

# SRKK AI Berhad

## Riding the Cloud, Data and AI Adoption Wave

### Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on SRKK AI Berhad with a fair value of **RM0.34**, based on a **13.5x target PER** ascribed to our FY27E EPS of **2.51 sen**. The target multiple is benchmarked against selected listed Malaysian IT solutions, cloud and digital transformation peers, while incorporating a discount to reflect SRKK's smaller listed scale, lower current PAT margin, execution risk in scaling proprietary AI/BI software, and its still-developing post-listing track record. At the IPO price of **RM0.32**, our fair value implies capital upside of approximately **6.0%**, with a projected FY27E dividend yield of around **1.6%**, translating into an estimated total return of approximately **7.5%**. We are positive on SRKK for its exposure to Malaysia's structural digital transformation cycle, growing recurring revenue base, Microsoft-led principal ecosystem, long-standing customer relationships and strategy to move up the value chain into higher-margin managed services, cybersecurity SOC and proprietary AI/BI software

### Investment Highlights

**SRKK AI offers investors exposure** to the structural growth in cloud services, cybersecurity, data analytics and AI-enabled digital transformation. The group operates at the downstream implementation layer of the AI value chain, helping corporates, GLCs and managed service providers translate Microsoft 365, Azure, Microsoft Fabric, Copilot, cybersecurity tools and data analytics platforms into practical enterprise workflows. This positions SRKK as an AI adoption enabler rather than an upstream hardware or chip-development player, allowing it to benefit from rising enterprise AI adoption while avoiding the heavier capital intensity and technology risks associated with upstream infrastructure.

**The group's improving recurring revenue** profile strengthens earnings visibility and customer stickiness. Recurring revenue increased from **40.0% of total revenue in FY22 to 52.8% in FY25**, supported by cloud services, IT managed services, rental of IT hardware/software and data analytics/BI. Cloud services remain the largest contributor, accounting for **RM49.0m or 43.7% of FY25 revenue**, with Microsoft 365 representing a key driver of the segment. SRKK's Microsoft-led principal network is also a key competitive advantage, as the group is a Microsoft direct bill partner and the first Malaysian solution provider to obtain all six Microsoft Solution Partner designations under the Microsoft AI Cloud Partner Program, supporting credibility, technical capability, customer referrals and regional expansion opportunities.

**SRKK's key upside lies in margin expansion** from higher-value managed services, SOC and proprietary AI/BI software. While FY25 blended GP margin of **22.4%** remains diluted by lower-margin hardware/software sales and cloud subscription resale, the group's higher-value segments carry materially stronger margins, including IT managed services, data analytics/BI and IT consultation/project implementation. The IPO-funded growth plan focuses on AI Labs, AI Academy, an in-house SOC and proprietary AI/BI software, including productized demand forecasting and ESG performance management solutions. If successfully executed, this could gradually shift SRKK from resale and project implementation toward a more scalable "build once, sell many times" recurring software and managed-services model, although execution, talent retention and monetization timing remain key risks.

**Risk Factors:** Key risks include dependence on new project wins and customer retention, reliance on Microsoft and other principals, and execution risk in scaling AI Labs, SOC and proprietary AI/BI software.

**IPO Note – Non-Rated**  
 Research Team Coverage / [research@mersec.com.my](mailto:research@mersec.com.my)  
 Thursday, June 25, 2026

ACE Market  
 Technology Sector  
**SUBSCRIBE**

IPO Price: **RM0.320**  
 Fair Value: **RM0.340**

### Business Overview

SRKK AI Berhad ("SRKK AI") is a Malaysia-based AI-enabled digital transformation solutions provider specializing in end-to-end IT services, including IT consultation and project implementation, cloud services, IT managed services, data analytics and business intelligence, as well as rental and sale of IT hardware and software. SRKK AI serves corporations, government-linked organisations and SMEs, delivering integrated solutions across cybersecurity, networking, automation, and AI-driven enterprise workflows. SRKK AI is seeking a listing on the ACE Market.

### Listing Details

Listing date	9 July 2026
New Shares (m)	64.0
Offer for sale (m)	13.0
Fund to be raised (RM m)	20.48

### Post Listing

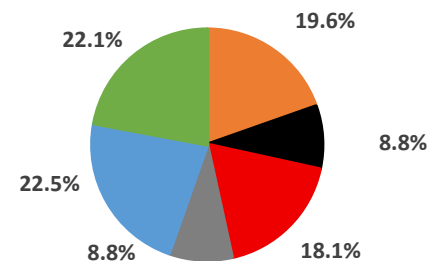
Ordinary shares (m)	284.0
Market cap (RM m)	90.88
Estimated free float (%)	27.1
P/E(x) (Based on prospectus)	11.91x

### Top 3 Shareholders

<b>Joel Resources</b>	54.67
<b>Five Loaves</b>	18.22
<b>Yew Peng Fong</b>	0.64

### Utilization of Proceeds

	RM m
Strategic Growth Initiatives in Ai	4.0
Expand Geographical in Indonesia	1.8
Building an in-house Security Operations Centre (SOC)	3.7
Branding, Marketing and Promotional Activities	1.8
Working Capital	4.6
Estimated Listing Expenses	4.5



FYE Dec (RM m)	FY25A	FY26E	FY27E	FY28E
Revenue	112.2	129.5	150.5	176.0
EBITDA	10.5	9.8	11.2	13.5
EBIT	8.1	8.3	9.5	11.7
PBT	7.9	8.1	9.4	11.5
Core Net Profit	<b>6.8</b>	<b>6.2</b>	<b>7.1</b>	<b>8.8</b>
Core EPS (sen)*	2.40	2.18	2.51	3.08
Core EPS Growth (%)	35.9%	-9.0%	15.2%	22.8%
Net DPS (sen)*	0.30	0.44	0.50	0.62
Net Div. Yield (%)*	0.94%	1.36%	1.57%	1.93%
BVPS (sen)*	0.05	0.14	0.16	0.18
PER (Using IPO price)	13.35	14.7	12.7	10.4
PBV (x) (Using IPO price)	6.14	2.3	2.0	1.8
Net Gearing	0.4	0.3	0.3	0.3

\*Based on enlarged issued share capital of 284m

## Company Overview

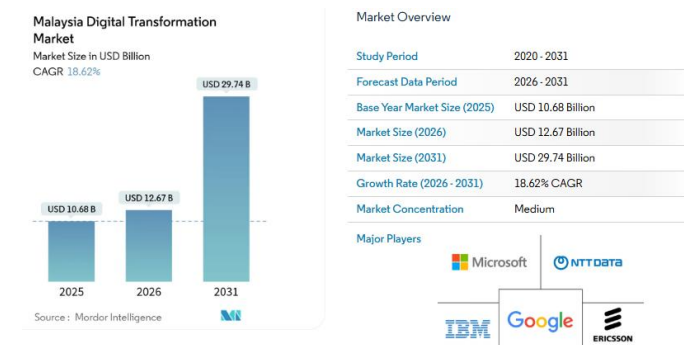
SRKK AI Berhad (“SRKK” or the “Group”) is a **Malaysia-based end-to-end digital transformation solutions provider** with over two decades of operating history, offering integrated IT consultation and project implementation, cloud services, IT managed services, data analytics and business intelligence, as well as rental and sale of IT hardware and software. Established in 1999 through its core operating subsidiary SRKK Consulting Sdn Bhd, the Group has evolved from a project-based IT infrastructure provider into a lifecycle-driven solutions provider embedded with AI capabilities across cybersecurity, networking, cloud and business workflow automation. Leveraging partnerships with leading global technology principals including Microsoft and other major IT vendors, SRKK delivers customized, brand-agnostic solutions to corporations, government-linked organisations and SMEs across Malaysia and the region. The Group is now positioning itself towards an AI-enabled, subscription-driven model supported by managed services, data platforms and agentic AI deployment, aimed at strengthening recurring revenue visibility and long-term client relationships.

## Industry Overview

**Growth in Digital Transformation Solutions Across Malaysia, Singapore and Indonesia.** The digital transformation solutions industry across Malaysia, Singapore and Indonesia continues to benefit from accelerating digitalisation initiatives, increasing cloud adoption and growing investments in emerging technologies such as artificial intelligence (“AI”), data analytics and cybersecurity. According to the Independent Market Research (“IMR”) Report by Providence, Malaysia’s digital transformation solutions industry is supported by national initiatives such as MyDIGITAL and NIMP 2030, alongside significant investments from global hyperscalers including Google, Amazon Web Services and Microsoft, which are strengthening the country’s position as a regional digital and cloud hub. According to Mordor Intelligence, Malaysia’s digital transformation market is valued at approximately USD\$12.7bn in 2026 and projected to grow at a 18.6% CAGR through 2031 (refer to Figure 1).

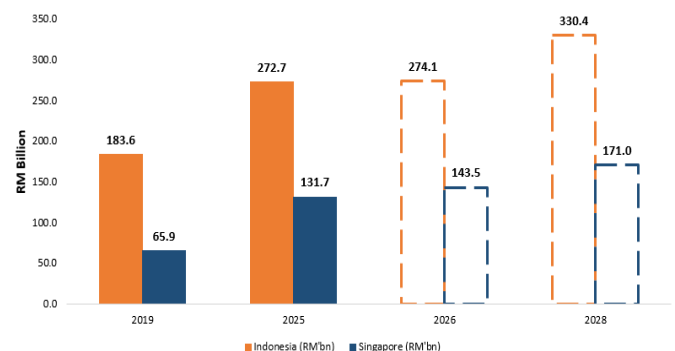
Meanwhile, **Singapore’s digital transformation industry grew from SGD21.7bn in 2019 to SGD40.2bn in 2025 and is projected to expand at a CAGR of 9.2% between 2026 and 2028** (refer to Figure 2), supported by initiatives such as the SMEs Go Digital Programme, National AI Strategy 2.0 and the SGD150m Enterprise Compute Initiative aimed at accelerating enterprise AI adoption. **Indonesia similarly presents a sizeable growth opportunity, with its digital transformation solutions industry expected to grow at a CAGR of 9.8% between 2026 and 2028** (refer to Figure 2), underpinned by government-led programmes such as Making Indonesia 4.0 and Digital Indonesia Vision 2045. These growth drivers are expected to sustain demand for digital transformation solutions across the region. SRKK AI is well-positioned to benefit from these trends given that Malaysia and Singapore accounted for approximately 78.2% and 20.8% of its FY2025 revenue respectively, while the Group also intends to expand into Indonesia through the establishment of an IT advisory and consulting office in Jakarta following its listing.

**Figure 1: Malaysia Digital Transformation Market Size and Share (2025-2031)**



Source: Mordor Intelligence

**Figure 2: Growth in Information & Communication Services Revenue (Latest as at CY2025)**

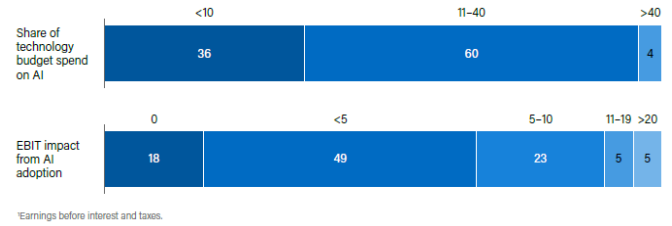
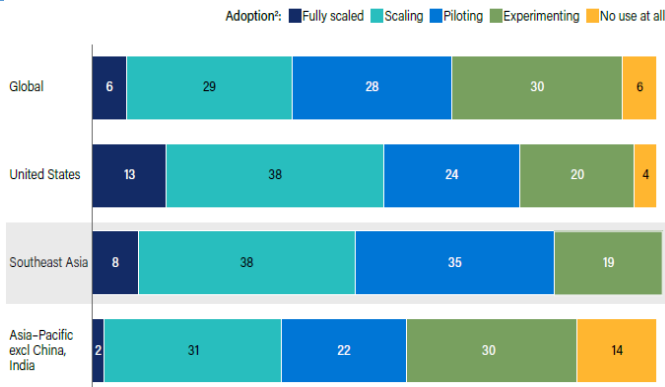


Source: IMR Report – Providence, Mercury Estimate

**Rising Enterprise AI Adoption.** Artificial intelligence (“AI”) is increasingly becoming a key driver of digital transformation as organisations seek to enhance productivity, automate workflows and improve decision-making capabilities. According to an *A.T. Kearney* study cited in the *IMR Report*, **AI is expected to contribute approximately USD1.0tn to Southeast Asia’s GDP by 2030**, with Malaysia projected to capture around USD115.0bn of this economic value. The growing adoption of AI is accelerating demand for AI-enabled hardware, software and cloud-based solutions, while governments across the region continue to support enterprise AI adoption through initiatives such as Malaysia’s National AI Office (“NAIO”) and Singapore’s National AI Strategy 2.0. According to *McKinsey* (refer to Figure 3), approximately **46% of Southeast Asian organisations have already reached the scaling or fully scaled stage of AI adoption, exceeding the global average of 35%**, while nearly 90% intend to experiment with agentic AI solutions in 2026. As enterprises increasingly invest in AI-enabled solutions to improve operational efficiency and competitiveness, demand for AI consulting, implementation and integration services is expected to strengthen, benefiting SRKK AI as it expands its AI capabilities through its AI Lab, AI Academy and proprietary AI-powered solutions.

Figure 3: Adoption of AI Across Region (FY2026)

Figure 4: Amount Invested and EBIT Impact from AI Adoption (FY2026)



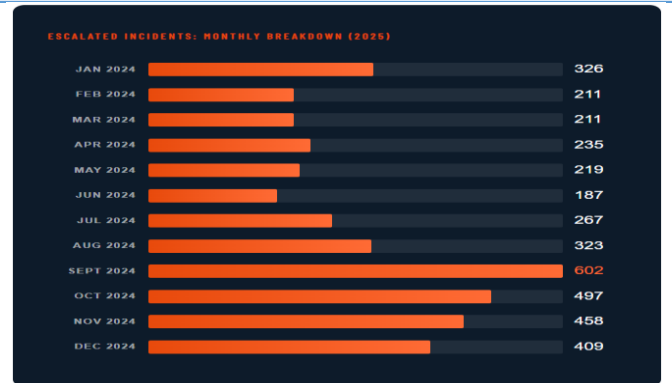
Source: AI in Southeast Asia: An Era of Opportunity (2026) - McKinsey

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**Rising Cybersecurity Demand.** Cybersecurity demand in Malaysia is experiencing growth driven by accelerating digitalisation, increasing cyber incidents, and stricter regulatory enforcement under the *Cyber Security Act 2024*, which mandates National Critical Information Infrastructure (“NCII”) operators to comply with enhanced governance, risk assessments, and security audits, effectively creating recurring compliance-driven cybersecurity spending. At the national level, **Malaysia continues to prioritise cyber defence capabilities, with RM53.0m allocated to CyberSecurity Malaysia under Budget 2025** to strengthen threat monitoring and certification functions, alongside broader digital economy initiatives that encourage secure cloud and AI adoption. This is further reinforced by the rising incidence of ransomware and data breaches across enterprises (refer to Figure 5 and 6), which is driving stronger demand for endpoint protection, managed security services, and Security Operations Centre (“SOC”) capabilities. Within SRKK AI Berhad, cybersecurity-related services are embedded in its IT Consultation and Project Implementation Services segment, which accounted for approximately 17.5% of FY25 revenue, covering cybersecurity solutions, networking infrastructure, workflow automation, and IT advisory services. The Group’s planned establishment of its own SOC within the next 18 months positions it to capture growing demand for outsourced, recurring managed cybersecurity services, aligning with the broader industry shift towards continuous threat monitoring and integrated security solutions.

Figure 5: Malaysia Ransomware Statistics (2023-2025)

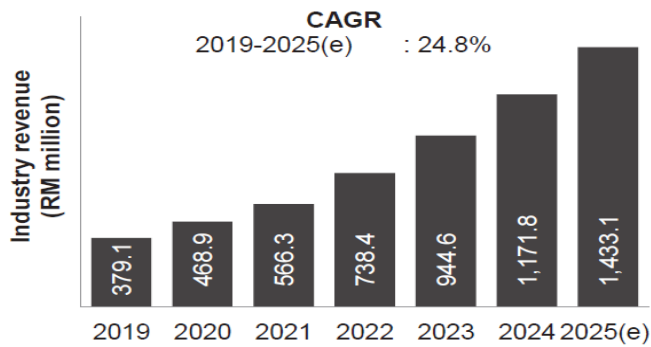
Figure 6: Malaysia Cybersecurity Incidents Month-By-Month (2025)



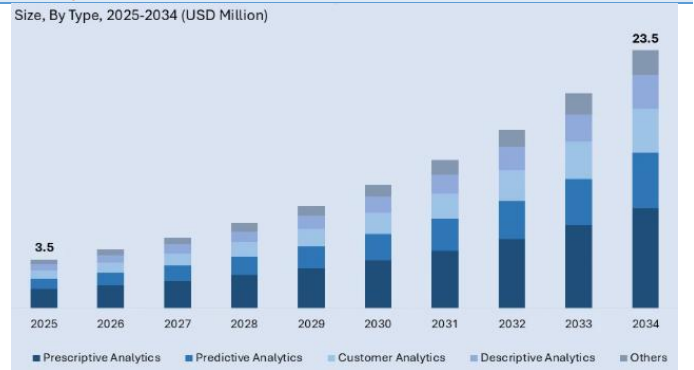
Source: Starlight Intelligence

Source: Malaysia Cybersecurity Threat Report 2025, Starlight Intelligence

**Growing Demand for Data Analytics & Business Intelligence.** The data analytics and business intelligence (“BI”) solutions industry in Malaysia has recorded robust growth, with **industry revenue expanding from RM379.1m in 2019 to an estimated RM1.4bn in 2025, representing a CAGR of 24.8%**, according to the IMR Report by Providence. Moving forward, the industry is expected to continue its strong growth trajectory, **expanding at a CAGR of 20.9% between 2026 and 2028 to reach RM2.6bn in 2028** (refer to Figure 7), driven by increasing enterprise adoption of cloud computing, AI-enabled analytics, and integrated data platforms that enhance real-time decision-making and operational efficiency. At a regional level, the **Southeast Asia data analytics market is also expected to grow at a CAGR of 22.9% from FY2026 to FY2034**, according to IMARC (refer to Figure 8), reflecting sustained enterprise demand for advanced analytics, predictive modelling, and AI-driven insights across key industries. This is further supported by the broader shift towards data-driven operations, as organisations increasingly leverage analytics tools to improve forecasting accuracy, monitor performance, and optimize resource allocation. Within SRKK AI Berhad, BI-related services are embedded within its IT Consultation and Project Implementation Services segment, contributing approximately 3.5% of FY25 revenue, primarily comprising data integration, workflow automation, and analytics-enabled solutions supporting clients’ digital transformation initiatives.

**Figure 7: Data Analytics and Business Intelligence Solutions Industry Growth (FY2019-FY2025)**


Source: IMR Report by PROVIDENCE

**Figure 8: Southeast Asia Data Analytics Market Forecast (FY2026-FY2034)**


Source: Southeast Asia Data Analytics Report by IMARC

**Industry Headwinds.** Despite strong growth in ASEAN's AI and digital transformation ecosystem, SRKK AI Berhad operates within a highly competitive and rapidly evolving IT solutions landscape that remains fragmented, with numerous local and regional players competing across cloud, cybersecurity, managed services and data analytics segments, often intensifying pricing pressure and limiting differentiation based on cost alone. The project-based nature of IT consulting and system implementation work continues to result in uneven revenue recognition and earnings visibility. In addition, the sector faces persistent talent constraints, with strong competition for skilled cloud, data and AI engineering professionals driving sustained wage inflation and increasing operating cost pressures. At the same time, rapid technological change, particularly in cloud architectures, cybersecurity threats and the emergence of agentic AI, requires continuous investment in capabilities and partner certifications, exposing providers to execution risk if they fail to keep pace. While long-term demand is underpinned by accelerating AI adoption and regional digitalisation trends, spending visibility may still fluctuate in line with macroeconomic conditions and enterprise IT budget discipline.

### Investment Merits

**Proxy to structural growth in cloud, AI adoption and digital transformation.** SRKK AI is positioned to benefit from the rising adoption of digital transformation solutions across Malaysia and the wider ASEAN region. Demand is supported by the shift toward cloud migration, cybersecurity, data analytics, business workflow automation and AI-enabled productivity tools. The company's business model sits at the downstream implementation layer of the AI value chain, where corporates and GLCs require practical partners to translate cloud, data and AI technologies into usable enterprise workflows. This gives SRKK exposure to AI adoption without requiring it to take upstream hardware or chip-development risk.

**Growing recurring revenue base improves earnings visibility.** A key attraction of SRKK is the improvement in revenue quality, with recurring revenue rising from 40.0% of total revenue in FY22 to 52.8% in FY25. This is mainly supported by cloud services, IT managed services, rental of IT hardware/software and data analytics/BI solutions. Management also highlighted that Microsoft 365 and Azure subscriptions are typically bundled with managed-service support, creating recurring monthly revenue from software seats, license tiers and managed-service add-ons. As SRKK continues to convert one-off hardware/software sales into rental and managed-service arrangements, the group should benefit from higher customer stickiness and better revenue visibility.

**Strong Microsoft-led principal network provides credibility and lead-generation advantage.** SRKK's close relationship with Microsoft is a major competitive advantage. The group is a Microsoft direct bill partner and the first Malaysian solution provider to obtain all six Microsoft Solution Partner designations under the Microsoft AI Cloud Partner Program. This strengthens SRKK's credibility when bidding for enterprise customers and allows the group to access Microsoft's ecosystem, technical support and customer referrals. Management also indicated that Microsoft actively supports SRKK through joint marketing, brief days, customer referrals and proof-of-concept opportunities, including in Indonesia. This partnership provides SRKK with a differentiated route-to-market in a fragmented and competitive digital transformation industry.

**Margin expansion potential from higher-value managed services and proprietary software.** SRKK's historical group GP margin has been held back by lower-margin hardware/software sales and cloud subscription resale. However, the company's higher-value segments carry significantly stronger margins, particularly IT managed services, data analytics/BI and IT consultation/project implementation. The IPO growth strategy is focused on moving the group further up the value chain through AI Labs, AI Academy, an in-house SOC and proprietary AI/BI software. Management described reselling as the lowest-value activity, followed by project services, then managed services, with IP ownership as the highest-value model. If SRKK successfully productizes its demand forecasting and ESG software and scales SOC-led cybersecurity services, the group could gradually lift its blended margin profile.

**Established customer base and cross-selling ecosystem support long-term growth.** SRKK offers end-to-end digital transformation solutions across IT consulting, hardware/software, cloud services, managed services, data analytics and business intelligence. This creates multiple entry points into a customer and allows the group to cross-sell across the IT lifecycle. The company has long-standing relationships with major customers, with the IPO deck highlighting an average major customer relationship of around 11 years. This customer stickiness is important because digital transformation is rarely a one-off exercise; customers typically require ongoing upgrades, cloud subscriptions, cybersecurity monitoring, managed support and new analytics use cases as their operations become more data-driven.

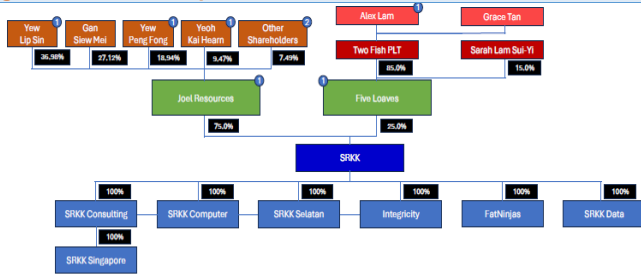
**Prudent balance sheet provides capacity to fund growth initiatives.** SRKK enters listing with a relatively healthy balance sheet, supported by continued profitability, improving liquidity and lower gearing. The group's current ratio improved to 1.32x in FY25, while gearing declined to 0.23x. This gives SRKK some flexibility to fund its next phase of growth, including AI Labs, AI Academy, the in-house SOC, proprietary AI/BI software development and Indonesia expansion. While these initiatives may involve upfront operating costs, the balance sheet position reduces near-term financial stress and supports management's ability to reinvest into higher-margin growth areas.

**IPO Details**

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<b>Retail Offering</b>				
Malaysian Public	-	14.20	4.54	5.00
Selected Investors	-	32.76	10.48	11.53
Eligible Persons	-	17.04	5.45	6.00
<b>Private Placement</b>				
Selected Investors	13.00	-	4.16	4.58
<b>Total</b>	<b>13.00</b>	<b>64.00</b>	<b>24.64</b>	<b>27.11</b>

Source: MMCS's IPO Prospectus, Mercury Securities

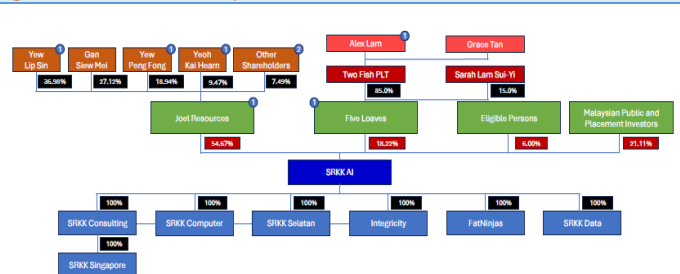
**Figure 9: Pre-IPO Corporate Structure**



Notes:  
 ① Promoters of SRKK Group.  
 ② Other shareholders consist of Yew Peng Ping, Lee Boon Yin, Lim Tze Hoon, Phang Wai Yin, Foo Set Soon, Phuah Kin Sze, and Zool Hilmi Bin Muhammad Amir.

Source: Company

**Figure 10: Post-IPO Corporate Structure**



Notes:  
 ① Promoters of SRKK Group.  
 ② Other shareholders consist of Yew Peng Ping, Lee Boon Yin, Lim Tze Hoon, Phang Wai Yin, Foo Set Soon, Phuah Kin Sze, and Zool Hilmi Bin Muhammad Amir.

Source: Company

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## Financial Highlights

**SRKK AI delivered a healthy revenue** CAGR of approximately 13% over FY22–FY25, with revenue rising from RM77.7m in FY22 to RM112.2m in FY25. The key positive was the improvement in revenue quality, as recurring revenue increased from 40.0% of total revenue in FY22 to 52.8% in FY25. Cloud services remained the largest revenue contributor at RM49.0m or 43.7% of FY25 revenue, supported by Microsoft 365, Azure and other recurring software subscriptions. Meanwhile, sale of IT hardware and software remained sizeable at RM33.2m or 29.6% of FY25 revenue, but management indicated that this segment is expected to grow only in the slow single-digit range. The higher-quality growth angle lies in cloud services, data analytics/BI and managed services, while hardware sales remain more of an entry point for cross-selling and customer lifecycle management.

**Gross profit increased** from RM17.3m in FY22 to RM25.1m in FY25, broadly tracking revenue growth, while overall GP margin remained relatively stable at 22.2% in FY22 and 22.4% in FY25. The margin profile, however, differs sharply by segment. IT managed services and data analytics/BI generated high FY25 GP margins of 77.8% and 66.5% respectively, while IT consultation/project implementation delivered a strong 49.4%. In contrast, sale of IT hardware/software generated only 5.9% GP margin and cloud services generated 15.1%. This shows that SRKK's current group margin is still diluted by lower-margin resale and subscription resale activities, while the higher-margin managed services, SOC and proprietary software/IP segments remain the main margin expansion levers.

**Operating costs increased** over the period as SRKK expanded headcount and strengthened its technical capabilities ahead of its next growth phase. Administrative expenses rose from RM10.9m in FY22 to RM15.8m in FY25, reflecting staff cost expansion, professional fees and IPO-related expenses. Direct labour cost also increased meaningfully in FY25, partly due to the recruitment of additional technical personnel and annual salary increments. This suggests that near-term operating leverage may be moderated by upfront investment in consultants, engineers, data scientists, SOC personnel and AI-related capabilities. The key investment question is whether these added costs can be absorbed by faster growth in higher-margin recurring services and proprietary software revenue.

**SRKK's balance sheet** strengthened over FY22–FY25, supported by retained earnings and disciplined debt management. Total assets increased from RM27.2m in FY22 to RM39.9m in FY25, while net assets attributable to owners rose from RM5.1m to RM14.8m. Liquidity also improved, with current ratio rising from 1.09x in FY22 to 1.32x in FY25. Gearing declined from 0.47x to 0.23x over the same period, reflecting a stronger equity base and continued profitability. Overall, SRKK enters listing with a relatively prudent capital structure, which should provide flexibility to fund its AI Labs, AI Academy, SOC and proprietary software initiatives.

**SRKK remained operating cash flow** positive throughout FY22–FY25, although cash generation was uneven due to working-capital movements. Operating cash flow stood at RM13.2m in FY22, RM1.3m in FY23, RM7.4m in FY24 and RM3.5m in FY25. FY25 cash flow was weaker than PAT due mainly to higher receivables and contract assets following revenue growth. This indicates that while the business is profitable and cash generative, cash conversion can fluctuate when project activity and subscription-related procurement increase.

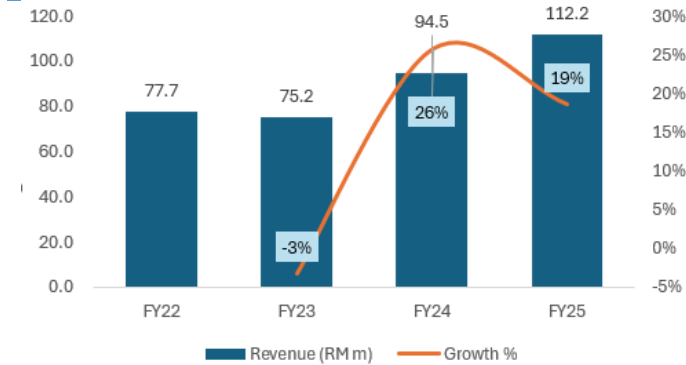
**SRKK's working-capital** profile is generally manageable and structurally supported by low inventory requirements and supplier credit. Trade receivables turnover ranged within the normal customer credit period of 30–60 days, while trade payables turnover was longer, allowing the group to partially fund operations through supplier credit. Inventory turnover remained very short at only a few days, reflecting minimal on-hand inventory as hardware and software are typically procured based on customer requirements. However, the model is not entirely cash-free: as SRKK scales, it still needs working capital to procure IT hardware, software and cloud subscriptions ahead of billing and collection.

SRKK targets a **minimum 20% dividend payout of consolidated PAT attributable to owners after listing**, subject to cash, debt, capex, working capital and board approval; historical payouts were uneven across FY22–FY25. During FY22–FY25, dividends paid were RM0.3m, RM3.5m, RM2.0m and RM0.85m respectively, translating into payout ratios of 5.6%, 80.4%, 39.9% and 12.5%. The historical payout trend was therefore uneven, with FY23 and FY24 showing higher distributions, while FY25 payout was more conservative as the group retained cash to support growth initiatives and IPO-related expansion.

**SRKK's effective tax rate** ranged between 13.97% and 20.29% over FY22–FY25, with income tax expense of RM1.23m, RM1.11m, RM0.81m and RM1.12m respectively. The group's FY24 and FY25 effective tax rates were lower at 13.97% and 14.14%, mainly due to the lower Singapore statutory tax rate, the tiered Malaysian corporate tax structure for qualifying subsidiaries, and a 50% corporate income tax rebate granted under Singapore Budget 2025, which benefited SRKK Singapore in FY24. While several subsidiaries hold Malaysia Digital Status and may be entitled to related incentives and privileges subject to conditions, we model SRKK on a normalised effective tax rate rather than assume a major structural tax break.

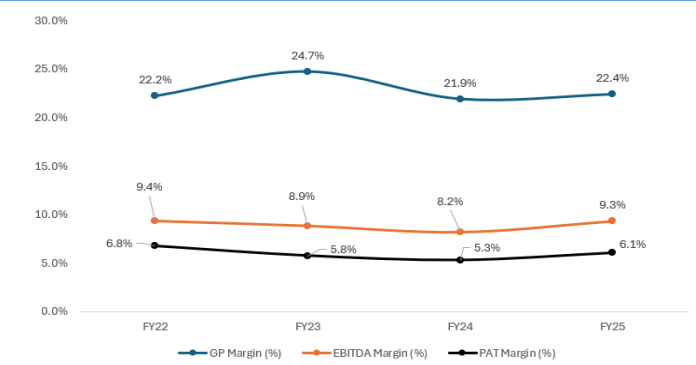


Figure 11: Revenue Trend (RM m) and YoY Growth (%)



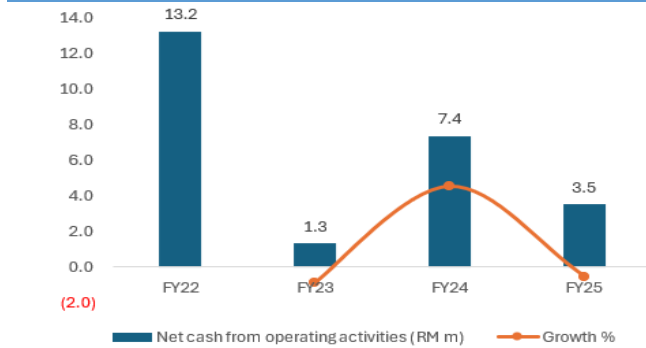
Source: Company, Mercury Securities

Figure 12: Profitability Margins (%)



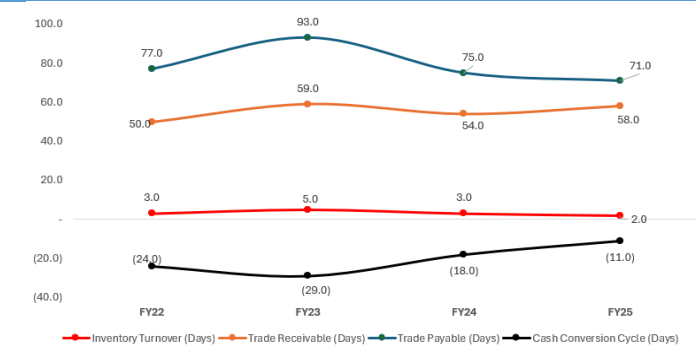
Source: Company, Mercury Securities

Figure 13: Net Operating Cash Flow Growth (RM'm and %)



Source: Company, Mercury Securities

Figure 14: Working Capital Cycle (Days)



Source: Company, Mercury Securities

	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	75.2	94.5	112.2	129.5	150.5	176.0
Gross Profit	18.6	20.7	25.1	28.5	33.1	38.7
EBITDA	6.7	7.8	10.5	9.8	11.2	13.5
EBIT	5.6	6.0	8.1	8.3	9.5	11.7
PBT	5.4	5.8	7.9	8.1	9.4	11.5
<b>Core Net Profit</b>	<b>4.4</b>	<b>5.0</b>	<b>6.8</b>	<b>6.2</b>	<b>7.1</b>	<b>8.8</b>
Core EPS (sen)*	1.53	1.76	2.40	2.18	2.51	3.08
Core EPS Growth (%)	-	-18.3%	15.0%	35.9%	-9.0%	15.2%
Net DPS (sen)*	1.23	0.70	0.30	0.44	0.50	0.62
Net Div. Yield (%) *	3.85%	2.20%	0.94%	1.36%	1.57%	1.93%
BVPS (sen)*	0.02	0.03	0.05	0.14	0.16	0.18
PER (Using IPO price)	20.86	18.15	13.35	14.7	12.7	10.4
PBV (x) (Using IPO price)	15.04	10.30	6.14	2.3	2.0	1.8
Net Gearing	1.1	0.9	0.4	0.3	0.3	0.3

\*Based on enlarged issued share capital of 284m

### Valuation

We value **SRKK AI at RM0.34** using a 13.5x PER to our projected FY27E EPS using a PER methodology benchmarked against listed Malaysian digital transformation peers, namely Cloudpoint Technology and Infoline Tec. While SRKK's Microsoft partnership, recurring revenue base and AI-enabled growth strategy support a peer-based valuation framework, we apply a 30% discount to the profitable peer average to reflect its lower PAT margin, smaller listed track record, and the still-nascent nature of its proprietary AI/software monetization strategy."

The discount is justified by four points. First, SRKK's **PAT margin of 6.1%** is lower than Cloudpoint's 10.5% and Infoline's 14.9%. Second, SRKK is newly listed, so it lacks a public market track record. Third, its AI/software story is still execution-led; the IPO deck states that proprietary AI and BI solutions are **planned**, with the company aiming to develop and own IP that can be licensed and sold to multiple businesses. Fourth, its current earnings still include lower-margin hardware/software and cloud resale components.

### 3-Year Historical P/E Average of Selected Peers (x)

Company	Bloomberg Ticker	2023	2024	2025	Average P/E
Cloudpoint Technology Berhad	CLOUDPT MK Equity	17.9	24.4	16.9	19.7
Infoline Tec Group Bhd	INFOTEC MK	15.0	19.9	21.8	18.9
<b>Simple Avg.</b>		<b>16.5</b>	<b>22.1</b>	<b>19.3</b>	<b>19.3</b>

Source: Bloomberg, Mercury Securities

### Industry Comparison

As per the latest Financial Recorded Index	Bloomberg Ticker	GP	Margin % EBITDA	PAT	1-Year Forward P/E Multiple
Bursa Malaysia Technology Index	KLTEC Index	17.5	N/A N/A	6.7	18.9x
SRKK AI Berhad	SRKKAI MK Equity	22.4	9.3	6.1	13.5x

Source: Bloomberg, Mercury Securities

### Profitability Margin and Return Ratios Comparison (x)

Company	Bloomberg Ticker	Margin (%)				%	
		GP	EBITDA	PBT	PAT	ROE	ROA
Cloudpoint Technology Berhad	CLOUDPT MK Equity	28.4	18.1	17.2	10.5	21.5	12.2
Infoline Tec Group Bhd	INFOTEC MK	49.1	25.8	20.6	14.9	N/A N/A	N/A N/A
<b>Simple Avg.</b>		<b>38.7</b>	<b>21.9</b>	<b>18.9</b>	<b>12.7</b>	<b>21.5</b>	<b>12.2</b>

Source: Bloomberg, Mercury Securities

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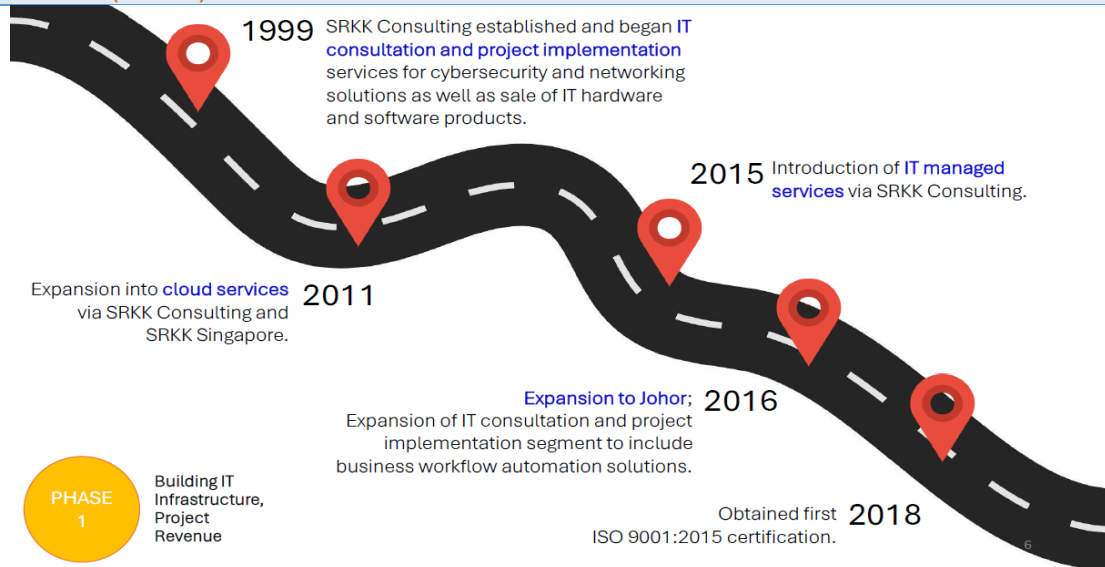
**SWOT Analysis**

S STRENGTHS	W WEAKNESS
<p><b>Established digital transformation platform.</b> SRKK has evolved from IT infrastructure/project implementation into cloud services, managed services, data analytics/BI and AI-enabled workflow solutions. The IPO deck positions this as a three-phase evolution from project revenue to recurring managed services and now AI-enabled subscription-driven revenue.</p> <p><b>Strong Microsoft-led ecosystem.</b> SRKK is a Microsoft direct bill partner and the first Malaysian solution provider to obtain all six Microsoft Solution Partner designations under the Microsoft AI Cloud Partner Program. This gives it credibility, access to Microsoft tools/training/incentives, and potential customer referrals, although the relationship remains non-exclusive.</p> <p><b>Improving recurring revenue base.</b> Recurring revenue accounted for 52.8% of FY25 revenue, supported by cloud services, IT managed services, rental and data analytics/BI. Management also highlighted that Microsoft 365 contributes around 60% of cloud services revenue, with managed-service add-ons bundled into subscriptions.</p> <p><b>End-to-end cross-selling model.</b> SRKK covers the full IT lifecycle: hardware/software sourcing, cloud migration, IT consulting, managed services, cybersecurity and data analytics. This allows the group to enter through one-off projects and cross-sell recurring services over time.</p>	<p><b>Not yet a proprietary AI technology owner.</b> SRKK is currently more of an AI-enabled systems integrator than a pure AI software company. It mainly embeds third-party AI-enabled tools into customer solutions, while proprietary AI/BI software remains in the production phase.</p> <p><b>Margin mix still diluted by lower-margin segments.</b> Hardware/software sales and cloud subscription resale remain large contributors, but these are lower-margin compared with IT managed services and data analytics/BI. Management also indicated that outright hardware/software sales are likely to grow only in the slow single-digit range, reinforcing that this is not the core growth engine.</p> <p><b>Vendor ecosystem dependency.</b> The Microsoft relationship is a strength, but also a dependency. The Microsoft AI Cloud Partner Program Agreement is non-exclusive and can be terminated under certain circumstances, while SRKK must continue meeting performance criteria to maintain its solution partner designations.</p>
T THREATS	O OPPORTUNITIES
<p><b>Highly fragmented and competitive industry.</b> The IMR estimates more than 200 companies in Malaysia's digital transformation solutions industry, with moderately low barriers to entry for basic IT hardware, software and cloud subscription services. This may pressure pricing, customer retention and margins.</p> <p><b>Project and customer-win risk.</b> The prospectus states that SRKK depends on its ability to secure new projects and customers. Save for one agreement with Enzo Plus, the group does not have long-term contracts of more than three years, exposing it to project delays, cancellations and customer churn risk.</p> <p><b>Technology obsolescence risk.</b> The IT industry is characterised by rapid changes in hardware, software, cloud and AI tools. SRKK must continuously retrain staff and keep pace with principal technologies, otherwise its solutions may become less competitive.</p> <p><b>Supply chain and hardware cost risk.</b> Hardware availability and pricing can be affected by semiconductor or memory chip shortages, tariffs and logistics disruptions. This can delay project implementation or compress margins if higher costs cannot be passed through to customers.</p>	<p><b>Structural growth in cloud, AI and data analytics.</b> Malaysia's cloud services industry is forecast to grow at a 20.3% CAGR between 2026 and 2028, while data analytics/BI is forecast to grow at 20.9% CAGR. This provides a strong market tailwind for SRKK's cloud, data, AI and managed services strategy.</p> <p><b>AI Labs and AI Academy as demand-generation engines.</b> Management described AI Labs as a pre-project advisory and prototyping platform that helps customers identify AI use cases and convert prototypes into larger implementation projects. AI Academy also addresses the adoption gap, helping customers use AI tools effectively after implementation.</p> <p><b>In-house SOC can lift enterprise credibility and margins.</b> SRKK currently relies partly on third-party SOCs for cybersecurity services. Its planned in-house SOC should increase operational control, allow higher-value services such as compliance monitoring, risk management and threat intelligence, and improve its credibility with enterprise customers.</p> <p><b>Proprietary AI/BI software could transform revenue quality.</b> Management is productizing customized solutions into repeatable software offerings, initially focusing on demand forecasting and ESG performance management. If successful, this can shift the model from customized project work to "build once, sell many times" subscription revenue.</p>

## Company Background

SRKK AI Berhad (“SRKK” or the “Company” or the “Group”) is a **Malaysia-based end-to-end digital transformation and AI solutions provider with operations spanning Malaysia and Singapore**. Established in 1999 through SRKK Consulting Sdn Bhd, the Group has evolved over more than two decades from an IT consulting and project implementation business into a multi-division technology platform offering IT infrastructure solutions, cloud services, cybersecurity, data analytics and business intelligence, IT managed services, as well as hardware and software sales and rental. Leveraging a phased growth strategy, SRKK has progressively transitioned from project-based revenues to managed services and recurring income, and is now advancing towards an AI-enabled, subscription-driven model through the deployment of data platforms, Copilot and agentic AI embedded within enterprise workflows. The Group serves a diversified client base comprising corporations, government-linked organisations and managed service providers, with long-standing customer relationships averaging approximately 11 years and no single customer contributing more than 10% of revenue. Supported by strategic partnerships with leading global technology principals including Microsoft, as well as industry recognition under various partner programmes and certifications, SRKK is positioned as an AI Cloud and digital transformation integrator in Southeast Asia’s rapidly expanding digital economy.

**Figure 15: Key Milestones (Phase 1)**



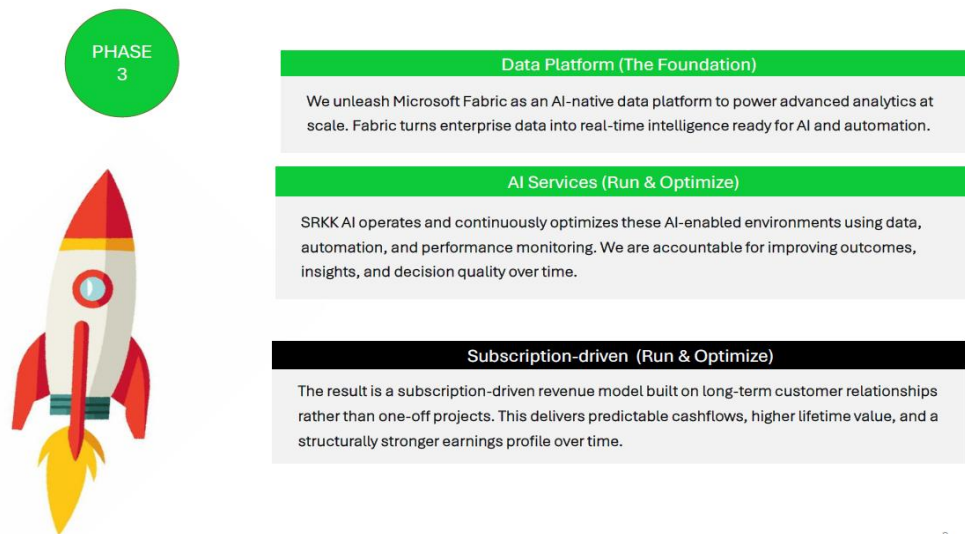
Source: Company

**Figure 16: Key Milestones (Phase 2)**



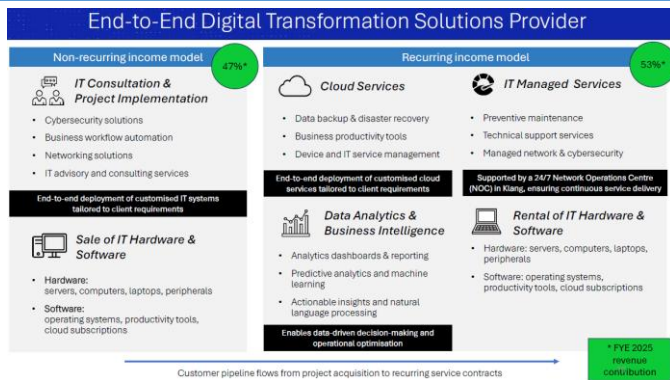
Source: Company

Figure 17: Key Milestones (Phase 3)



Source: Company

Figure 18: Business Model



Source: Company

Figure 19: SRKK AI's Client Base



Source: Company

Figure 20: Key Management Team

Name and Designation	Age	Profile
<b>Yew Lip Sin</b> , Executive Director, Chief Executive Officer	N.A	Appointed as Executive Director and CEO of SRKK AI Berhad, Yew Lip Sin oversees the Group's overall strategic direction, business operations and execution of corporate initiatives. He has more than 30 years of experience across engineering, telecommunications and IT consulting industries. He joined SRKK Consulting in February 2000 as Operations Director and has served as Chief Executive Officer since February 2013. He is also the founder of SRKK Sdn Bhd (now SRKK AI Berhad), established in July 2021.
<b>Yeoh Kai Hearn</b> , Executive Director, Chief Operating Officer	N.A	Responsible for the Group's operational functions, risk management and execution of strategic initiatives. He has over 29 years of experience in engineering, project management and IT consulting. He progressed through various roles within SRKK Consulting, from System Engineer to Chief Operating Officer in 2010 and later Managing Director in 2019.
<b>Alex Lam</b> , Executive Director, Chief Strategy Officer	N.A	Alex Lam leads the Group's strategic initiatives, AI advisory and consulting direction, as well as marketing functions. He has extensive experience in digital, e-commerce and IT solutions since 2000. He is also the founder of Five Loaves Sdn Bhd and a major shareholder of SRKK AI Berhad.
<b>Yew Peng Fong</b> , Chief Commercial Officer	N.A	Yew Peng Fong is responsible for procurement strategy, vendor management and commercial development of the Group. He has extensive experience in procurement, sales, administration and vendor management. He is also a founder and Director of SRKK Consulting since 1999, and plays a key role in developing and implementing the Group's procurement and commercial strategies.

<b>Phang Wai Yin,</b> Chief Technology Officer	N.A	Phang Wai Yin leads the Group's technology roadmap and development of strategic technology initiatives to ensure alignment with business objectives. He has over 20 years of experience in IT, engineering and technology solutions. He joined SRKK Consulting in 2010 as a System Solution Consultant, progressed to Technology Solutions Manager in 2012, and was appointed CTO in 2014.
<b>Phuah Kin Sze,</b> Chief Financial Officer	N.A	Phuah Kin Sze is responsible for the Group's financial strategy, planning, risk management and compliance functions. He is a Chartered Accountant (MIA) and ASEAN CPA, with over 20 years of experience in audit, finance and accounting. He joined SRKK Consulting in 2013 as Finance and Administration Manager before being promoted to Chief Financial Officer.

## Major Customers

Customer	Location of Customer	Main Services Provided	Length of Relationship as at FY25 (Years)	Revenue (RM '000)	% of Group's Total Revenue
Indah Water Konsortium Sdn Bhd	Malaysia	Sales of IT hardware and software products	1	3,478	3.10
Tasco Berhad	Malaysia	Sales of IT hardware and software products	12	2,553	2.28
MFE Formwork Technology Sdn Bhd	Malaysia	Sales of IT hardware and software products, managed network services and cloud services	13	1,985	1.77
Epoms Sdn Bhd	Malaysia	Cloud services, managed cybersecurity services and managed network services	3	1,684	1.50
Quantios Group	Malaysia and Singapore	Cloud services and sales of IT hardware and software products	20	1,417	1.26
<b>Subtotal</b>				11,117	9.91
<b>Group's Total Revenue</b>				112,163	100.0

Source: SRKK's IPO Prospectus

## Major Suppliers

Supplier	Location of Supplier	Products Sourced	Length of Relationship as at FY25 (Years)	Purchases (RM '000)	% of Group's Total Purchases
Ingram Micro Group	Malaysia	Hardware, software and related products and services	22	24,633	30.81
Tec D Group	Malaysia	Hardware, software and related products and services	22	21,451	26.83
Crayon Software Experts Malaysia Sdn Bhd	Malaysia	Software services and cloud	9	14,073	17.60
VSTECS Astar Sdn Bhd	Malaysia	Hardware, software and related products and services	14	10,706	13.39
Microsoft Group	Singapore and Malaysia	Software services and cloud	1	2,338	2.92
<b>Subtotal</b>				73,201	91.55
<b>Total Purchases</b>				79,954	100.0

Source: SRKK's IPO Prospectus

## Future Plans and Business Strategies

**Setting up of AI Labs and AI Academy.** SRKK AI's growth strategy focuses on expanding its IT advisory and consulting service sub-segment by establishing dedicated AI labs and an AI academy to capture the rising corporate demand for AI-integrated modernization roadmaps. To implement this initiative, the Group has earmarked a total of RM2.68m from its IPO proceeds (RM1.98m for AI labs and RM0.70m for the AI academy) to be utilized within 12 months of listing. This funding supports the recruitment of 19 new personnel, including 14 staff for the AI labs (such as data scientists, engineers, and analysts) and 5 staff for the AI academy (such as trainers and managers). While the group has already begun offering accredited HRD Corp training programs at third-party venues via contractual trainers, it intends to centralize both facilities at its Klang Office (Level 13A) using internal funds for renovations once the relevant Certificates of Completion and Compliance (CCC) are obtained. Under a structured 12-month timeline, full operational roll-out of the labs and academy at their permanent offices will occur as recruitment and product installations conclude.

**Establishing an In-house Security Operations Centre (SOC).** SRKK AI's growth strategy includes expanding its managed cybersecurity services sub-segment by establishing a locally based, in-house SOC at its Klang Office to transition from its current practice of outsourcing threat-monitoring to external providers. The dedicated SOC will provide 24/7 real-time detection, analysis, and proactive cyber defense capabilities, giving the Group complete autonomy to utilize Microsoft-branded security solutions and further strengthening its relationship with Microsoft Corporation. To support this implementation, the Group has allocated approximately RM3.7m from its IPO proceeds to be fully utilized within 18 months of listing. This funding will be used to purchase specialized software solutions (such as SIEM and SOAR software for RM1.90m), set up servers and network appliances (RM0.11m), fund operation room fitting and renovations (RM0.19m), and support the salaries of up to 14 newly recruited IT managed service personnel (RM1.50m) over a 12-month period. Operational roll-out and staff recruitment are scheduled to be completed within 15 months from the receipt of the proceeds, allowing the Group to service future contracts entirely through its proprietary infrastructure.

**Development of Proprietary Data Analytics and Business Intelligence Solutions.** SRKK AI Berhad intends to develop its own proprietary data analytics and business intelligence ("BI") solutions to strengthen its digital transformation offerings and establish scalable, recurring revenue streams through intellectual property ("IP") ownership. To support this initiative, the Group has earmarked approximately RM1.32m from its IPO proceeds, comprising RM1.23m for talent acquisition and RM0.10 million for the purchase of IT equipment such as laptops, external monitors and headphones. Recruitment activities are expected to be completed within 15 months from listing, supporting the establishment of an internal team dedicated to solution development. Through this initiative, SRKK AI aims to develop proprietary solutions that enable customers to consolidate, analyse and visualise enterprise data more effectively, generating actionable insights to support business decision-making and operational efficiency. The development of in-house data analytics and BI solutions is expected to enhance the Group's product differentiation, reduce reliance on third-party software providers, improve profit margins through subscription-based licensing models and strengthen cross-selling opportunities across its existing cloud, AI and cybersecurity customer base.

**Geographical Expansion into Southeast Asia, Particularly Indonesia.** SRKK AI Berhad intends to expand its regional footprint in Southeast Asia, with Indonesia identified as its primary growth market, to increase market reach and capture growing demand for AI-enabled and digital transformation solutions. The Group has earmarked approximately RM1.60m from its IPO proceeds for this expansion, comprising RM0.09m for the establishment and rental of a physical office in Kota Tangerang, Jakarta for a period of 24 months, and RM1.51m for the salaries of new personnel over the same period. To support its Indonesian operations, the Group plans to recruit 5 personnel comprising 1 Country Manager/Principal Consultant, 1 Project Manager, 2 Strategy Consultants and 1 Business Development Consultant, with recruitment expected to commence within 3 months from listing and operations targeted to commence within 6 months. The expansion is driven by increasing enquiries for digital transformation solutions from Indonesia, where the Group has already undertaken proof-of-concepts for four customers and established collaborations with a local IT partner to gain market insights and build customer relationships. Through a local presence, SRKK AI aims to strengthen brand awareness, enhance customer engagement and accelerate the adoption of its IT advisory and consulting services in one of Southeast Asia's largest and fastest-growing digital economies, providing a platform for future regional expansion and long-term revenue growth.

## Key Risks

**Competitive Technology and Cybersecurity Environment Risk.** The IT solutions industry in Malaysia is highly competitive with low barriers to entry, exposing SRKK AI to pricing pressure from both established players and new entrants. The rapid pace of technological evolution further requires the Group to continuously invest in upskilling its workforce and expanding its solution portfolio to remain relevant. Additionally, in the course of providing IT outsourcing services, the Group is granted access to customers' confidential information, exposing it to risks of data leakage arising from employee negligence, system failures or security breaches. Any such incident could damage the Group's reputation, result in legal liability and materially impair its ability to retain customers and win new contracts.

**Ability to Secure New Projects and Customers.** Our Group's financial performance depends on our ability to secure new projects and customers, as a significant portion of revenue is derived from one-off IT consultation and project implementation services, alongside recurring income from cloud services, IT managed services, and rental-based offerings. Except for one agreement with Enzo Plus Sdn Bhd, we generally do not have long-term contracts exceeding three years, exposing us to the risk of customer attrition and non-renewal. Failure to secure new projects or delays in project execution may adversely affect revenue recognition while fixed operating costs continue to be incurred. In addition, competitive pricing pressure and fluctuating demand may compress margins, while higher capital expenditure for rental-related IT assets may further impact profitability.

**Digital Transformation Solutions May Be Affected by System Failures.** Our IT managed services, including managed networking and managed cybersecurity solutions, rely on continuous 24/7 monitoring through our Network Operations Centre (NOC) as well as outsourced Security Operations Centres (SOCs) in Malaysia and the United States. These services depend on software systems, internet connectivity, and public cloud infrastructure, and may be disrupted by events beyond our control such as power failures, internet downtime, equipment malfunction, or natural disasters. Any such system failures could materially disrupt our ability to deliver services to customers, resulting in reputational damage and potential deterioration of customer relationships. Although we have not experienced any system failures that have materially impacted our operations to date, there is no assurance that similar disruptions will not occur in the future, which may adversely affect our business operations and financial performance.

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## Sustainability Review

### Environmental (E)

#### 1. Responsible Environmental Practices and Digital Operations

- The Group is committed to minimizing environmental impact through responsible daily operations and the adoption of digital and cloud-based workflows that reduce reliance on physical resources.
- The Group focuses on ensuring compliance with all applicable environmental laws and regulatory requirements in its operating jurisdictions.

#### 2. Energy Efficiency and Resource Management

- The Group seeks to promote responsible use of energy and natural resources across its offices and IT operations, including its Network Operations Centre (NOC) and supporting infrastructure.
- The Group has begun initiatives to measure and manage energy consumption and greenhouse gas (GHG) emissions to support future sustainability improvements.

### Social (S)

#### 1. Employee Welfare, Safety and Inclusive Workplace

- The Group is committed to providing a safe, healthy and conducive working environment for all employees, supported by internal policies and operational practices.
- The Group promotes a diverse, equal and non-discriminatory workplace culture, irrespective of age, gender, ethnicity, religion or other personal characteristics, and prohibits all forms of workplace harassment and misconduct.

#### 2. Employee Development and Work-Life Balance

- The Group supports employee growth through continuous professional development and training programmes, including technical, leadership and compliance-related training.
- The Group encourages work-life balance through flexible working arrangements and employee engagement initiatives to enhance productivity and retention.

#### 3. Stakeholder Responsibility and Community Awareness

- The Group recognizes its responsibility towards stakeholders including employees, customers, suppliers and the wider community, and aims to maintain positive and responsible business practices.

### Governance (G)

#### 1. Corporate Governance and Ethical Business Conduct

- The Group is committed to upholding high standards of business ethics, integrity and corporate governance in accordance with the Malaysian Code on Corporate Governance (MCCG).
- The Board provides overall leadership and oversight of governance and sustainability matters, ensuring alignment with long-term business objectives.

#### 2. Anti-Bribery, Whistleblowing and Compliance Framework

- The Group has adopted anti-bribery and anti-corruption policies in compliance with the Malaysian Anti-Corruption Commission Act 2009, supported by a whistleblowing framework to enable confidential reporting of misconduct.

#### 3. Data Protection and Internal Controls

- The Group implements policies to safeguard personal and business data in accordance with applicable data protection laws.
- The Group continues to strengthen its internal control systems, operational policies and compliance procedures to ensure governance effectiveness and risk management.

**Overall ESG Outlook.** SRKK AI Berhad's ESG framework reflects a compliance-oriented and developing sustainability approach aligned with its IT managed services and AI-enabled solutions business. The Group's environmental focus centres on responsible digital operations, energy efficiency and gradual measurement of greenhouse gas emissions. On the social front, the Group prioritizes employee welfare, diversity, continuous training and a supportive working environment. On governance, the Group maintains strong emphasis on corporate governance, ethical conduct, anti-corruption measures and data protection compliance. Overall, the Group's ESG initiatives provide a foundational platform to support sustainable long-term growth and stakeholder confidence.

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