

Mynews Holdings (MNHB MK)

4QFY22 earnings are back to black

Maintain BUY with higher TP of MYR0.80

MNHB's 4QFY22 results outperformed predominantly on its strong sales. We expect FY23 net profit to return to the black led by recovery in in-store sales for both *Mynews* and *CU* stores and narrowing losses at its food processing centre (FPC). Hence, we lift our FY23E-24E earnings estimates by 29%-72% and introduce our FY25E estimates. Maintain BUY with a higher TP of MYR0.80 based on 2.5x CY23 PBV (mean, vs. 2.0x PBV previously).

Above expectations

4QFY22 net profit of MYR1m (4QFY21 net loss: MYR9m, 3QFY22 net loss: MYR2m) brought FY22 net loss to MYR18m (-58% YoY) against our/consensus full-year loss estimates of -MYR22m/-MYR20m. The earnings improvement was mainly from robust sales volume where FY22 revenue of MYR631m made up 110% of our FY22 estimate.

Sales increased YoY and QoQ

4QFY22 revenue grew 6% QoQ on the back of higher contribution from new stores, store footfall and better average sales per store. Total store count has grown to 585 as at end-Oct 22 (+12 stores QoQ) which includes 460 *Mynews* stores (-2 QoQ) and 125 *CU* stores (+14 QoQ). 4QFY22 gross profit margin softened by 1.8 ppts QoQ due to higher advertising and marketing costs attributed to *CU* products but EBIT turned profitable given aid received from the government's Hiring Incentive Programme and ongoing internal cost management. On a YoY basis, stronger topline and bottomline were mainly attributed to relaxed movement restrictions, reopening of international borders and longer store operating hours.

Raise FY23E-24E earnings estimates by 72%/29%

Factoring in MNHB's good results, our FY23/FY24 earnings estimates have been lifted by 72%/29%. We are encouraged by the group's earnings turnaround in 4QFY22 and its positive earnings trajectory is expected to continue into FY23 with ongoing recovery in *Mynews* store sales alongside stronger contribution from its *CU* stores. Narrowed losses at its food processing centre (FPC) will also buffer further downside to earnings going forward. An ongoing challenge however lies in labour shortages experienced throughout the consumer retail industry. Although MNHB has recruited enough staff for its FPC, its retail outlets remain understaffed.

FYE Oct (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	394	631	960	1,089	1,225
EBITDA	10	56	92	123	141
Core net profit	(43)	(18)	6	22	26
Core EPS (sen)	(6.3)	(2.6)	0.9	3.2	3.8
Core EPS growth (%)	nm	nm	nm	273.5	18.3
Net DPS (sen)	0.0	0.0	0.2	0.9	1.1
Core P/E (x)	nm	nm	74.7	20.0	16.9
P/BV (x)	2.7	1.7	1.9	1.8	1.7
Net dividend yield (%)	0.0	0.0	0.4	1.4	1.7
ROAE (%)	(16.8)	(7.8)	2.6	9.3	10.2
ROAA (%)	(8.4)	(3.2)	0.9	2.9	3.2
EV/EBITDA (x)	67.8	7.9	5.8	4.5	4.1
Net gearing (%) (incl perps)	23.0	35.0	43.9	50.5	55.9
Consensus net profit	-	-	13	18	na
MKE vs. Consensus (%)	-	-	(55.4)	17.7	na

Jade Tam

jade.tam@maybank-ib.com
(603) 2297 8687

BUY

Share Price	MYR 0.64
12m Price Target	MYR 0.80 (+26%)
Previous Price Target	MYR 0.60

Company Description

Mynews's principal business activity is press and convenience retailing.

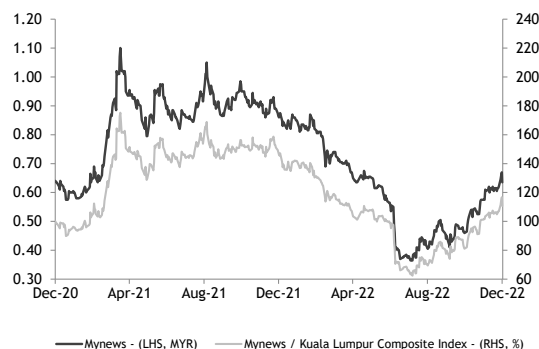
Statistics

52w high/low (MYR)	0.88/0.37
3m avg turnover (USDm)	0.1
Free float (%)	28.4
Issued shares (m)	682
Market capitalisation	MYR433.2M USD98M

Major shareholders:

D&D Consolidated Sdn. Bhd.	57.4%
Employees Provident Fund	4.9%
DANG TAI KIEN	3.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	10	41	(26)
Relative to index (%)	9	39	(24)

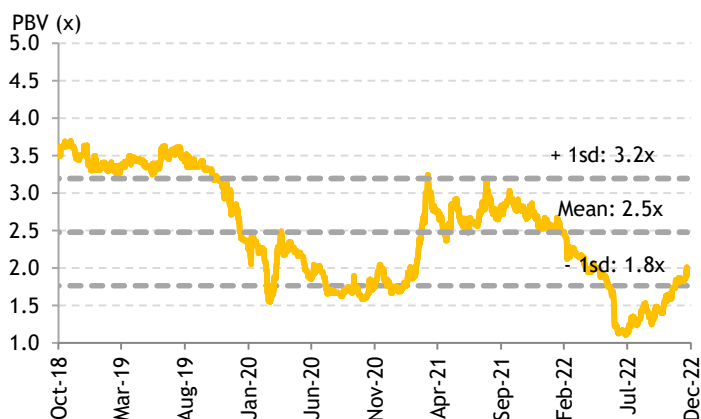
Source: FactSet

Fig 1: Mynews: Results summary table

FYE Oct (MYR'm)	Quarterly					Cumulative		
	4QFY22	4QFY21	% YoY	3QFY22	% QoQ	12MFY22	12MFY21	%YoY
Revenue	180.6	97.9	84.5	170.2	6.1	631.3	394.4	60.1
Cost of sales	(119.6)	(70.0)	70.8	(109.6)	9.1	(418.7)	(273.9)	52.8
Gross Profit	61.0	27.9	>100.0	60.6	0.8	212.7	120.5	76.5
Other operating income	2.0	1.9	6.1	0.2	>100.0	2.9	4.5	(34.1)
Selling, distribution & admin	(43.3)	(29.1)	48.9	(41.5)	4.2	(159.5)	(114.5)	39.4
Other expenses	(16.2)	(14.8)	9.7	(19.8)	(17.9)	(68.9)	(56.8)	21.4
Operating profit	3.6	(14.1)	n.m.	(0.5)	n.m.	(12.8)	(46.3)	(72.3)
Finance costs	(2.6)	(1.5)	67.0	(2.3)	12.9	(8.8)	(6.4)	38.2
Associates	0.5	0.1	>100.0	0.4	19.2	0.7	(0.7)	n.m.
Pretax profit	1.5	(15.6)	n.m.	(2.3)	n.m.	(21.0)	(53.4)	(60.7)
Income tax	(1.0)	4.7	n.m.	(0.1)	>100.0	(1.2)	3.5	n.m.
Minority Interest	0.8	1.8	(52.5)	0.9	(10.9)	4.0	6.8	(41.1)
Net profit	1.4	(9.0)	n.m.	(1.5)	n.m.	(18.2)	(43.2)	(58.0)
Core net profit	1.4	(9.0)	n.m.	(1.5)	n.m.	(18.2)	(43.2)	(58.0)
Margins			YoY ppt		QoQ ppt			YoY ppt
			Chg		Chg			Chg
Gross profit (%)	33.8	28.5	5.3	35.6	(1.8)	33.7	30.5	3.1
Operating profit (%)	2.0	(14.4)	16.3	(0.3)	2.3	(2.0)	(11.7)	9.7
Pretax profit (%)	0.8	(15.9)	16.7	(1.4)	2.2	(3.3)	(13.5)	10.2
Net profit (%)	0.8	(9.2)	10.0	(0.9)	1.6	(2.9)	(11.0)	8.1
Tax rate (%)	64.8	30.5	34.2	(2.6)	67.3	(5.5)	6.5	(12.0)

Source: Company, Maybank IBG Research

Fig 2: One-year forward PBV



Source: Company, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for MNHB. Poor execution or inability to find suitable store locations could hinder new store openings and revenue growth. Additionally, slower consumption demand growth could result in falling same store sales growth. Higher operating expenses from higher minimum wage and higher rental could also adversely impact earnings.

FYE 31 Oct	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	nm	nm	74.7	20.0	16.9
Core P/E (x)	nm	nm	74.7	20.0	16.9
P/BV (x)	2.7	1.7	1.9	1.8	1.7
P/NTA (x)	2.7	1.7	2.0	1.8	1.7
Net dividend yield (%)	0.0	0.0	0.4	1.4	1.7
FCF yield (%)	0.5	5.4	nm	nm	nm
EV/EBITDA (x)	67.8	7.9	5.8	4.5	4.1
EV/EBIT (x)	nm	nm	58.3	17.6	14.9
INCOME STATEMENT (MYR m)					
Revenue	394.4	631.3	959.6	1,088.5	1,224.9
EBITDA	10.2	56.0	92.0	123.2	141.2
Depreciation	(56.7)	(68.9)	(82.9)	(91.7)	(102.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(46.5)	(12.8)	9.1	31.5	38.8
Net interest income / (exp)	(6.2)	(8.6)	(11.0)	(12.9)	(15.5)
Associates & JV	(0.7)	0.7	3.2	3.6	3.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(53.4)	(20.8)	1.4	22.1	27.2
Income tax	3.5	(1.2)	0.4	(4.5)	(5.6)
Minorities	6.8	4.0	4.0	4.0	4.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(43.2)	(18.0)	5.8	21.7	25.6
Core net profit	(43.2)	(18.0)	5.8	21.7	25.6
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	16.1	12.5	6.1	3.3	0.1
Accounts receivable	37.3	35.5	54.0	61.2	68.9
Inventory	58.8	81.0	120.2	132.7	148.7
Property, Plant & Equip (net)	206.8	248.3	274.7	307.0	344.1
Intangible assets	3.9	3.5	3.3	3.1	2.9
Investment in Associates & JVs	6.0	6.7	9.9	13.5	17.4
Other assets	172.4	240.8	240.8	240.8	240.8
Total assets	501.4	628.4	709.1	761.7	822.8
ST interest bearing debt	25.4	53.0	53.0	53.0	53.0
Accounts payable	82.6	135.7	201.3	222.3	249.0
LT interest bearing debt	45.6	36.9	51.9	71.9	91.9
Other liabilities	109.0	182.0	178.0	174.0	170.0
Total Liabilities	262.2	407.3	483.9	520.9	563.6
Shareholders Equity	239.2	221.0	225.2	240.8	259.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	239.2	221.0	225.2	240.8	259.2
Total liabilities and equity	501.4	628.4	709.1	761.7	822.9
CASH FLOW (MYR m)					
Pretax profit	(53.4)	(20.8)	1.4	22.1	27.2
Depreciation & amortisation	56.7	68.9	82.9	91.7	102.4
Adj net interest (income)/exp	0.0	0.0	(11.0)	(12.9)	(15.5)
Change in working capital	12.5	16.1	7.9	1.2	3.1
Cash taxes paid	(3.0)	(1.1)	0.4	(4.5)	(5.6)
Other operating cash flow	13.2	28.4	7.8	9.4	11.5
Cash flow from operations	25.8	91.5	89.4	107.0	123.2
Capex	(22.9)	(71.8)	(109.1)	(123.8)	(139.3)
Free cash flow	2.9	19.7	(19.7)	(16.7)	(16.1)
Dividends paid	0.0	0.0	(1.6)	(6.1)	(7.2)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	3.4	18.9	15.0	20.0	20.0
Other invest/financing cash flow	(26.4)	(42.3)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(20.1)	(3.6)	(6.3)	(2.8)	(3.3)

FYE 31 Oct	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(19.4)	60.1	52.0	13.4	12.5
EBITDA growth	(77.0)	451.4	64.3	33.9	14.6
EBIT growth	nm	nm	nm	245.2	23.0
Pretax growth	nm	nm	nm	1,516.5	23.0
Reported net profit growth	nm	nm	nm	273.5	18.3
Core net profit growth	nm	nm	nm	273.5	18.3
Profitability ratios (%)					
EBITDA margin	2.6	8.9	9.6	11.3	11.5
EBIT margin	nm	nm	1.0	2.9	3.2
Pretax profit margin	nm	nm	0.1	2.0	2.2
Payout ratio	0.0	0.0	28.0	28.0	28.0
DuPont analysis					
Net profit margin (%)	nm	nm	0.6	2.0	2.1
Revenue/Assets (x)	0.8	1.0	1.4	1.4	1.5
Assets/Equity (x)	2.1	2.8	3.1	3.2	3.2
ROAE (%)	(16.8)	(7.8)	2.6	9.3	10.2
ROAA (%)	(8.4)	(3.2)	0.9	2.9	3.2
Liquidity & Efficiency					
Cash conversion cycle	13.7	(13.0)	(22.6)	(25.7)	(25.4)
Days receivable outstanding	34.8	20.8	16.8	19.1	19.1
Days inventory outstanding	82.6	60.1	58.3	66.4	66.0
Days payables outstanding	103.7	93.9	97.7	111.2	110.5
Dividend cover (x)	nm	nm	3.6	3.6	3.6
Current ratio (x)	0.9	0.7	0.7	0.7	0.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.9	1.5	1.5	1.5	1.5
Net gearing (%) (incl perps)	23.0	35.0	43.9	50.5	55.9
Net gearing (%) (excl. perps)	23.0	35.0	43.9	50.5	55.9
Net interest cover (x)	na	na	0.8	2.4	2.5
Debt/EBITDA (x)	7.0	1.6	1.1	1.0	1.0
Capex/revenue (%)	5.8	11.4	11.4	11.4	11.4
Net debt/ (net cash)	54.9	77.4	98.8	121.6	144.8

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

LEE Ju Ye
Singapore | Thailand | Indonesia
(65) 6231 5844
leejuy@maybank.com

Dr Zamros DZULKAFLI
(603) 2082 6818
zamros.d@maybank-ib.com

Fatin Nabila MOHD ZAINI
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Brian LEE Shun Rong
(65) 6231 5846
brian.lee1@maybank.com

Luong Thu Huong
(65) 6231 8467
hana.thuluong@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

Fiona LIM
(65) 6320 1374
fionallim@maybank.com

Alan Lau
(65) 6320 1378
alanelau@maybank.com

Shaun Lim
(65) 6320 1371
shaunlim@maybank.com

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winston PHOON, FCA
Head of Fixed Income
(65) 6340 1079
winstonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2074 7606
munyi.st@maybank-ib.com

PORTFOLIO STRATEGY

CHAN Han Chin
(603) 2297 8888
hanchin.chan@maybank-ib.com

ONG Seng Yeow
(65) 6231 5839
ongsenyeow@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

Anand PATHMAKANTHAN Head of Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

WONG Chew Hann, CA
(603) 2297 8686
wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Renewable Energy • REITs

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Petrochemicals • Technology

Shafiq KADIR, CFA
(603) 2297 8691
msshafiqk.abkadir@maybank-ib.com
• Healthcare • Software

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Shipping

Eugene HOO Yee Hui
(603) 2082 6819
eugene.hoo@maybank.com

TEE Sze Chiah Head of Retail Research
(603) 2082 6858 szechiah.t@maybank-ib.com
• Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Thilan WICKRAMASINGHE Head of Research
(65) 6231 5840 thilanw@maybank.com
• Banking & Finance - Regional
• Consumer

Eric ONG
(65) 6231 5924 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN
(65) 6231 5837 kelvintan1@maybank.com
• Telcos • Industrials

LI Jialin
(65) 6231 5845 jialin.li@maybank.com
• REITs

Jarick SEET
(65) 6231 5848 jarick.seet@maybank.com
• Technology

PHILIPPINES

Jacqui de JESUS Head of Research
(63) 2 8849 8840
jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA
(63) 2 8849 8843
rachelleen.rodriguez@maybank.com
• Banking & Finance • Transport • Telcos

Daphne SZE
(63) 2 8849 8847
daphne.sze@maybank.com
• Consumer

Miguel SEVIDAL
(63) 2 8849 8844
miguel.sevidal@maybank.com
• REITs • Property • Gaming

Fiorenzo de JESUS
(63) 2 8849 8846
fiorenzo.dejesus@maybank.com
• Utilities

THAILAND

Malcolm LUI, CFA Head of Research
(66) 2658 6300 ext 1399
malcolm.lui@maybank.com
• Strategy

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank.com
• Banking & Finance

Yuwanee PROMMAPORN
(66) 2658 6300 ext 1393
Yuwanee.P@maybank.com
• Services • Healthcare

Wasu MATTANAPOTCHANART
(66) 2658 6300 ext 1392
wasu.m@maybank.com
• Telcos

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank.com
• Transportation • Small cap

INDONESIA

Jeffrosenberg CHENLIM Head of Research
(62) 21 8066 8680
Jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank.com
• Consumer

Richard SUHERMAN
(62) 21 8066 8691
richard.suherman@maybank.com
• Metals & Mining

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos

Satriawan, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

VIETNAM

Quan Trong Thanh Head of Research
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8088
loi.nguyen@maybank.com
• Industrials

Nguyen Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank.com
• Retail Research

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Chartist

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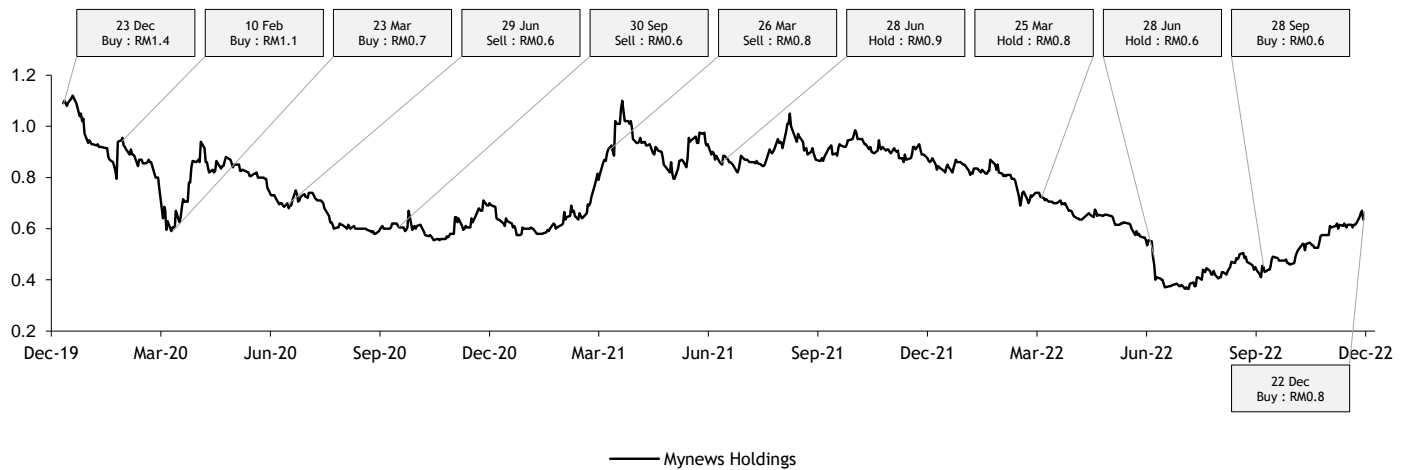
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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

Indonesia

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

Thailand

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank.com
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia

Helen Widjaja
helen.widjaja@maybank.com
(62) 21 2557 1188

Philippines

Keith Roy
keith_roy@maybank.com
Tel: (63) 2 848-5288

London

Greg Smith
gsmith@maybank.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91)-22-6623-2629

London

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

India

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Vietnam

Maybank Securities Limited
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
Fax : (84) 28 38 271 030

Hong Kong

MIB Securities (Hong Kong)
Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Philippines

Maybank Securities Inc
17/F, Tower One & Exchange
Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

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