Bottom out in 1Q16, expect recovery in 2H16

Quick Note

Fig. 1: TCL Communication – 1Q16 results synopsis

<table>
<thead>
<tr>
<th>Above or below</th>
<th>Net profit declined 92% y-y, as the company guided financials would bottom out in 1Q16 during FY15 results</th>
</tr>
</thead>
</table>

What to make of it

Weak smartphone shipments mainly due to a lack of flagship smartphone models and an unstable macro environment (eg FX rate), especially in Latin America, which resulted in weak sales.

Key numbers

1) Revenue declined 17% y-y while GPM was up 0.3pp; 2) Feature phone shipments up 38% y-y while smartphone shipments declined 9% y-y; 3) Blended ASP declined 24% y-y

What next

Slight recovery in 2Q16F; revenue and margin should be back on track in 2H16F after the company starts new product shipments in May/June 2016

Source: Company data, Nomura estimates

TCLC reported 17%/92% y-y declines in revenue/net profit in 1Q16, which was expected as the company had guided for a bottom in 1Q16 during FY15 results. Excluding the exchange gain, the company reported a HKD 148mn net loss in the quarter. We believe weak smartphone shipments were behind the results, driven by: 1) a lack of flagship smartphone models; and 2) an unstable macro environment, especially in Latin America.

Given the company’s guidance for a bottom in 1Q16, we expect a slight recovery in 2Q16. Looking forward, while TCLC’s new products are about to ship starting from May, we expect to see a more meaningful smartphone shipment and sales recovery in 2H16. With further new products (including smartphones with dual camera features) to be announced in 2H16, we expect TCLC’s new product line will help it begin to recover step by step.

Fig. 2: TCL: Earnings summary

<table>
<thead>
<tr>
<th>(HKD mn)</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>1Q16</th>
<th>y-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>6,890</td>
<td>6,537</td>
<td>7,056</td>
<td>8,275</td>
<td>5,554</td>
<td>-17%</td>
</tr>
<tr>
<td>% chg yoy</td>
<td>21%</td>
<td>-2%</td>
<td>-9%</td>
<td>-23%</td>
<td>-17%</td>
<td></td>
</tr>
<tr>
<td>COGS</td>
<td>(5,411)</td>
<td>(5,261)</td>
<td>(5,519)</td>
<td>(6,335)</td>
<td>(4,479)</td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,278</td>
<td>1,276</td>
<td>1,537</td>
<td>1,940</td>
<td>1,075</td>
<td>-16%</td>
</tr>
<tr>
<td>OPEX</td>
<td>(1,209)</td>
<td>(1,189)</td>
<td>(1,349)</td>
<td>(1,813)</td>
<td>(1,288)</td>
<td>7%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>70</td>
<td>87</td>
<td>188</td>
<td>127</td>
<td>(213)</td>
<td></td>
</tr>
<tr>
<td>% chg yoy</td>
<td>-40%</td>
<td>-51%</td>
<td>325%</td>
<td>-61%</td>
<td>-400%</td>
<td></td>
</tr>
<tr>
<td>Non-Operating Income</td>
<td>119</td>
<td>192</td>
<td>163</td>
<td>168</td>
<td>228</td>
<td></td>
</tr>
<tr>
<td>Prefix income</td>
<td>188</td>
<td>279</td>
<td>351</td>
<td>295</td>
<td>16</td>
<td>-92%</td>
</tr>
<tr>
<td>% chg yoy</td>
<td>0%</td>
<td>2%</td>
<td>14%</td>
<td>-22%</td>
<td>-92%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>185</td>
<td>268</td>
<td>316</td>
<td>288</td>
<td>14</td>
<td>-92%</td>
</tr>
<tr>
<td>% chg yoy</td>
<td>5%</td>
<td>5%</td>
<td>8%</td>
<td>-22%</td>
<td>-92%</td>
<td></td>
</tr>
<tr>
<td>EPS (HKD cents)</td>
<td>16</td>
<td>22</td>
<td>27</td>
<td>24</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Ratios (%)

| | 19.1% | 19.5% | 21.8% | 23.4% | 19.4% | 0.3pp |
| Gross margin | 18.1% | 18.2% | 19.1% | 21.9% | 23.2% | 5.1pp |
| SG&A / revenue | 1.0% | 1.3% | 2.7% | 1.5% | -3.8% | -4.9pp |
| OPM | 2.8% | 4.3% | 5.0% | 3.6% | 0.3% | -2.5pp |
| PTH-to-sales | 2.8% | 4.1% | 4.5% | 3.5% | 0.3% | -2.5pp |
| Net Income margin | 2.8% | 4.1% | 4.5% | 3.5% | 0.3% | -2.5pp |

Volume (mn units)

| | 15.8 | 19.0 | 22.9 | 25.8 | 17.2 | 9% |
| % chg yoy | 16% | 16% | 23% | 4% | 9% | |
| Feature phone | 8.0 | 7.9 | 10.4 | 11.2 | 8.3 | 38% |
| Smartphone | 9.8 | 11.1 | 12.5 | 14.6 | 8.9 | -9% |
| ASP (US$) | 54.2 | 44.1 | 39.5 | 41.1 | 41.4 | -24% |
| Feature phone | 14.6 | 10.3 | 10.6 | 11.1 | 13.1 | |
| Smartphone | 78.6 | 68.2 | 63.5 | 64.1 | 68.0 | |

Source: Company data, Nomura estimates

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.
Major negatives

- Revenue declined 17% y-y

TCLC’s 1Q16 revenue declined 17% y-y as a result of weak smartphone shipments (-9% y-y), while blended ASP declined 24% y-y. We believe this is mainly due to the company’s lack of new smartphone models.

- Blended ASP declined 18% y-y in FY15

The decline was driven by a deteriorating product mix of smartphones (62% in 1Q15 vs 51% in 1Q16) within all handsets. Going forward, we expect revenue and ASP to recover together with continuous new model launches, including Idol4S, Idol4, Pop4S, as well as a potential dual-camera flagship model, covering mid-level smartphones to mid to high-level products.

- Weak performance in Latin America and China

TCLC reported 13% y-y shipment decline and 36% y-y revenue decline in Latin America. This was mainly due to a weak macro environment and local currencies. The company says it will continue to monitor credit risk and product competitiveness in the region.

Meanwhile, TCLC also reported 55% y-y shipment decline and 70% y-y revenue decline in the Chinese market. The company has already made some changes in senior management for the China market and plans to focus on the market and carrier channels simultaneously.

Major positives

- Solid performance in North America and Europe

TCLC reported 13%/4% y-y shipment/revenue growth in North America and 68%/7% y-y shipment/revenue growth in Europe. We believe this growth is mainly attributable to TCLC’s good relationship with local carriers. Management expects to broaden its sales channels in both North America and Europe in order to achieve sustainable growth in the following quarters.

---

Fig. 3: TCL: Segment summary

<table>
<thead>
<tr>
<th>HKD mn</th>
<th>1Q15 A</th>
<th>2Q15 A</th>
<th>3Q15 A</th>
<th>4Q15 A</th>
<th>1Q16 A</th>
<th>y-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>6,690</td>
<td>6,537</td>
<td>7,056</td>
<td>8,275</td>
<td>5,554</td>
<td>-23%</td>
</tr>
<tr>
<td>% chg yoy</td>
<td>21%</td>
<td>-2%</td>
<td>-9%</td>
<td>-23%</td>
<td>-17%</td>
<td></td>
</tr>
</tbody>
</table>

By product

- Feature phone: 690, 637, 856, 975, 854, 24%
- Smartphone: 6,000, 5,900, 6,200, 7,300, 4,700, -22%

By region

- Asia Pacific: 145, 222, 297, 220, 229, 58%
- Mainland China: 838, 322, 376, 268, 255, -70%
- Americas: 3,878, 3,344, 3,639, 4,803, 3,193, -18%
- EMEA: 1,829, 2,649, 2,744, 2,984, 1,878, 3%

Y-y

- Feature phone: -32%, -36%, -15%, -4%, 24%
- Smartphone: 32%, 4%, -8%, -25%, -22%

- Asia Pacific: -67%, -43%, -19%, -78%, 58%
- Mainland China: 161%, -53%, -40%, -79%, -70%
- Americas: 21%, 8%, -9%, -14%, -18%
- EMEA: 15%, 6%, -1%, 4%, 3%

Source: Company data, Nomura research
For further reading, please refer to our previous reports as below:

TCL Communication Tech – Weak 4Q15, expect turnaround in 2H16
China Technology – Digital China takeaways; LeTV & TCLM
TCL Communication Tech – Attractive valuation
Appendix A-1

Analyst Certification

I, Joel Ying, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries, and may refer to one or more Nomura Group companies.

Materally mentioned issuers

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Ticker</th>
<th>Price</th>
<th>Price date</th>
<th>Stock rating</th>
<th>Sector rating</th>
<th>Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCL Communication Tech</td>
<td>2618 HK</td>
<td>HKD 5.09</td>
<td>20-Apr-2016</td>
<td>Buy</td>
<td>N/A</td>
<td>A1,A2</td>
</tr>
</tbody>
</table>

A1 The Nomura Group has received compensation for non-investment banking products or services from the issuer in the past 12 months.
A2 The Nomura Group had a non-investment banking securities related services client relationship with the issuer during the past 12 months.

TCL Communication Tech (2618 HK) HKD 5.09 (20-Apr-2016) Buy (Sector rating: N/A)
Rating and target price chart (three year history)

Valuation Methodology
Our TP of HKD8 is based on 8x FY16F EPS of ~HKD1.0. We conservatively apply a 40% discount to TCLC’s China technology peers for FY16F to derive our target P/E multiple of 8x, in case the GPMs/ASPs are worse than expected, or demand recovery is slower than expected. The benchmark index for this stock is MSCI China.

Risks that may impede the achievement of the target price
Potential downside risks include: 1) weaker-than-expected recovery of smartphone demand in emerging markets, and 2) deterioration in ASP/GPM from intensifying competition.

Important Disclosures
Online availability of research and conflict-of-interest disclosures
Nomura research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, MarkitHub, Reuters and ThomsonOne. Important disclosures may be read at http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email arpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.
Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc, ("Nilpc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and Nilpc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Any authors named in this report are research analysts unless otherwise indicated. Industry Specialists identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear.

Distribution of ratings (Global)
The distribution of all ratings published by Nomura Global Equity Research is as follows:

49% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 38% of companies with this rating are investment banking clients of the Nomura Group*. 42% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 53% of companies with this rating are investment banking clients of the Nomura Group*.

9% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 17% of companies with this rating are investment banking clients of the Nomura Group*.

As at 31 March 2016. "The Nomura Group as defined in the Disclaimer section at the end of this report."

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America, and Japan and Asia ex-Japan from 21 October 2013

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS
A rating of 'Buy', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of 'Neutral', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of 'Reduce', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of 'Suspended', Indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as 'Not rated' or shown as 'No rating' are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: United States/Europe/Asia ex-Japan: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx; Global Emerging Markets (ex-Asia): MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; Japan: Russell/Nomura Large Cap.

SECTORS
A 'Bullish' stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A 'Neutral' stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A 'Bearish' stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as 'Not rated' or shown as 'N/A' are not assigned ratings. Benchmarks are as follows: United States: S&P 500; Europe: Dow Jones STOXX 600; Global Emerging Markets (ex-Asia): MSCI Emerging Markets ex-Asia. Japan/Asia ex-Japan: Sector ratings are not assigned.

Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

STOCKS
Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst’s 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A 'Buy' recommendation indicates that potential upside is 15% or more. A 'Neutral' recommendation indicates that potential upside is less than 15% or downside is less than 5%. A 'Reduce' recommendation indicates that potential downside is 5% or more. A rating of 'Suspended' indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as 'Not rated' or shown as 'No rating' are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

SECTORS
A 'Bullish' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A 'Neutral' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A 'Bearish' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Target Price
A Target Price, if discussed, reflects in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers
This document contains material that has been prepared by the Nomura entity identified on page 1 and/or with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are also specified on page 1 or identified elsewhere in the document. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries and may refer to one or more Nomura Group companies including: Nomura Securities Co., Ltd. ("NSC") Tokyo, Japan; Nomura International plc ("Nilpc"), UK; Nomura Securities International, Inc. ("NSI"), New York, US; Nomura International (Hong Kong) Ltd. ("Nikh"), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ("NFIP"), Korea. Information on Nomura analysts registered with the Korea Financial Investment Association ("KOFIA") can be found on the KOFIA Intranet at http://dis.kofia.or.kr; Nomura Singapore Ltd. ("NSL"), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ("NAL"), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ("ASIC") and holder of an Australian financial services licence number 246412; P.T. Nomura Indonesia ("PTNI").
Indonesia; Nomura Securities Malaysia Sdn. Bhd. (‘NSM’), Malaysia; NIHK, Tokyo Branch (‘NTB’), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited (‘NFASL’), India. (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : BSE INB011299030, NSE INB21399034, INF 21399034, IIN 21399034, MCE: IEX21399034; SEBI Registration No. for Merchant Banking : INM00011419; SEBI Registration No. for Research: INH000001014 and Nilpce, Madrid Branch (‘NSM Spain’) (‘NSM Spain’) next to a research analyst’s name on a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited (‘CNS’) to provide research assistance services to NSL under a Research Assistance Agreement. ‘NSFSPL’ next to an employee’s name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements.

This May be, in part, due to the fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities for opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including for a financial market, or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is consistent with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor’s. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are disclaimers, errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. (‘MSCI’). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates. The intellectual property right and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee accuracy, completeness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document only as a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations on whether to buy, sell or hold securities. The research product may refer from time to time to ratings of securities, which are not to be considered as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. The report should not be viewed as recommending the purchase or disposal of any specific security, and the information, including ratings, contained in the report should not be considered as investment advice, as it is the responsibility of the investor to determine whether a security meets their individual requirements.

The entity that prepared this document is intended only for investors who are ‘eligible counterparties’ or ‘professional clients’ for the purposes of applicable regulations in the UK. Unless governed law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nilpce. Nilpce is authorised and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nilpce is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are ‘eligible counterparties’ or ‘professional clients’ for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are ‘retail clients’ for such purposes. This document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. This document has been approved for distribution in Australia by the Australian Securities and Investments Commission in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Financial Services Act and Fair Dealings Act 1933, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.
This document has not been approved for distribution to persons other than ‘Authorised Persons’, ‘Exempt Persons’ or ‘Institutions’ (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia (‘Saudi Arabia’), or ‘professional clients’ (as defined by the Dubai Financial Services Authority) in the United Arab Emirates (‘UAE’) or a ‘Market Counterparty’ or ‘Business Customers’ (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar (‘Qatar’) by Nomura Saudi Arabia, Niplc or any other member of Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than ‘Authorised Persons’, ‘Exempt Persons’ or ‘Institutions’ located in Saudi Arabia or ‘professional clients’ in the UAE or a ‘Market Counterparty’ or ‘Business Customers’ in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an ‘Authorised Person’, an ‘Exempt Person’ or an ‘Institution’ in Saudi Arabia or that you are a ‘professional client’ in the UAE or a ‘Market Counterparty’ or ‘Business Customers’ in Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese walls and employee training.

Additional information is available upon request and disclosure information is available at the Nomura Disclosure web page: http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx

Copyright © 2016 Nomura International (Hong Kong) Ltd. All rights reserved.