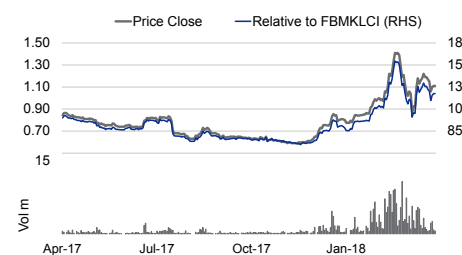


Malaysia

NON RATED


Current price:	RM1.11
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	BAQH.KL
Bloomberg:	BORN MK
Market cap:	US\$171.7m
	RM672.8m
Average daily turnover:	US\$0.83m
	RM3.22m
Current shares o/s:	606.1m
Free float:	68.7%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.7	37.9	31.4
Relative (%)	-6.3	38	26.7

Major shareholders	% held
Datuk Lo Fui Ming	16.1
Lembaga Tabung Haji	8.6
Mohd Amir Masry	6.6

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Borneo Aqua Harvest

Road paved with gold?

- At end -2016 Borneo Aqua (Bahvest) diversified from rearing fish into gold mining.
- Bahvest owns 317.7 ha of gold mining land in Bukit Mantri, Tawau (Sabah).
- We recently visited the site of its goldmine. Bahvest expects commercial operation of the mine to start in June, with the capacity to process 1,200 tonnes of ore daily.
- A report based on the JORC Code indicates gold, silver and copper in the land.
- Bahvest offers investors a potential direct exposure to gold prices.

Diversified into gold mining activities in Tawau

Borneo Aqua Harvest (Bahvest, BORN MK, Non Rated) was listed on Malaysia's Ace Board in 2005. Its core business was the rearing of marine fish in Sabah and transportation of live fish to places like Hong Kong and South China. At end-2016, Bahvest's Managing Director Datuk Lo Fui Ming injected his private mining business in Tawau (317.7 ha) into Bahvest for RM96m in return for 102.1m new Bahvest shares at RM0.94/share.

JORC analysis done on 28.8ha

In 2016, Bahvest hired Optiro, an Australian independent mining consulting company, to review the mining land based on the reporting code of Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC Code). The report indicated around 208,000 ounces of gold, 657,000 ounces of silver and 6,800 tonnes of copper in the initial mining area (some 28.8 ha that form part of the total 317.7 ha mining land).

Gold processing factory target to start commercial production soon

We recently visited Bahvest's goldmine operations in Bukit Mantri, Tawau, which is a 45-minute drive from the Tawau airport. The company has been building a gold extraction and processing plant, targeted for completion by early-May. When ready, the plant will have carbon-in-leach capacity of 1,200 tonnes of ore daily. If all goes well, the plant's processing capacity will grow to 2,000 tonnes in a year, with an additional capex of around RM10m.

Targets commercial production to start from 1QFY19F (Mar-Jun)

Bahvest indicated that its gold mining operations should start commercial operations from June onward and earnings should be seen in the Mar-Jun quarter, which is its 1QFY19F (Mar FY). As at end-Dec, its net debt was at RM12.1m or 0.04x net gearing. So far, the company has invested around RM40-RM45m capex on its gold mining operations. The funds were raised from a private placement of 46.9m new shares at RM0.77/share in Apr 2017. It expects future capex to be funded from its own operational cash flows.

Bahvest offers potential direct exposure to gold prices

In the local bourse, there are not many direct gold plays. Currently, most of the listed gold stocks are gold retailers like Poh Kong Holdings (PKH MK, Non Rated) and Tomei Consolidated (TOME MK, Non Rated). With Bahvest starting commercial mining operations in Jun, management believes the company offers investors a possible direct exposure to gold prices. We note that Bahvest's share price has been closely tracking the gold price trend since 2013.

Loss-making so far, 2017 P/BV 1.9x

The company's guidance of around RM90m net profit or 14.9 sen basic EPS in the first year of the mine's operations is based on the assumptions of i) 1,200 tonnes of ore processed daily, ii) average gold grade at 2.72 gram/tonne, iii) average cost of production at US\$350/tonne, iv) gold prices at US\$1,300/tonne, and v) RM/US\$ at RM3.80. At the current share price, the stock could be trading at around 8x 2019F P/E, based on company's guidance.

Financial Summary	Mar-13A	Mar-14A	Mar-15A	Mar-16A	Mar-17A
Revenue (RMm)	30.6	23.0	17.2	18.3	31.1
Operating EBITDA (RMm)	5.4	6.3	5.4	5.6	3.9
Pretax profit (RMm)	(3.0)	(3.3)	(4.6)	(4.0)	(4.8)
Net profit (RMm)	(4.8)	(4.3)	(2.3)	(3.3)	(3.8)
EPS (RM)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
EPS growth	-536.1%	-22.4%	-47.9%	38.1%	5.6%
FD core P/E (x)	(84.1)	(108.4)	(208.1)	(150.7)	(142.7)
DPS (RM)	NA	NA	NA	NA	NA
Dividend yield	NA	NA	NA	NA	NA
EV	733.6	725.1	727.9	725.7	691.1
EV/EBITDA (x)	136.7	115.4	133.7	130.5	176.4
Net gearing	21.7%	7.9%	9.3%	7.3%	-8.5%
P/BV (x)	4.76	3.72	3.57	3.49	1.91
ROE	-5.7%	-3.4%	-1.7%	-2.3%	-1.3%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Roads paved with gold?

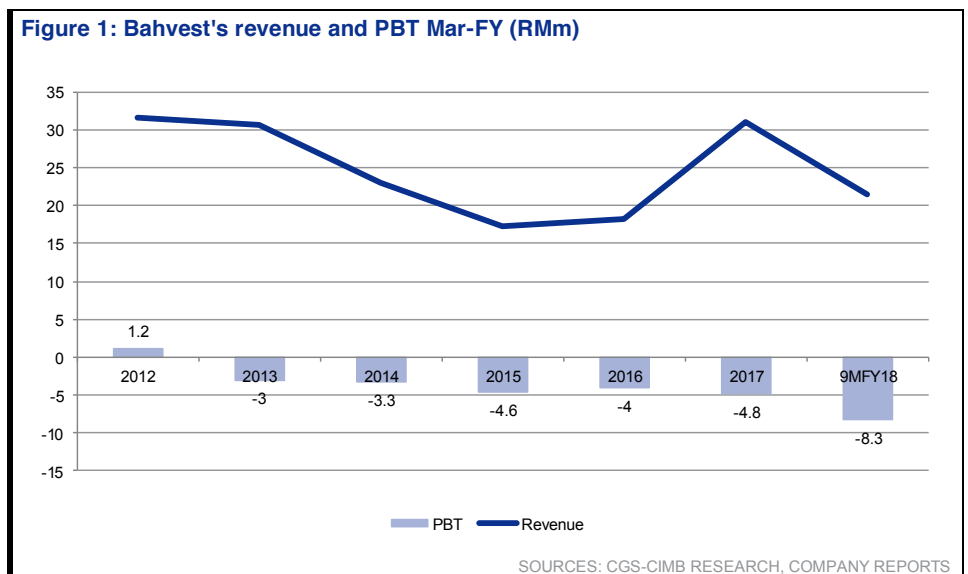
Background

Core business was rearing of marine fish ➤

Borneo Aqua Harvest (Bahvest, BORN MK, Non Rated) was listed on Malaysia's Ace Board in 2005. Its core business was the rearing of marine fish in Sabah and transportation of live fish to places like Hong Kong and South China. In 2017, the company diversified into the sale of frozen fish products. The company is led by its Managing Director and largest shareholder, Datuk Lo Fui Ming (16.1% equity stake). In the 1980s, Datuk Lo was involved in the timber logging business. In 2001-2004, he was the Managing Director of Cepatwawasan Group Berhad (CWG MK, Non Rated), a company previously listed on the Second Board of Bursa Securities.

Institutional shareholders in the Bahvest include Lembaga Tabung Haji, which currently owns an 8.7% stake in the company. Bahvest currently has 606m shares issued, and market capitalisation of RM673m. In Aug 2017, the company issued 300m free warrants to its shareholders. The warrants, expiring in Aug 2024, have an exercise price of RM0.87/share.

Figure 1: Bahvest's revenue and PBT Mar-FY (RMm)



Diversified into mining business in end-2016 ➤

Bahvest's fish farming business has been losing money over the past few years. According to management, this was mainly due to stiff competition and challenges in transporting live fish to Hong Kong and South China. At end-2016, the 70%-owned private company of its Managing Director Datuk Lo, Southsea Gold S/B, proposed to inject 317.7 ha out of the 946 ha of mining land it owns in Bukit Mantri, Tawau for RM96m via the issuance of 102.1m new Bahvest shares at RM0.94/share. Southsea Gold S/B still owns the remaining 628 ha of land.

The Sabah state government has allowed Southsea to lease and mine the land for 34 years from 2014 to 2038. The mining land is around a 45-minute drive from the Tawau airport.

JORC valuation report done only on the 28.8 hectare land ➤

Optiro, an Australian independent consultant completed the JORC report on 28.8 ha of land out of the total 317.7 ha of mining land which Bahvest owns. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) is a professional code of practice that sets minimum standards for public reporting of minerals exploration results, mineral resources and ore reserves.

The JORC Code provides a mandatory system for the classification of minerals exploration results, mineral resources and ore reserves according to the levels of confidence in geological knowledge and technical and economic considerations in public reports. Optiro estimated around 208,000 ounces of gold, 657,000 ounces of silver and 6,800 tonnes of copper in the 28.8 ha land in Bukit Mantri, Tawau.

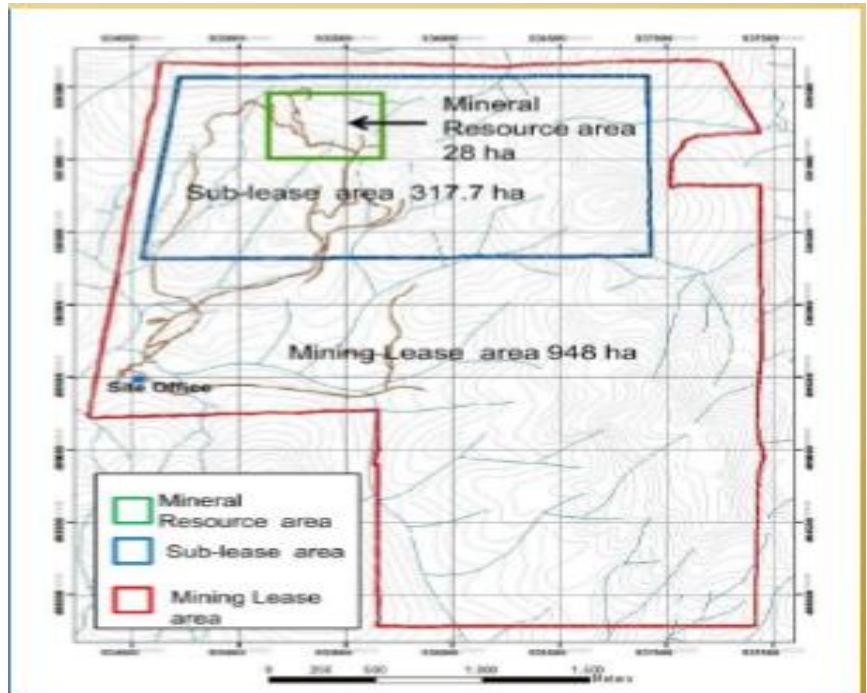
Experts knew there was gold since the 1990s but land title only issued recently ➤

Sabah has been known to have gold since the 1990s. However, it was only in 2016 that the Sabah Environment Protection Department issued the land title for mining activities in Bukit Mantri after the Environmental Impact Assessment (EIA) was completed.

Figure 2: Location of Bahvest's Bukit Mantri mining land



Figure 3: Bukit Mantri 28.8 hectare land study done by Optira at end-2016



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Estimated gold reserves on the 28.8 ha land in Bukit Mantri by Optiro

Company	tonnes (mn)	Grade (gram/tonne)	Ounces (Au)
Bahvest (28.8 hectare)	2.7	2.39	208,000
CNMC (1,000 hectare)	13.4	1.6	724,000

SOURCES: CGS-CIMB RESEARCH, COMPANY

Our site visit to Bukit Mantri, Tawau

We recently visited Bahvest’s gold mining operations in Bukit Mantri, Tawau. Construction of its gold extraction and processing plant is almost complete and is slated to start trial production by end-May and full commercial production is targeted to start by June this year. When ready, the plant would have a carbon-in-leach capacity of 1,200 tonnes of ore daily. Assuming an average gold grade of 2.72 gram gold/tonne of ore, the company expects it should be able to produce on average 3,260 grams of gold daily, likely from June 2018 onwards.

Figure 5: Picture of Bahvest’s gold mining factory in Bukit Mantri (as at 10 April 2018)



SOURCES: CGS-CIMB RESEARCH,

Sleeping quarters for management

Bahvest's Managing Director Datuk Lo is hands-on with the business and has been staying at the goldmine over the past year. Below is the picture of the on-site canteen and sleeping quarters for us and Bahvest's senior management. They spend most of their nights there and only go to the Tawau town during the weekends. The sun rises there at 6am in the morning and they start work from 6.30am onwards and finish work after 5pm. Bedtime is early from 8.30pm onwards for the employees at the goldmine.

Figure 6: Sleeping quarters and canteen for management of the goldmine



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: View outside the sleeping quarters in Bukit Mantri at 6am in the morning



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Financials

As the commercial operations of the goldmine are targeted to start in June, Bahvest expects contributions from the mine in the Mar-Jun quarter, which is its 1QFY19F (Mar FY). As at end-Dec, Bahvest's net debt was at RM12.1m or 0.04x net gearing. Most of the capex for the gold mining operations has been completed -- so far, the company has invested RM40-45m capex on its gold mining operations, with the funds raised from a private placement of 46.9m new shares at RM0.77/share in Apr 2017. Bahvest expects future capex on the mine to be funded by its own operational cash flows.

Figure 8: Planned capex for Bahvest's gold mining operations

Assets	RMm
Roads, dam and infrastructure	10
Heavy equipment	8
Crushers	10
Processing plant and lab	10
Others	4
Total	42

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

No dividends paid yet ➤

Bahvest has not paid any dividends to its shareholders over the past few years. However, the company indicated they would review their company dividend policy once the gold mine commercial operations start.

Potential earnings from goldmine operations ➤

Bahvest has guided that it has the potential to record around RM90m net profit or 14.9 sen basic EPS in the mine's first year of operations, based on the following assumptions:

- i) that the company processes 1,200 tonnes of ore daily from June onwards
- ii) average gold grade at 2.72gram/tonne
- iii) average cost of production at US\$350/tonne
- iv) gold price at US\$1,300/tonne
- v) RM/US\$ at RM3.80
- vi) 95% recovery rate

At its current share price, the stock could be trading at one-year forward P/E of 8x, based on the company's assumptions. The company indicated if all goes well in the mine's first year of operations, the company could raise processing production capacity of 1,200 tonnes of ore daily to 2,000 tonnes ore, for just an additional RM10m capex. According to the company, the 28.8 ha land could be mined over the next five years and it has another 288.9 ha land left to be mined. In addition, the company is already negotiating to acquire more land in Bukit Mantri to expand its gold mining land bank.

Bahvest could offer direct exposure to gold prices

In the local bourse, there are not many direct gold plays. Currently, most of the listed gold stocks are gold retailers like Poh Kong Holdings (PKH MK, Non Rated) and Tomei Consolidated (TOME MK, Non Rated). With Bahvest starting commercial mining operation soon, management believes this stock could offer investors a possible direct exposure to gold prices. We note that Bahvest's share price has been mainly closely tracking the gold price trend since 2013.

Figure 9: Relative performance of gold price (RHS) vs. Bahvest share price since 2013 (LHS)

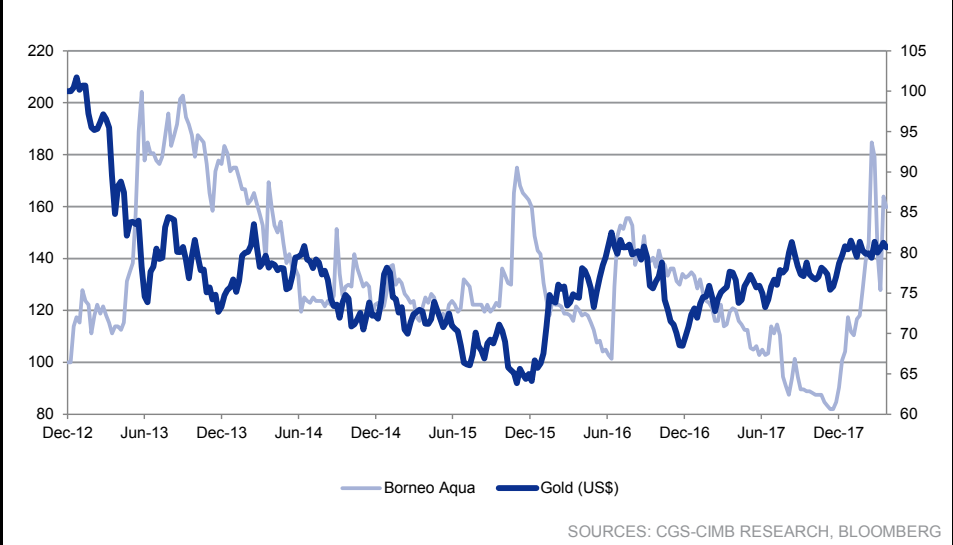


Figure 10: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share px (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
Borneo Aqua	BORN MK	NR	RM1.11	NA	172	NA	NA	1.9	NA	NA	NA	NA	NA	NA	NA
CNMC	CNMC SP	NR	S\$0.27	NA	132	15.7	8.9	1.9	11.6%	19.4%	6.6	2.0%	3.0%		
Agnico Eagle	AEM US	NR	US\$43.57	NA	10,600	75.2	43.6	2.0	4.0%	7.4%	12.3	1.0%	1.0%		
Zijing Mining	2899 HK	NR	HK\$3.61	NA	14,300	14.0	12.0	1.8	12.9%	13.1%	9.4	3.4%	3.6%		
Kinross Gold	KGC US	NR	US\$3.87	NA	4,826	22.9	23.9	1.0	3.8%	5.3%	4.7	0.0%	3.2%		
Average sector ex-Bahvest					7,465	32.0	22.1	1.7	8.1%	11.3%	8.3	1.6%	2.7%		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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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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1275 companies under coverage for quarter ended on 31 March 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

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, **CENDEL** – 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, **TIPIP** – 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.

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

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.

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