

## Looking past the mist

We are maintaining our BUY call on Jaks Resources (JAK), with a lower TP of RM 1.70 (RM 2.00), as the fundamentals of the company remain unchanged, despite the disappointing headline PATAMI of RM 0.7mn for FY16. The weaker than expected results were mainly due to several one-offs, and JAK's inability to recognise any EPC contract revenue in the 4QFY16.

### Vietnam EPC contract is progressing well

JAK has achieved 15% completion in 2016 on its Vietnam EPC contract, which is inline with our estimates. However, JAK was not able to recognise earnings from the EPC contract in 4Q, as most of the work in 4Q related to the fabrication of equipment, for which revenue can only be recognised once it is fully completed, and based on the percentage of completion. Hence, the sharp fall in both the revenue and profit in 4Q16.

### Just an accounting change

As such, we also defer part of the recognition of earnings into 2020, to match the revenue recognition treatment done by JAK. The changes have also lowered our PATAMI by 14% and 2% for FY17 and FY18E, and TP by RM0.14 or 7% (pre-dilution basis). We are still confident that the EPC can achieve COD (commercial operation date) by end of 2020 target.

### Taking a prudent approach to its balance sheet

JAK has taken a more prudent approach to address some of its liability regarding the LADs in 4Q. One of the larger LADs (RM12.5mn) was related to Besut Dam that was completed a year ago, which was delayed due to severe weather conditions. The other LAD (RM5.5mn) is also related to Pacific Star project, as JAK is currently behind schedule for Menara Star 2.

### Forex is non-cash translation loss

JAK also reported RM8.2mn forex translation loss due to unfavourable swing in the USD/MYR on the cost of its investment in Vietnam, which was subsequently refunded by its JV partner. We view the loss as one-off item. However, if we were to factor in the one-offs and recognition of EPC revenue based on 15% completion, the overall PATAMI should be around RM39.4mn for FY16, slightly lower than the RM41.5mn for FY15.

### Looking past the accounting and one-off for value

We are still maintaining our BUY call on the stock, with a lower TP of RM1.70 from RM2.00, despite lowering our EPS by 22% and 8% for FY17 and 18E, to account for the changes recognition of EPC contract and the dilution on the impending 10% new share placement.

### Earnings & Valuation Summary

FYE 31 Dec	2014	2015	2016	2017E	2018E
Revenue (RMm)	490.9	461.2	640.4	1,041.0	1,048.2
EBITDA (RMm)	73.8	81.2	57.9	114.3	130.4
Pretax profit (RMm)	54.3	55.3	(7.3)	72.6	98.4
Net profit (RMm)	14.0	41.5	0.7	63.2	88.4
EPS (sen)	3.2	9.5	6.1	13.1	18.3
PER (x)	38.4	13.0	20.1	9.4	6.7
Core net profit (RMm)	14.0	41.5	26.8	63.2	88.4
Core EPS (sen)	3.2	9.5	6.1	13.1	18.3
Core EPS growth (%)	86.9	195.7	(35.3)	114.0	39.9
Core PER (x)	38.4	13.0	20.1	9.4	6.7
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	16.4	14.9	38.6	10.6	9.3
Chg in EPS (%)				-22.2%	-7.6%
Affin/Consensus (x)				Na	na

Source: Company, Affin Hwang forecasts, Bloomberg

## Results Note

# Jaks Resources

JAK MK

Sector: Utilities

RM1.23 @ 27 Feb 2011

BUY (maintain)

Upside 38 %

Price Target: RM1.70

Previous Target: RM2.00



## Price Performance

	1M	3M	12M
Absolute	-3.9%	17.1%	7.9%
Rel to KLCI	-4.3%	12.5%	6.0%

## Stock Data

Issued shares (m)	438.4
Mkt cap (RMm)/(US\$m)	539.2/121.4
Avg daily vol - 6mth (m)	2.0
52-wk range (RM)	0.81-1.4
Est free float	64.7%
BV per share (RM)	1.20
P/BV (x)	1.03
Net cash/ (debt) (RMm)	(469.17)
ROE (2017E)	9.9%
Derivatives	No
Shariah Compliant	No

## Key Shareholders

YIN KOON YEW	9.1%
LAM POAH ANG	8.7%
ORIGINAL INVENTION S	6.0%
PHILIP CAPITAL MANAG	5.5%

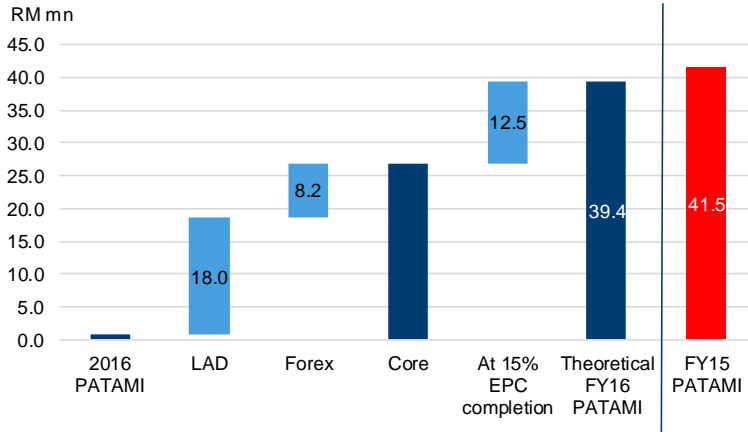
Source: Affin Hwang, Bloomberg

Ng Chi Hoong  
 (603) 2146 7470  
 chihoong.ng@affinhwang.com

### Key risks

Risks to our call include: i) slower than expected revenue recognition from the Vietnam EPC contract; and ii) lower occupancy rate for its Evolve Concept Mall.

**Fig 1: The results are not as bad after factoring in the one-off and recognizing the EPC contract based on 15% completion**



Source: Affin Hwang, Company

**Fig 2: Results Comparison**

FYE 31 Dec (RMm)	4Q16	QoQ % chg	YoY % chg	FY16	YoY % chg	Comment
Revenue	149.3	(28.6)	10.5	640.4	42.5	Mainly driven by construction revenue
Op costs	(141.4)	(24.0)	48.9	(582.4)	58.3	
<b>EBITDA</b>	<b>8.0</b>	(65.4)	(80.2)	<b>58.0</b>	(28.9)	
<i>EBITDA margin (%)</i>	<i>5.3</i>	<i>-5.7pt</i>	<i>-24.5ppt</i>	<i>9.1</i>	<i>-9.1ppt</i>	
Depreciation	(4.5)	17.4	12.3	(14.9)	121.5	Due to Evolve Concept Mall
<b>EBIT</b>	<b>3.4</b>	(82.1)	(90.5)	<b>43.1</b>	(42.5)	
<i>EBIT margin (%)</i>	<i>2.3</i>	<i>-6.9ppt</i>	<i>-24.5ppt</i>	<i>25.5</i>	<i>-8.8ppt</i>	
EI	(26.2)			(26.2)		
Int expense	(4.6)	(34.3)	(40.9)	(24.2)	23.6	Debt from Evolve Concept Mall
<b>Pretax profit</b>	<b>(27.3)</b>	(323.9)	(195.8)	<b>(7.3)</b>	(113.1)	
Tax	(4.2)	>100	>100	(8.7)	7.1	
<i>Tax rate (%)</i>	<i>(15.5)</i>	<i>-29.4ppt</i>	<i>-14.8ppt</i>	<i>nmf</i>	<i>nmf</i>	
Minority interests	7.5	124.6	1,176.1	16.7	(393.4)	
Net profit	<b>(24.0)</b>	(273.3)	(182.0)	<b>0.7</b>	(98.2)	Flow through from revenue
<b>EPS</b>	<b>(5.5)</b>	(273.4)	(181.9)	<b>0.2</b>	(98.3)	
<b>Core net profit</b>	<b>2.2</b>	(84.3)	(92.6)	<b>26.8</b>	117.2	

Source: Affin Hwang, Company data

**Fig 3: Updated RNAV with the changes in our EPS forecast and also the enlarged share base**

	Equity Value (RM mn)	Per share	Comments
Construction (domestic)	97	0.20	PER at 8x
Pacific Star	236	0.49	20% discount to remaining RNAV
Disposable assets (non-core)			
Evolve City Mall	202	0.42	51% stake at book value
Pacific Star Retail Podium	27	0.06	51% stake at book value
Other lands for disposal	49	0.10	Book Value
Total domestic asset value	611	1.27	
-) Gross Debt	-457	-0.95	Excluding minority interest share
+) Cash	40	0.08	
<b>RNAV (without Vietnam)</b>	<b>193</b>	<b>0.40</b>	
Vietnam IPP	412	0.85	DCF (Only JAKS's 30% stake)
Vietnam EPC contract	414	0.86	PER at 8x
<b>RNAV (Vietnam only)</b>	<b>827</b>	<b>1.71</b>	
<b>Group RNAV</b>	1,020	2.11	
Discount to RNAV	20%	20%	
<b>Target Price (RM)</b>	<b>816</b>	<b>1.70</b>	
# of shares	482.2		

Source: Affin Hwang estimates and forecasts

## Jaks Resources – FINANCIAL SUMMARY

### Profit & Loss Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Revenue	490.9	461.2	640.4	1,041.0	1,048.2
Operating expenses	(417.1)	(380.0)	(582.5)	(926.6)	(917.8)
EBITDA	73.8	81.2	57.9	114.3	130.4
Depreciation	(4.1)	(6.7)	(14.9)	(23.5)	(14.1)
EBIT	69.7	74.4	43.0	90.8	116.3
Net int inc/(exp)	(15.3)	(19.5)	(24.2)	(18.2)	(17.9)
Exceptional items	-	-	(26.1)	-	-
Pretax profit	54.3	54.9	(7.3)	72.6	98.4
Tax	(20.0)	(8.1)	(8.7)	(18.1)	(24.6)
Minority interest	(20.3)	(5.7)	16.7	8.7	14.6
<b>Net profit</b>	<b>14.0</b>	<b>41.1</b>	<b>0.7</b>	<b>63.2</b>	<b>88.4</b>

### Balance Sheet Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Fixed assets	28.0	19.9	17.9	5.0	1.5
Other long term assets	671.9	707.7	767.0	817.0	847.0
<b>Total non-curr assets</b>	<b>699.9</b>	<b>727.6</b>	<b>784.9</b>	<b>822.0</b>	<b>848.5</b>
Cash and equivalents	80.3	46.0	39.6	5.1	53.4
Stocks	25.7	9.2	4.2	10.2	10.3
Debtors	110.1	71.2	263.6	160.7	161.8
Other current assets	527.2	631.2	465.6	465.6	465.6
<b>Total current assets</b>	<b>743.2</b>	<b>757.6</b>	<b>773.0</b>	<b>631.5</b>	<b>691.2</b>
Creditors	152.7	150.4	438.5	289.6	312.0
Short term borrowings	260.7	230.3	283.5	283.5	283.5
Other current liabilities	137.6	181.9	5.3	5.3	5.3
<b>Total current liab</b>	<b>551.0</b>	<b>562.7</b>	<b>727.2</b>	<b>578.3</b>	<b>600.7</b>
Long term borrowings	343.1	326.2	247.5	237.5	227.5
Other long term liabilities	0.2	0.2	0.2	0.2	0.2
<b>Total long term liab</b>	<b>343.3</b>	<b>326.4</b>	<b>247.6</b>	<b>237.6</b>	<b>227.6</b>
<b>Shareholders' Funds + MI</b>	<b>548.9</b>	<b>596.0</b>	<b>583.0</b>	<b>637.5</b>	<b>711.3</b>

### Cash Flow Statement

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Pretax profit	54.3	54.9	(7.3)	72.6	98.4
Depreciation & amortisation	4.1	6.7	14.9	23.5	14.1
Working capital changes	192.9	69.4	91.4	(52.1)	21.2
Cash tax paid	(20.0)	(8.1)	(8.7)	(18.1)	(24.6)
Others	6.1	(29.2)	28.6	79.4	(127.0)
<b>Cashflow from operations</b>	<b>237.5</b>	<b>93.6</b>	<b>118.9</b>	<b>105.3</b>	<b>(17.9)</b>
Capex	(2.7)	(2.2)	(0.6)	(0.6)	(0.6)
Others	(314.1)	(119.9)	(69.2)	(50.0)	(30.0)
<b>Cash flow from investing</b>	<b>(316.8)</b>	<b>(122.1)</b>	<b>(69.8)</b>	<b>(50.6)</b>	<b>(30.6)</b>
Debt raised/(repaid)	126.9	(97.7)	(27.4)	(10.0)	(10.0)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Net int inc/(exp)	(4.9)	(8.0)	(12.1)	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	(70.9)	61.1	(20.8)	0.0	0.0
<b>Cash flow from financing</b>	<b>51.2</b>	<b>(44.5)</b>	<b>(60.3)</b>	<b>(10.0)</b>	<b>(10.0)</b>
<b>Free Cash Flow</b>	<b>234.8</b>	<b>91.4</b>	<b>118.3</b>	<b>104.7</b>	<b>(18.5)</b>

### Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2014	2015	2016E	2017E	2018E
<b>Growth</b>					
Revenue (%)	(16.3)	(6.1)	38.9	62.6	0.7
EBITDA (%)	72.8	10.0	(28.6)	97.4	14.0
Net profit (%)	86.9	192.9	(98.2)	8,482.0	39.9
<b>Profitability</b>					
EBITDA margin (%)	15.0	17.6	9.0	11.0	12.4
PBT margin (%)	11.1	11.9	1.1	7.0	9.4
Net profit margin (%)	2.9	8.9	0.1	6.1	8.4
Effective tax rate (%)	36.7	14.8	119.5	25.0	25.0
ROA (%)	1.0	2.8	1.7	4.3	5.7
Core ROE (%)	2.6	7.0	4.6	9.9	12.4
ROCE (%)	1.6	4.5	3.2	7.2	9.4
Dividend payout ratio (%)	-	-	-	-	-
<b>Liquidity</b>					
Current ratio (x)	1.3	1.3	1.1	1.1	1.2
Op. cash flow (RMm)	73.8	81.2	57.9	114.3	130.4
Free cashflow (RMm)	234.8	91.4	118.3	104.7	(18.5)
FCF/share (sen)	53.6	20.9	27.0	21.7	(3.8)
<b>Asset management</b>					
Debtors turnover (days)	81.8	56.4	56.4	56.4	56.4
Stock turnover (days)	24.7	9.1	4.5	4.5	4.5
Creditors turnover (days)	147.0	149.1	149.1	149.1	149.1
<b>Capital structure</b>					
Net gearing (%)	113.9	101.9	97.3	92.6	69.7
Interest cover (x)	4.8	4.2	2.4	6.3	7.3

### Quarterly Profit & Loss

FYE 31 Dec (RMm)	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
Revenue	135.2	122.8	159.1	209.1	149.3
Operating expenses	(94.9)	(113.2)	(141.7)	(186.1)	(141.4)
EBITDA	40.3	9.6	17.4	23.0	8.0
Depreciation	(4.0)	(3.3)	(3.3)	(3.9)	(4.5)
EBIT	36.3	6.3	14.2	19.2	3.4
Int expense	(7.7)	(6.1)	(6.6)	(7.0)	(4.6)
Exceptional items	-	-	-	-	(26.2)
Pretax profit	28.5	0.2	7.6	12.2	(27.3)
Tax	0.2	(1.4)	(1.4)	(1.7)	(4.2)
Minority interest	0.6	2.2	3.6	3.4	7.5
Net profit	29.3	1.1	9.8	13.9	(24.0)
<b>Margins (%)</b>					
EBITDA	29.8	7.8	10.9	11.0	5.3
PBT	21.1	0.2	4.8	5.8	(18.3)
Net profit	21.7	0.9	6.2	6.6	(16.1)

Source: Company, Affin Hwang forecasts

## Important Disclosures and Disclaimer

This publication is prepared by Affin Hwang Investment Bank Berhad ("Affin Hwang") and reviewed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates (collectively, "Daiwa"), and is distributed and/or originated from outside Malaysia by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. The role of Daiwa Securities Group Inc. and/or its non-U.S. affiliates in connection with this publication is solely limited to the review and distribution of this publication; and Daiwa Securities Group Inc. and/or its non-U.S. affiliates are not involved in the preparation of this publication in any other way. This research is for Daiwa clients only and the publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Other than disclosures relating to Daiwa, this research is based on current public information that Affin Hwang and Daiwa consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

The analysts named in this report may have from time to time discussed with clients, including Daiwa's salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Affin Hwang, Daiwa Securities Group Inc. nor any of its or their respective parent, holding, subsidiaries or affiliates, nor any of its or their respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction where such an offer or solicitation would be illegal nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication constitutes the views of the analyst(s) named herein and does not necessarily reflect those of Affin Hwang, Daiwa Securities Group Inc. and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents in relation to such investments.

All research reports are disseminated and available to our clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Daiwa and Affin Hwang responsible for the redistribution of our research by third party aggregators.

Affin Hwang, Daiwa Securities Group Inc., its subsidiaries and affiliates, and its or their respective directors, officers and employees, from time to time may have trades as principals, or may have positions in, or have other interests in the securities of the company under research including market making activities, derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. The following are additional disclosures.

### Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

### Investment Banking Relationship

For "Investment Banking Relationship", please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

### **Japan**

#### Disclosure of Interest of Daiwa Securities Group Inc.

#### Investment Banking Relationship

Within the preceding 12 months, the subsidiaries and/or affiliates of Daiwa Securities Group Inc. \* has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Neo Solar Power Corp (3576 TT), Acushnet Holdings Corp (GOLF US), No Va Land Investment Group Corporation (NVL VN).

\*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司), Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa Capital Markets India Private Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

This research may only be distributed in Japan to "qualified institutional investors", as defined in the Financial Instruments and Exchange Act (Article 2 (3) (i)), as amended from time to time.

#### Disclosure of Interest of Affin Hwang Investment Bank

#### Investment Banking Relationship

Within the preceding 12 months, Affin Hwang Investment Bank has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following company: Uchi Technologies Bhd (UCHI MK).

### **Hong Kong**

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司) ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.

#### Relevant Relationship (DHK)

DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

### **Singapore**

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

### **Australia**

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

### **India**

This research is distributed in India to Institutional Clients only by Daiwa Capital Markets India Private Limited (Daiwa India) which is an intermediary registered with Securities & Exchange Board of India as a Stock Broker, Merchant Bank and Research Analyst. Daiwa India, its Research Analyst and their family members and its associates do not have any financial interest save as disclosed or other undisclosed material conflict of interest in the securities or derivatives of any companies under coverage. Daiwa India and its associates, may have received compensation for any products other than Investment Banking (as disclosed) or brokerage services from the subject company in this report or from any third party during the past 12 months. Daiwa India and its associates may have debt holdings in the subject company. For information on ownership of equity, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

There is no material disciplinary action against Daiwa India by any regulatory authority impacting equity research analysis activities as of the date of this report.

Associates of Daiwa India, registered with Indian regulators, include Daiwa Capital Markets Singapore Limited and Daiwa Portfolio Advisory (India) Private Limited.

**Taiwan**

This research is solely for reference and not intended to provide tailored investment recommendations. This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd. and it may only be distributed in Taiwan to specific customers who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd. and non-customers including (i) professional institutional investors, (ii) TWSE or TPEX listed companies, upstream and downstream vendors, and specialists that offer or seek advice, and (iii) potential customers with an actual need for business development in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research including non-customer recipients of this research shall not provide it to others or engage in any activities in connection with this research which may involve conflicts of interests. Neither Daiwa-Cathay Capital Markets Co., Ltd. nor its personnel who writes or reviews the research report has any conflict of interest in this research. Since Daiwa-Cathay Capital Markets Co., Ltd. does not operate brokerage trading business in foreign markets, **this research is "without recommendation" to any foreign securities** and Daiwa-Cathay Capital Markets Co., Ltd. does not accept orders from customers to trade in such securities that are without recommendation. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd. in respect of any matter arising from or in connection with the research.

**Philippines**

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities.

For relevant securities and trading rules please visit SEC and PSE link at <http://www.sec.gov.ph> and <http://www.pse.com.ph> respectively.

**United Kingdom**

This research report is produced by Daiwa Securities Co. Ltd. and/or its affiliates and is distributed in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange and Eurex. This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory>.

**Germany**

This document is distributed in Germany by Daiwa Capital Markets Europe Limited, Niederlassung Frankfurt which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

**Bahrain**

This research material is distributed in Bahrain by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

**United States**

This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer's views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect DCMA's views at any time. Neither DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation it makes is risky and appropriate only for sophisticated speculative investors able to incur significant losses. Readers should consult their financial advisors to determine whether any such recommendation is consistent with their own investment objectives, financial situation and needs. This report does not recommend to U.S. recipients the use of any of DCMA's non-U.S. affiliates to effect trades in any security and is not supplied with any understanding that U.S. recipients of this report will direct commission business to such non-U.S. entities. Unless applicable law permits otherwise, non-U.S. customers wishing to effect a transaction in any securities referenced in this material should contact a Daiwa entity in their local jurisdiction. Most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as a process for doing so. As a result, the securities discussed in this report may not be eligible for sales in some jurisdictions. Customers wishing to obtain further information about this report should contact DCMA: Daiwa Capital Markets America Inc., Financial Square, 32 Old Slip, New York, New York 10005 (Tel no. 212-612-7000).

**Ownership of Securities**

For "Ownership of Securities" information please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**Investment Banking Relationships**

For "Investment Banking Relationships" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**DCMA Market Making**

For "DCMA Market Making" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**Research Analyst Conflicts**

For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

**Research Analyst Certification**

For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst[s] is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst[s] is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

**For stocks and sectors in Malaysia covered by Affin Hwang, the following rating system is in effect:****Stocks:**

BUY: Total return is expected to exceed +10% over a 12-month period

HOLD: Total return is expected to be between -5% and +10% over a 12-month period

SELL: Total return is expected to be below -5% over a 12-month period

NOT RATED: Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

**Sectors:**

OVERWEIGHT: Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months

NEUTRAL: Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months

UNDERWEIGHT: Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

**Conflict of Interest Disclosure**

**Ownership of Securities**

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**Investment Banking Relationships**

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

**Relevant Relationships**

Affin Hwang may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

**Affin Hwang market making**

Affin Hwang may from time to time make a market in securities covered by this research.

**Additional information may be available upon request.**

**Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission\* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
  - In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
  - For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
  - There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
  - There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
  - Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
- \*The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.  
Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108  
Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan  
Japan Investment Advisers Association  
Type II Financial Instruments Firms Association