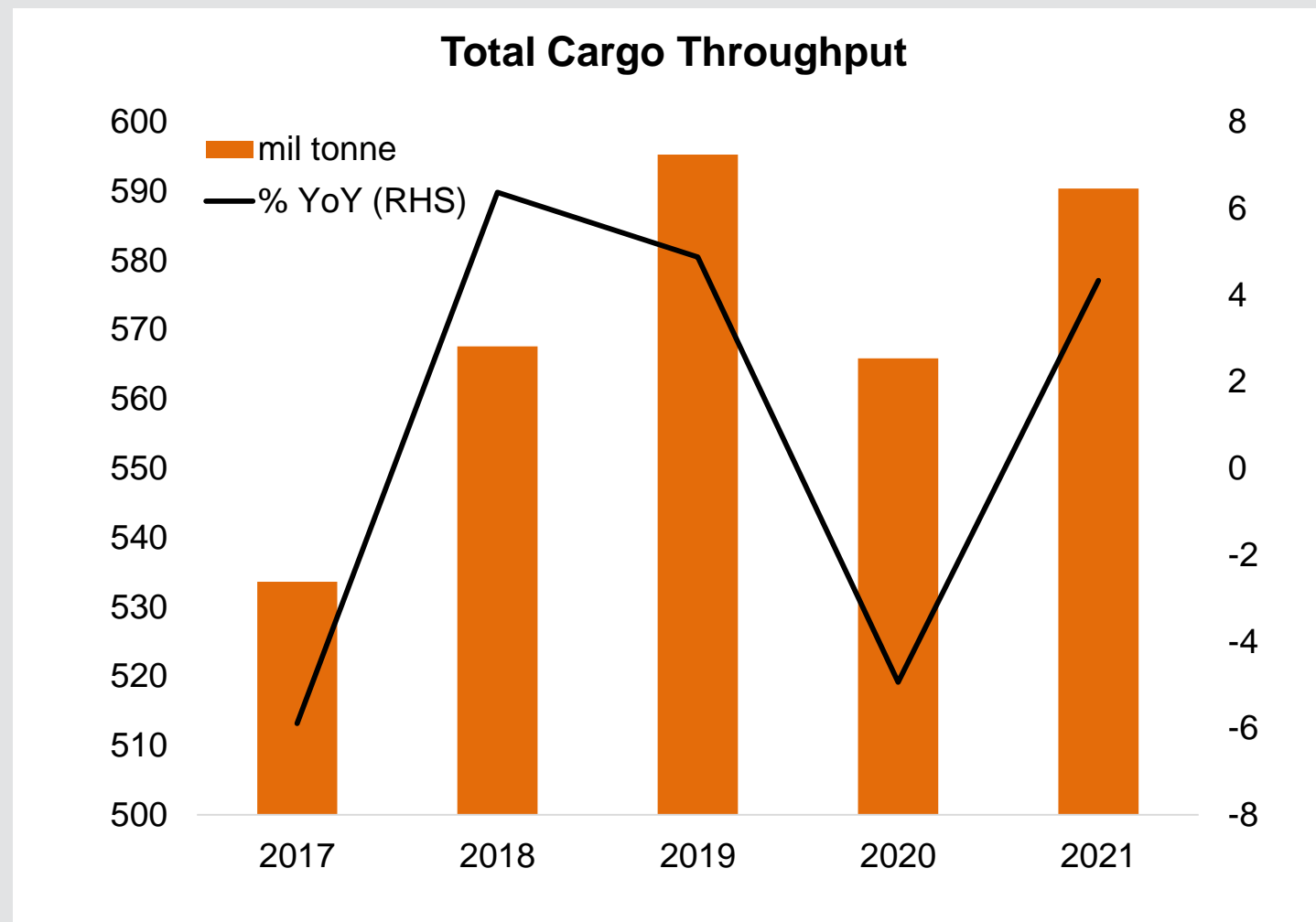
ToT (Days, 4 Week Moving Average)



- The **most efficient port** in terms of operation is **Port Klang in Malaysia**, which can service each vessel in 1.7 days in 2021 (2017-2019: 1.3 days). It can handle an average of 131 ships weekly.
- On the external side, the port congestions in China is expected to ease as key port cities enter a relaxation period (post lockdown). Despite the relaxation, the uncertainty remains with the ongoing COVID-19 zero policy, which could affect shipping lead time. To note, China is among Malaysia's key trading partners, registering a substantial trade value from Jan to May 2022 of RM187.8 bil or 17.3% of total trade.

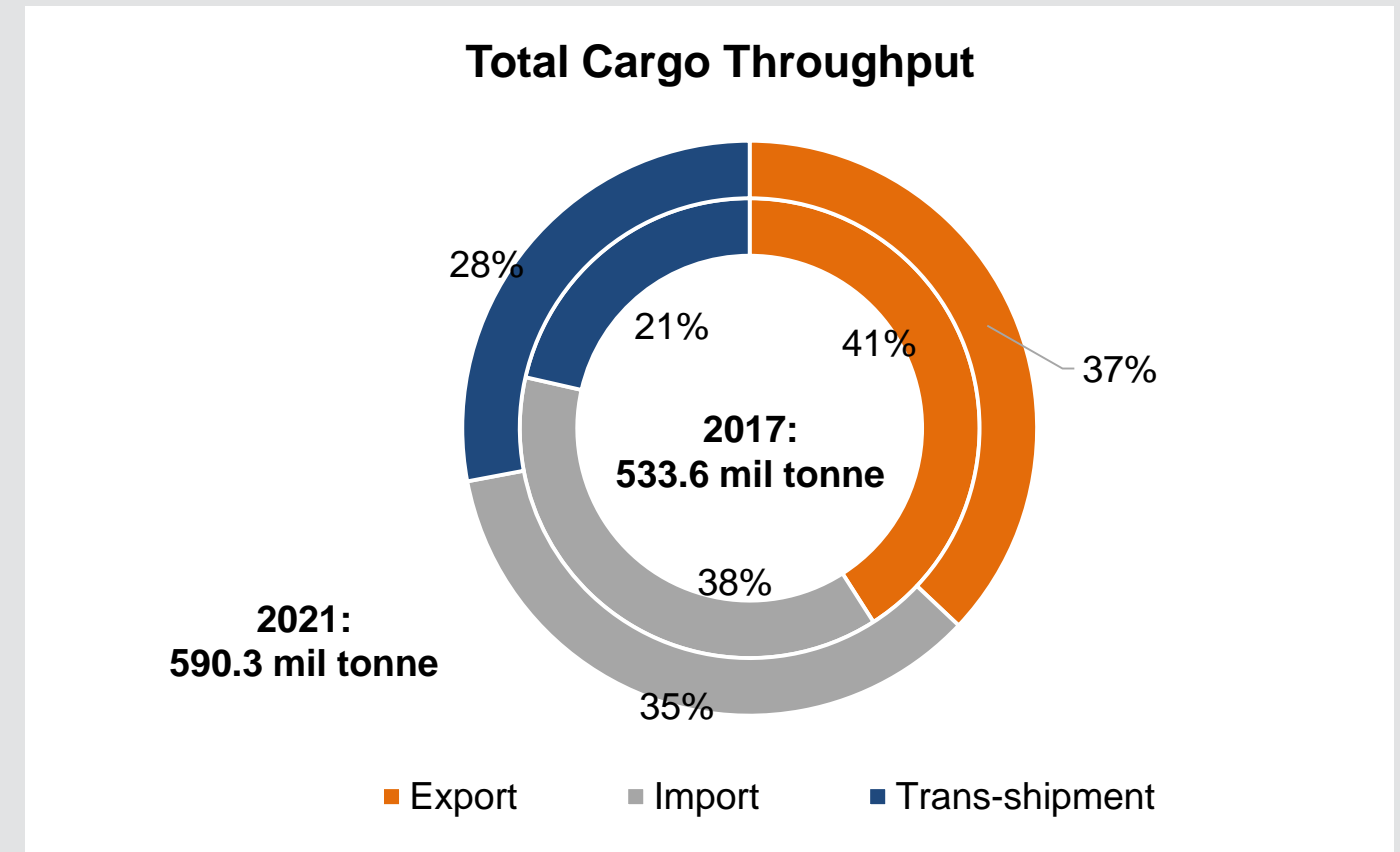
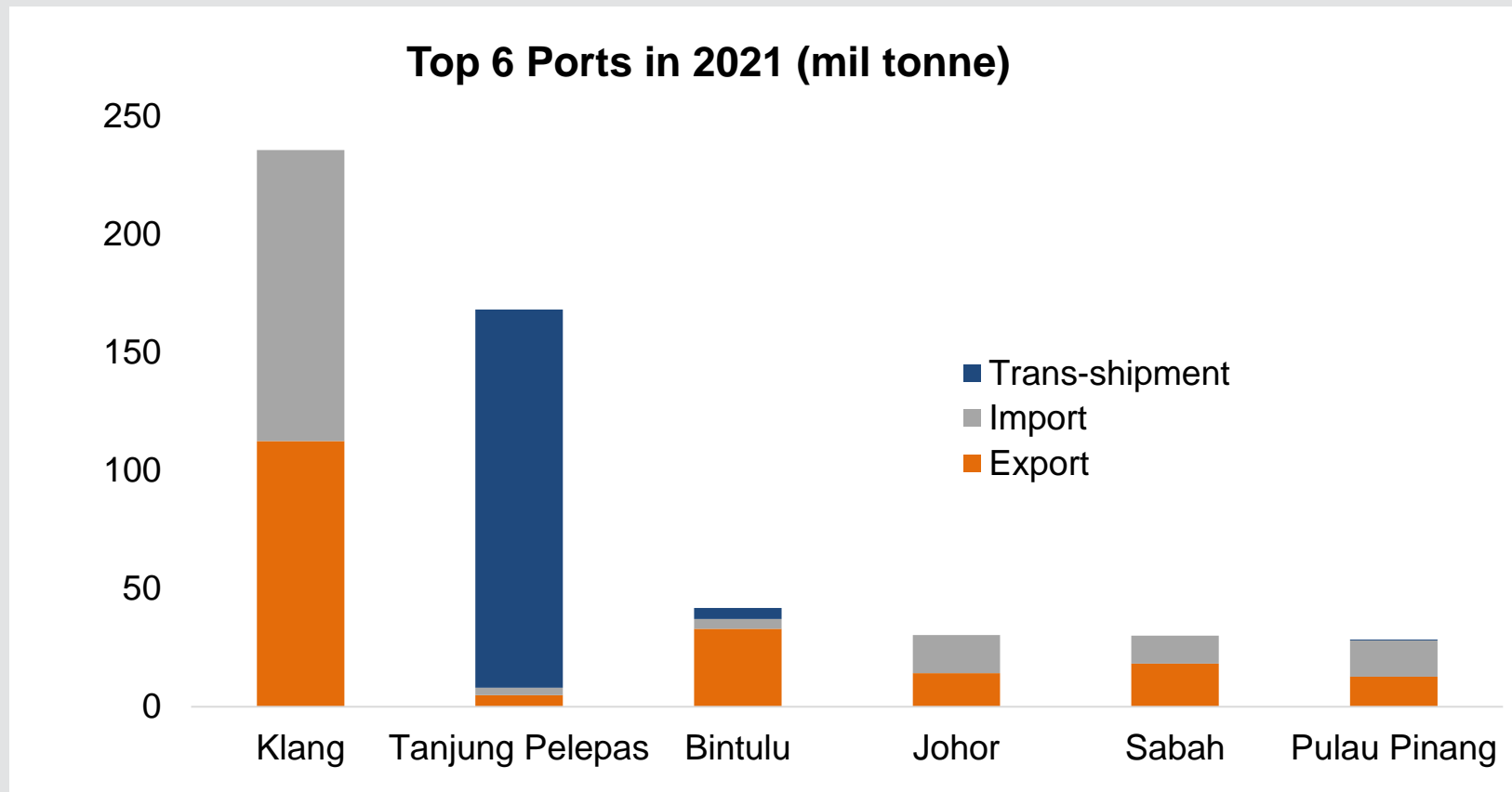
• Singapore is planning a **S\$20 bil world's biggest automated port by 2040** that will double the existing space and features drones and driverless vehicles. **This could pose a threat to Malaysian ports.**

- **Total throughput at Malaysian ports is expected to rise further in 2022** to recover back to 2019’s level, in tandem with an anticipated global and domestic economic recovery.
- The Port of **Tanjung Pelepas (PTP)** in Johor and **Port Klang** have plans to **expand and increase their capacity** to meet future demand. These should **drive investment into port expansion and development**. By 2040, **Port Klang's capacity** would rise by 60% from 19.6 mil to 32 mil twenty-foot equivalent units (TEUs) per year, while **PTP's capacity** would increase by 31.3% from 11.2 mil TEUs to 14.7 mil TEUs by 2025.



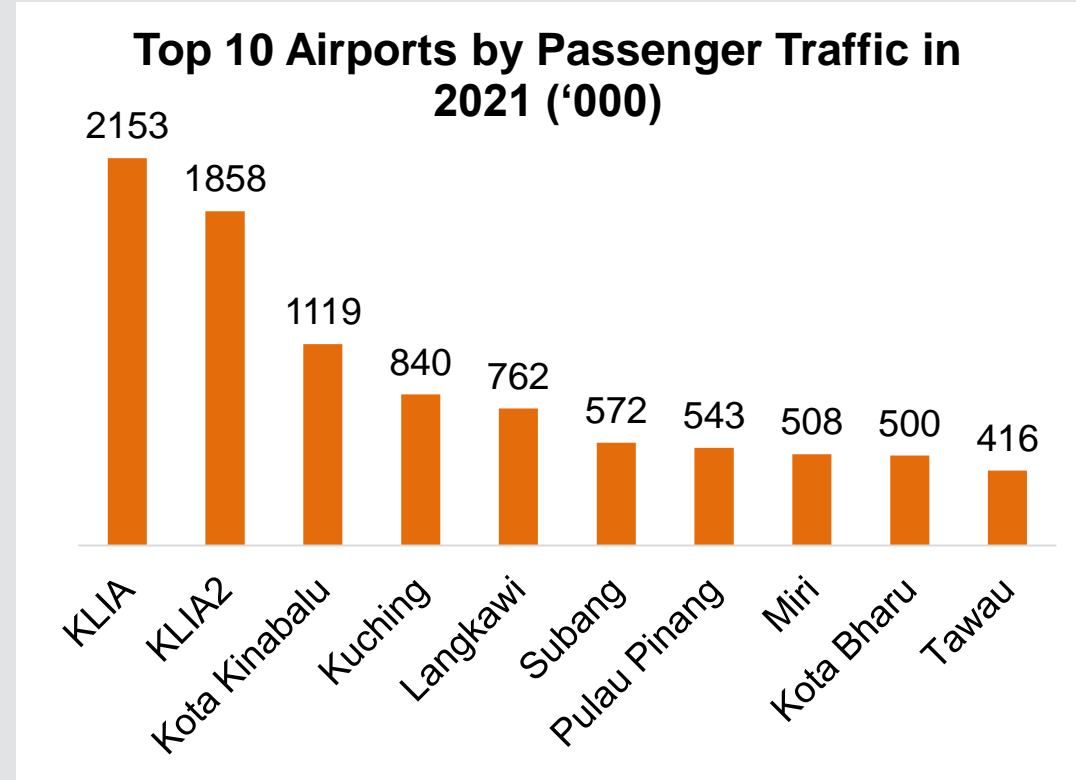
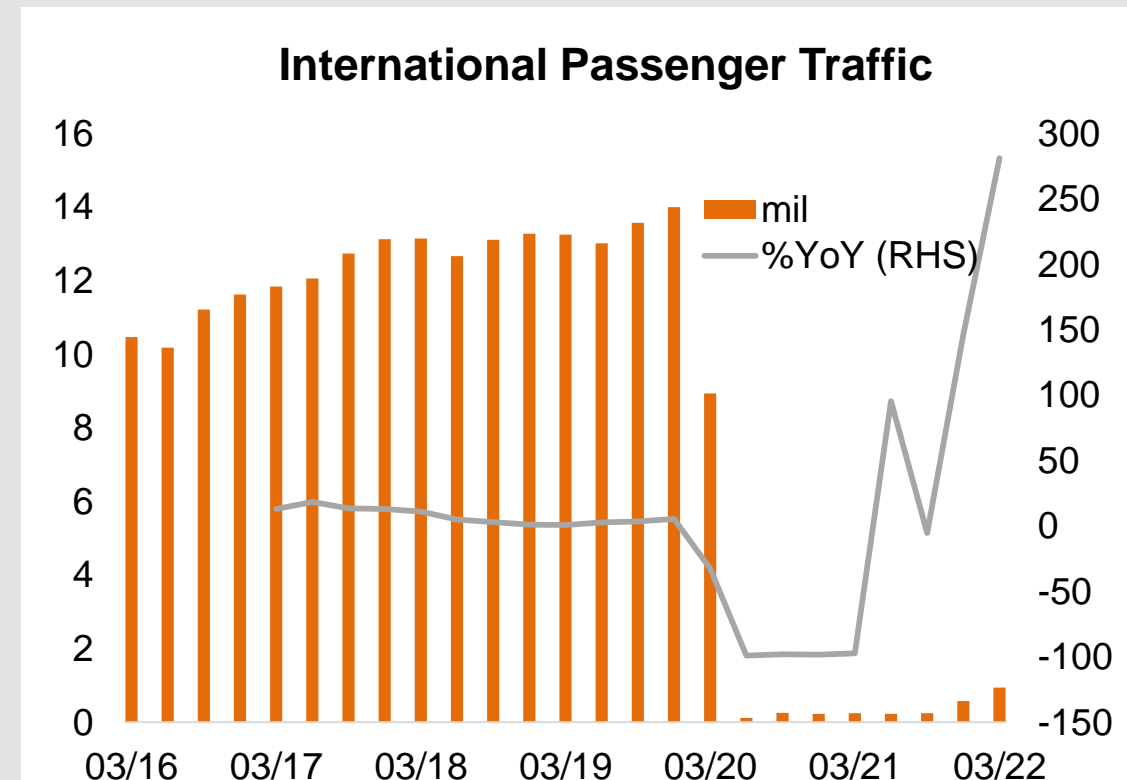
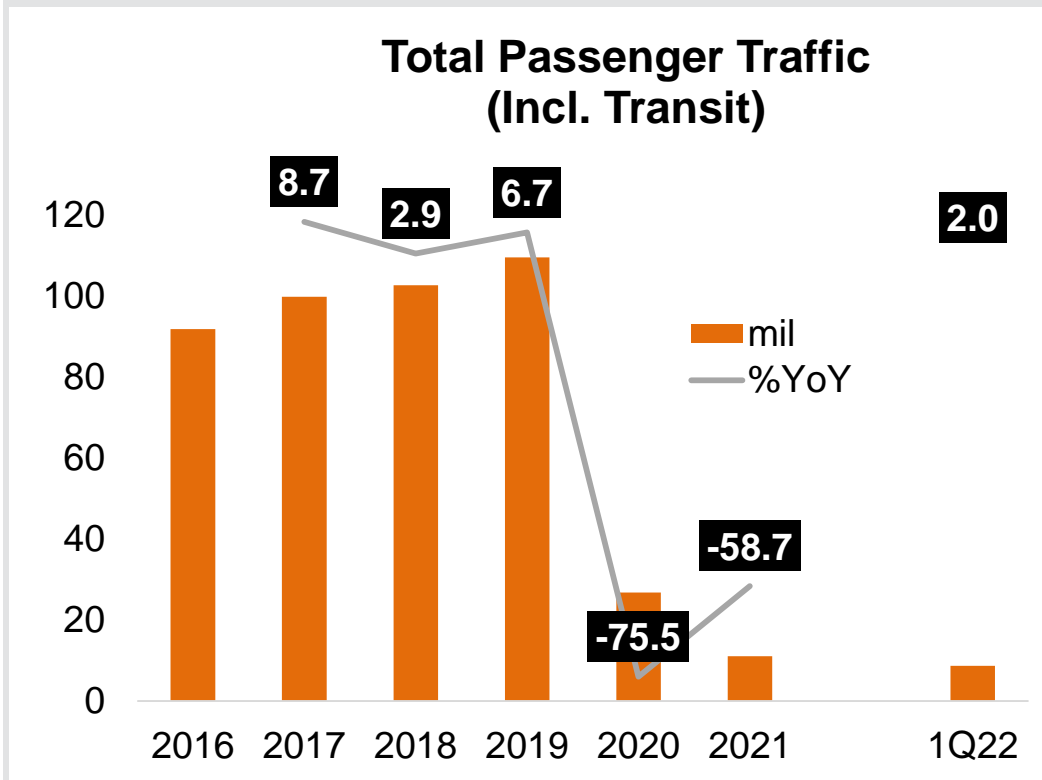
Industry Focus: Water transport (17/21)

- The **National Transport Policy 2019-2030** highlights 3 trends affecting seaports:
 - (1) move towards larger vessels
 - (2) industry consolidation globally
 - (3) cargo containerisation
- These trends **indicate a shift towards larger and more centralised ports**, resulting in smaller ports losing their international connections and instead only serving as domestic unloaded terminal.
- To maintain the status as top 20 ports globally, Port Klang and Port Tanjung Pelepas would have to invest in and deliver minimally required infrastructure and services to accommodate the latest ultra-large post-Panamax ships that can carry over 20,000 TEU and have a draft of over 15 meters.



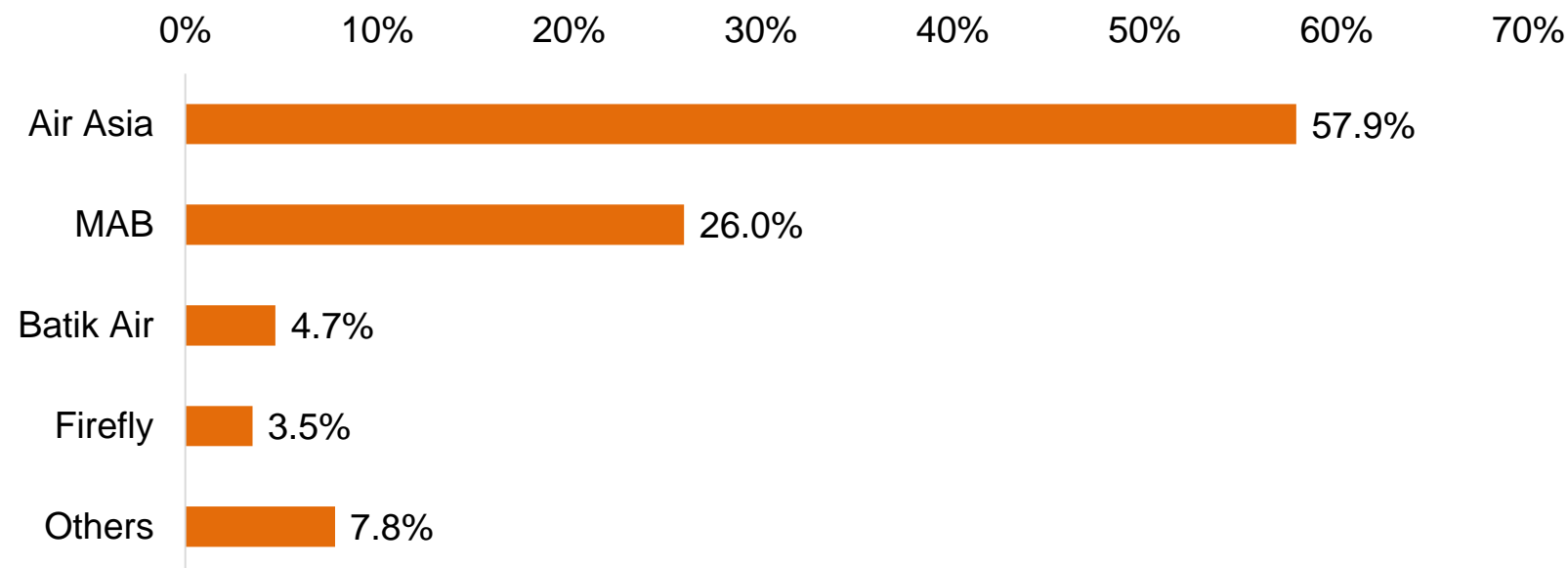
Sub-Sector	Outlook
Air transport	Stable

- Since the reopening of borders, there has been **a noticeable increase in international passenger travel**. As most countries are also expected to completely remove pandemic curbs in 2H 2022, there is a potential for rapid rebound showing quadruple/double digit growth rates due to the low-base effects.
- In May 2022, Malaysia Airports Holdings Bhd announced that international traffic at its local network of airports rose by 1,277% YoY or 61% MoM. Out of the total 4.6 mil passengers in May, domestic passenger amounted to 3.5 mil (77.4% share). **Overall, May's passenger traffic was 50% below 2019's monthly average.**
- Air passenger traffic is forecasted to increase 200% - 300% YoY in 2022, representing 32.6 mil - 49.0 mil air travel passengers and marking a 30% - 45% recovery from the pre-pandemic air passenger traffic levels in 2019. Airlines are expected to gradually **expand seat capacity as pent-up travel demand and accrued savings** drive passenger traffic growth.



Industry Focus: Air transport (19/21)

Malaysia's Passenger Market Share by Airlines



- Air Asia and MAB remain the biggest airline players in Malaysia with a combined market share >80%.
- With the reopening of international borders, the air transport ecosystem gradually sees an uptick in its activities (schedule passenger, non-schedule services, cargo, aerodrome operation, and ground handling services).

Table 12: Market Structure of the GHL Segment, 2021

Type of Business	No. of Licence Holders	HHI	Revenue (RM mn)	Operating Profit Margin (%)
Catering	3	0.5213	26.2	-433.6
General Ground Handling ¹⁴	17	0.7763	3,502.3	10.0
Refuelling ¹⁵	3	0.7387	9.65	-23.0
TOTAL	23		3,538.1	6.6

Source: MAVCOM, GHL Holders

HHI = Herfindahl-Hirschman Index. A measure of market concentration, used to determine market competitiveness. 1 indicates monopoly while 0 indicates high competition

Air Cargo Supply Chain

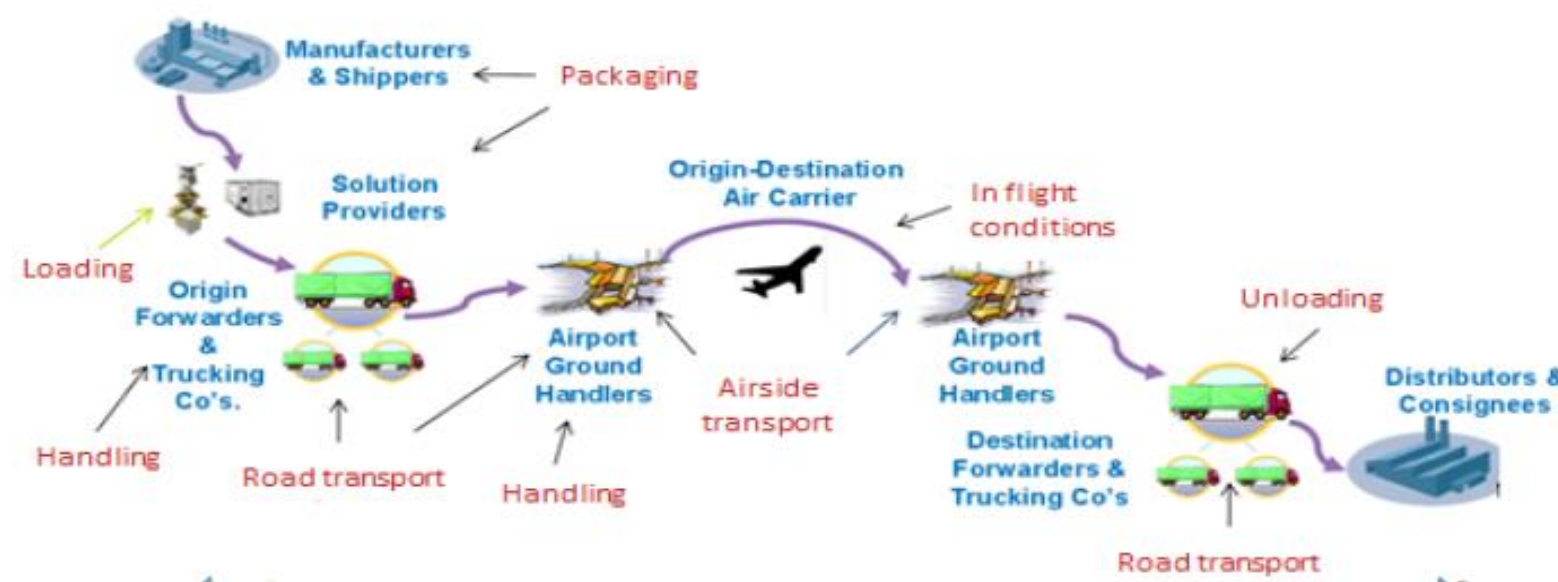


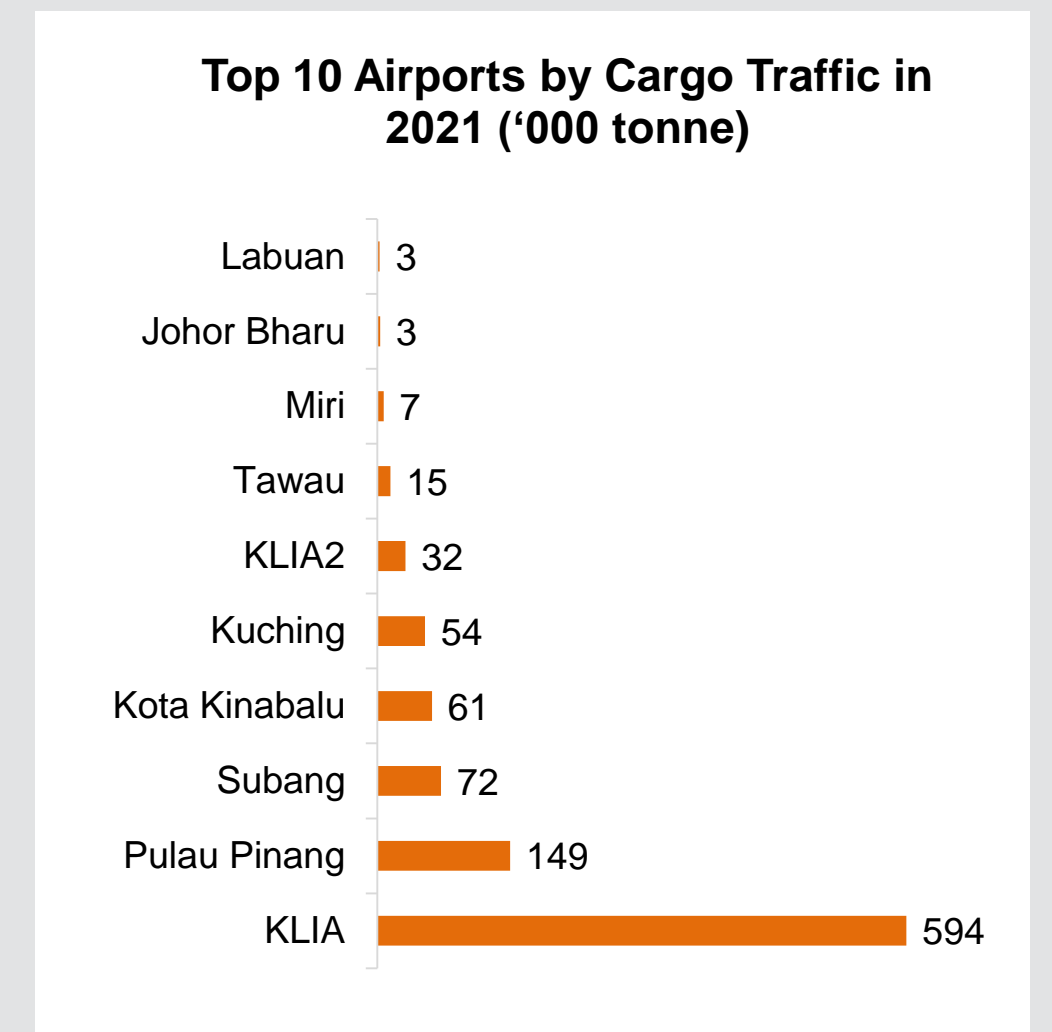
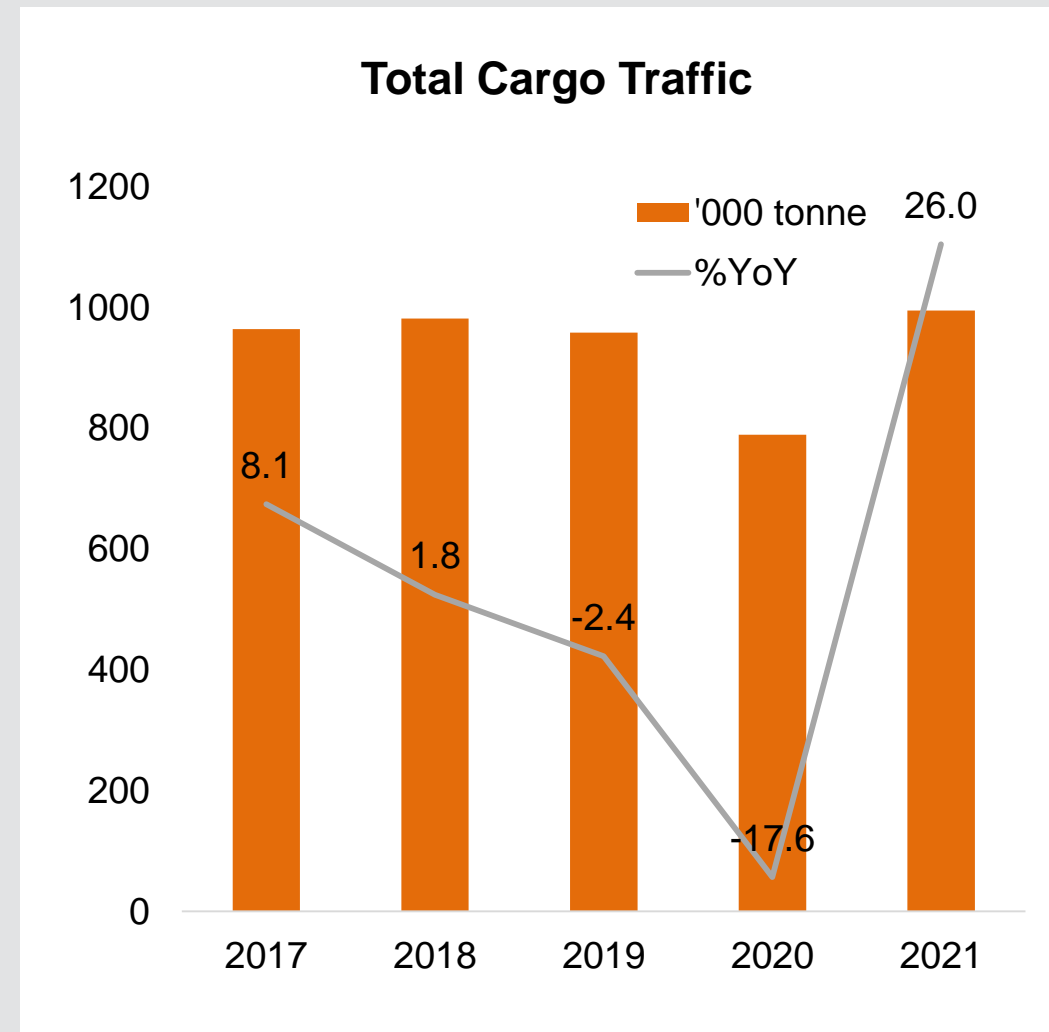
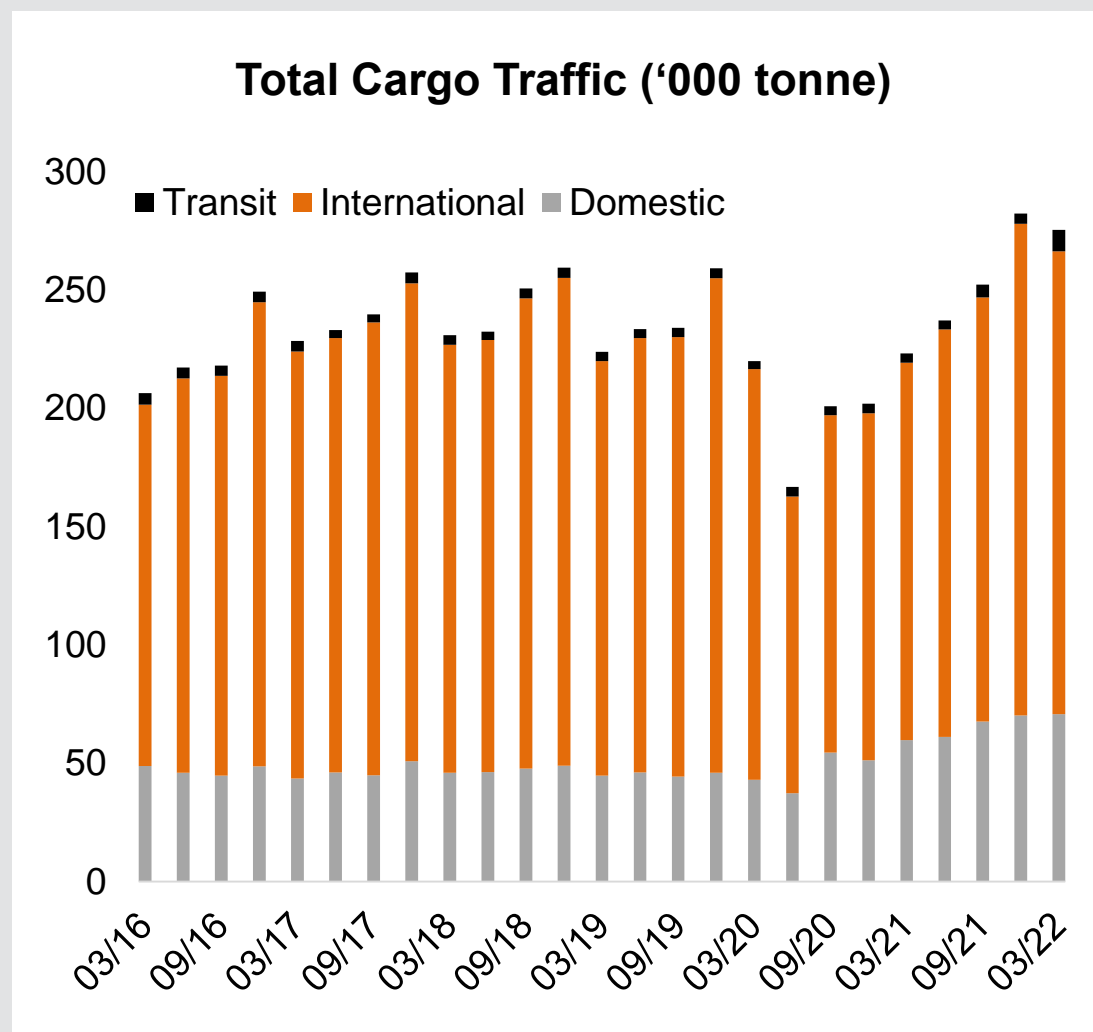
Table 13: Types of General Ground Handling Services

No.	Ground Handling Services
1	Ground administration and supervision
2	Passenger handling
3	Freight and mail handling (documentations handling)
4	Aircraft services
5	Aircraft maintenance
6	Flight operations and crew administration
7	Surface transport
8	Baggage handling
9	Freight and mail handling (physical handling)
10	Ramp handling

Source: MAVCOM

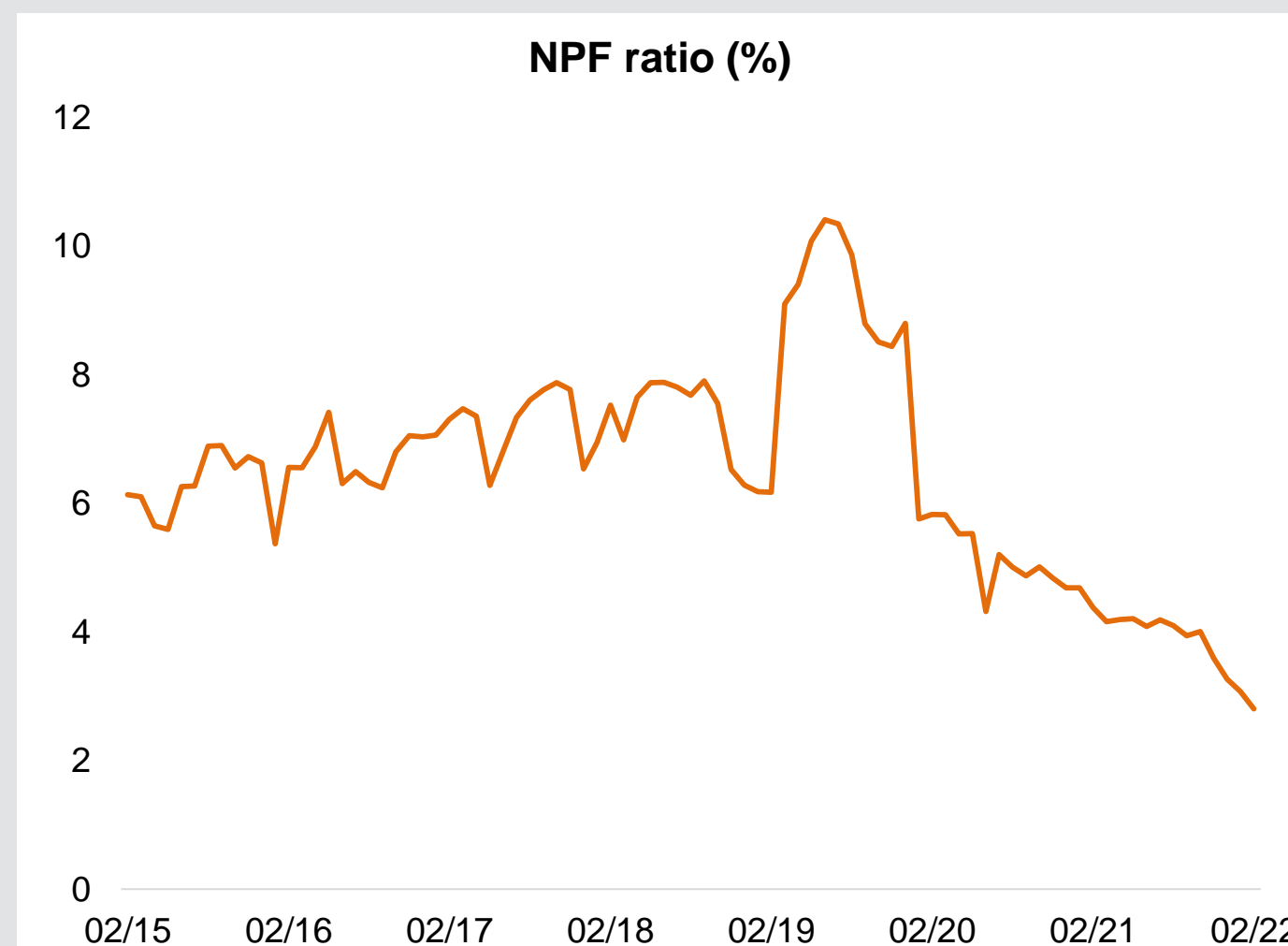
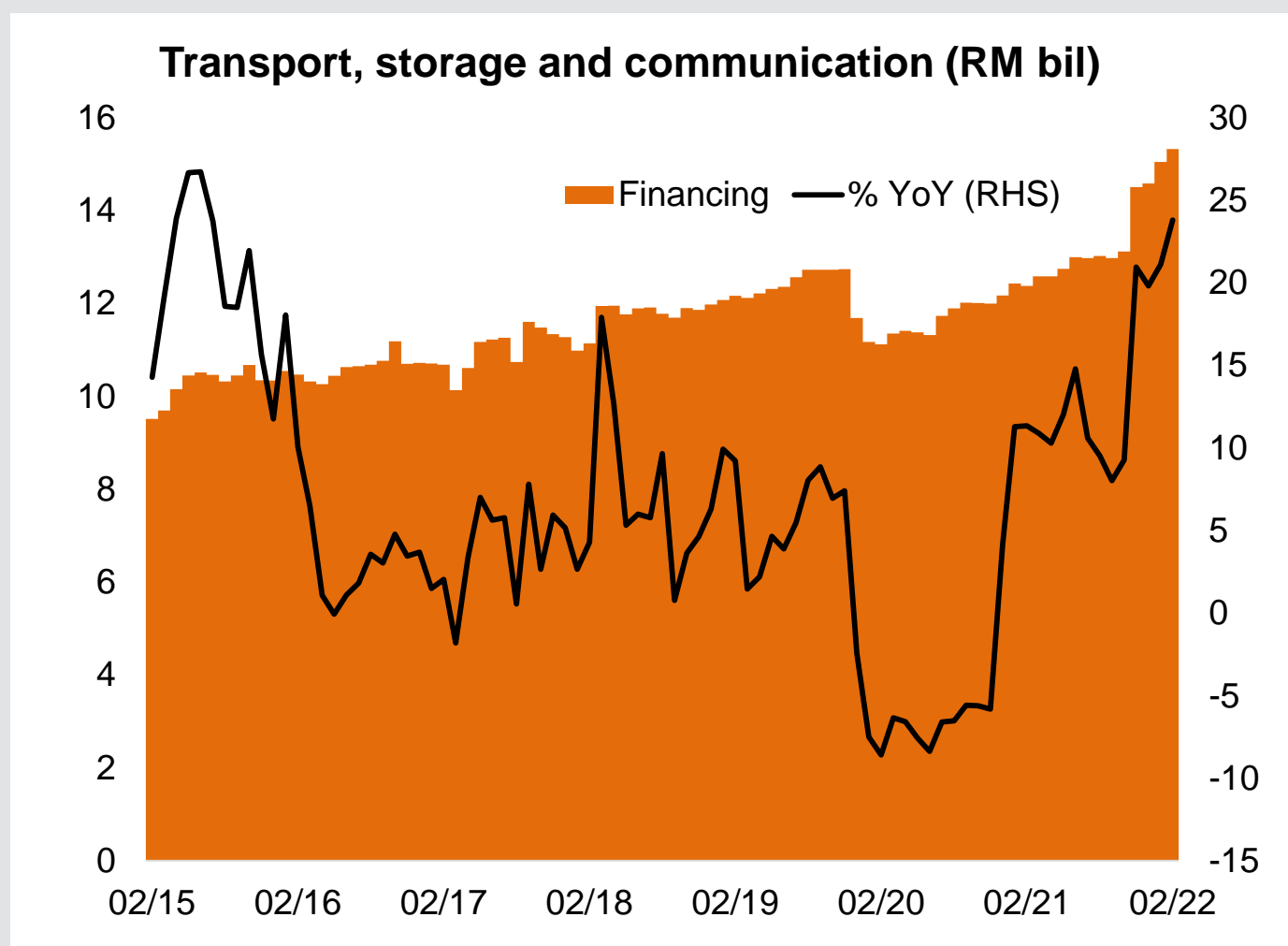
Industry Focus: Air transport (20/21)

- In 1Q 2022, there were 275,455 tonnes of total freight transported (international + domestic) in Malaysia, up 23.4% YoY but -2.4% QoQ. The QoQ decline represents the emergence of the Russia-Ukraine war, which caused airport operations and cargo supply chain to be disrupted. With downside risks stemming from slower global trade (heading into potential recession), **international cargo volume may ease** but is expected to remain above previous year's figure.
- Meanwhile, the amount of cargo carried by **domestic aircraft increased by 18.4% YoY**, due to the resumption of economic activities.
- For 2022, air cargo traffic is expected to grow between 3.9% - 6.7% YoY, which translates into 21.5 bil - 22.0 bil freight tonne kilometre, underpinned by **strong growth of e-commerce, E&E and palm oil.**



Industry data

- Based on industry data, **SME financing extended to this sector has been steadily trending upwards**, except the pandemic years in **2020 and 2021**.
- **NPF ratio showed healthy improvement over the past few years**, with the latest 12-month ratio averaging at 3.8%. However, this could be masked by the moratorium for automotive/vehicle financing given during the onset of the pandemic.



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