

FriendTimes Inc. (6820 HK)

Looking into moderate recovery in FY24E

FriendTime's 1H23 results missed our estimates/consensus, with rev -25% YoY and adj. net loss at RMB78mn on declining legacy games and soft new titles. Looking into FY24E, we expect moderate recovery with the launch of the *Twist of the Fate*, and the company to turn a profit with RMB38mn in FY24E. To factor in game softness and potential S&M expenses incurred by new launches, we cut FY23-25E rev by 21.1-25.8%, while trimmed NPM by 1-15ppts. Our DCF-based TP was adjusted to HK\$1.32.

- **1H23 soft on game decline and heavier S&M.** 1H23 rev declined 25% YoY, 34% below consensus, mainly attributable to 1) weaker-than-expected legacy games; 2) soft *A story of Lala's: Rising Star* with S&M scaling back for unsatisfied user retention; and 3) high base due to launch of *Promise of Linyun* in 1H22. Adj. net loss came in at RMB78mn, dragged by promotion of *A story of Lala* and RMB63mn impairment of the deferred tax assets.
- **Looking into moderate recovery in FY24E.** Due to the lack of new launches and declining legacy games, 2H23E might still bear pressure (forecasting rev -25% YoY), before the launch of *The Twist the Fate* (*ToF*, 浮生忆玲珑) in 4Q23E/FY24E. On the flip side, FT is likely to achieve breakeven in 2H23E (forecasting net profit of RMB0.76mn), thanks to stringent cost control on both staffing and project management, along with lower S&M expenses. Looking into FY24E, we expect FT to see moderate recovery (forecasting +23% YoY), backed by contribution of *ToF*. In Jul 2023, the game launched a one-month "Summer Beta Test" with in-game purchases enabled. We expect *ToF* to be launched in 4Q23E/1H24E and achieve meaningful rev contribution in FY24E. Given S&M expenses for launch are front-end loaded, margin might be diluted in the near term. As such, we forecast FY24E rev to achieve positive growth, and turn to a profit with RMB38mn for the whole year.
- **Diversified genre and overseas expansion for LT growth.** In 1H23, overseas market accounted for 39% of total rev (vs. 25% in 1H22). Apart from female games, FT will test the water for martial arts game (e.g. Code: WX) and European royalty type (Code: PE) in FY24E. We expect its diversified category & overseas expansion to reduce concentration and bring LT growth.
- **Maintain BUY.** To factor in soft game and potential S&M expenses incurred by *ToF*, we cut FY23-25E rev by 21.1-25.8%, while trimmed NPM by 1-15ppts. Our DCF-based TP was adjusted to HK\$1.32.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	1,616	1,524	1,142	1,401	1,592
YoY change (%)	-26%	-6%	-25%	23%	14%
Adj. net income (RMB mn)	275	25	(80)	38	206
Adj. EPS (RMB)	0.13	0.01	(0.04)	0.02	0.09
YoY growth (%)	-45%	-91%	NA	NA	438%
Consensus EPS (RMB)	NA	NA	0.09	0.18	0.25
P/E (x)	5.3	58.6	NA	38.4	7.1
P/S (x)	1.0	1.1	1.4	1.2	1.0
Yield (%)	17.4%	8.7%	NA	1.3%	6.8%
ROE (%)	17%	2%	NA	2%	11%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$1.32
(Previous TP)	HK\$1.45)
Up/Downside	+76%
Current Price	HK\$0.75

China Internet Sector

Sophie Huang

(852) 3900 0889
sophiehuang@cmbi.com.hk

Eason Xu

(852) 3900 0849
easonxu@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	1,657
Avg 3 mths t/o (HK\$ mn)	0.28
52w High/Low (HK\$)	1.23/ 0.76
Total Issued Shares (mn)	2,181
Source: Bloomberg	

Shareholding Structure

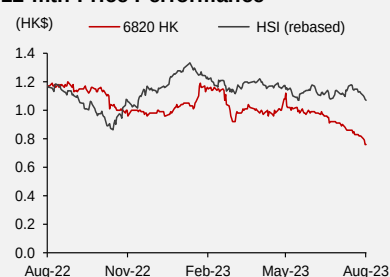
Eternal Heart Holding	43.0%
Warm Sunshine	8.7%
Ling Long Holding	8.6%
Source: Bloomberg	

Share Performance

	Absolute	Relative
1-mth	-16.5%	-11.5%
3-mth	-29.6%	-23.3%
6-mth	-34.5%	-25.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Figure 1: 1H23 financial review

RMB ('000), Dec-YE	1H20	1H21	1H22	1H23	YoY
Revenue	1,050,260	833,007	826,057	620,342	-25%
Cost of sales	(361,351)	(272,705)	(253,312)	(207,728)	
Gross profit	688,909	560,302	572,745	412,614	-28%
Sales and marketing expenses	(379,030)	(280,810)	(469,968)	(276,068)	
Research and development expenses	(130,694)	(178,181)	(169,112)	(160,019)	
General and administrative expenses	(21,680)	(31,340)	(34,036)	(24,977)	
Other income	17,646	11,676	17,157	34,013	
Operating (loss)/profit	175,151	81,647	(83,214)	(14,437)	
Finance costs	(50)	(11)	(26)	(156)	
Share of loss of an associate	(175)	(1,733)	(910)	-	
Changes in fair value of equity investment measured at fair value through profit or loss	(2,734)	2,212	10,096	(1,977)	
Profit before taxation	172,192	82,115	(74,054)	(16,570)	
Income tax expense	(9,076)	48,176	1,092	(1,367)	
Deferred tax				(63,007)	
Profit for the year	163,116	130,291	(72,962)	(80,944)	
Adj. profit for the year	163,116	156,037	(58,461)	(77,911)	

Margin Analysis					
Gross margin	66%	67%	69%	67%	
Operating margin	17%	10%	-10%	-2%	
Adj. net margin	16%	19%	-7%	-13%	

Growth Analysis					
Revenue	35%	-21%	-1%	-25%	
Gross profit	39%	-19%	2%	-28%	
Operating profit	9%	-53%	NA	NA	
Net profit	9%	-20%	NA	NA	

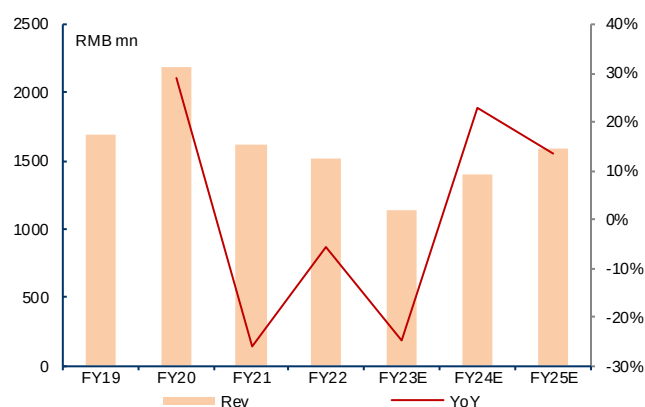
Source: Company data, CMBIGM estimates

Figure 2: FT's financials forecasts in FY23-25E

RMB mn, Dec-YE	FY21	FY22	FY23E	FY24E	FY25E	23-25E CAGR
Revenue	1,616	1,524	1,142	1,401	1,592	18%
Cost of sales	(527)	(480)	(371)	(448)	(509)	
Gross profit	1,089	1,044	771	953	1,083	19%
Sales and marketing expenses	(456)	(647)	(459)	(561)	(501)	
Research and development expenses	(365)	(357)	(308)	(329)	(334)	
General and administrative expenses	(67)	(70)	(47)	(55)	(56)	
Other income	39	48	25	29	29	
Operating (loss)/profit	241	17	(18)	37	220	
Finance costs	(0)	(0)	(0)	(0)	(0)	
Share of loss of an associate	(3)	(1)	(2)	(2)	(2)	
through profit or loss	(3)	8	3	6	4	
Profit before taxation	234	24	(18)	41	222	
Income tax expense	42	1	1	(2)	(16)	
Profit for the year	275	25	(80)	38	206	
Non-controlling interests	-	-	-	-	-	
Net profit attributable to equity shareholders	275	25	(80)	38	206	
Margin Analysis						
Gross margin	67%	68%	68%	68%	68%	
Operating margin	15%	1%	-2%	3%	14%	
Net margin	17%	2%	-7%	3%	13%	
Growth Analysis						
Revenue	-26%	-6%	-25%	23%	14%	
Gross profit	-26%	-4%	-26%	24%	14%	
Operating profit	-56%	-93%	NA	NA	490%	
Net profit	-45%	-91%	NA	NA	438%	

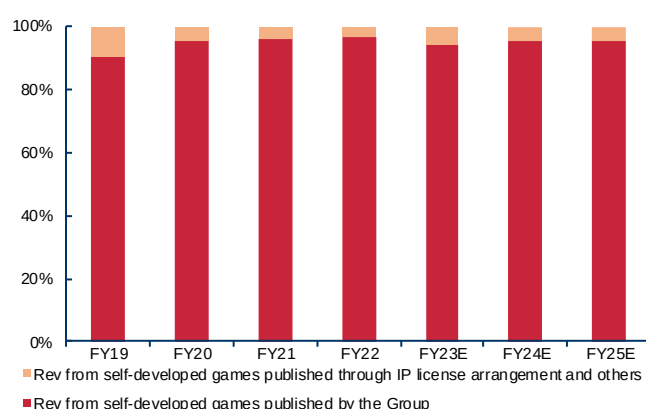
Source: Company data, CMBIGM estimates

Figure 3: FT rev estimates (2019-2025E)



Source: Company data, CMBIGM estimates

Figure 4: Rev mix trend (2019-2025E)



Source: Company data, CMBIGM estimates

Figure 5: FriendTimes key game pipeline in 2023 & 2024

Title	Chinese title	License	Genre	Launch date (est.)	Details
Twist of the Fate	浮生忆玲珑	Y	PRG	4Q23/1H24	A new generation of female-oriented traditional Chinese-style mobile game, is inherited from the Fate of the Empress (浮生為卿歌), which creates a new theme adopts next-generation engine effects, artistic production techniques and innovative gameplay features, aiming to bring players a free, realistic and multifaceted gameplay experience. A role-playing strategy game set in a fictional Chinese-style wuxia world, featuring the classic martial arts as its core. The game illustrates an unrestrained and pleasant world of wuxia, creating stereoscopic and realistic martial artists, and a multi-dimensional wuxia epic. A female-oriented role-playing game set in a fictional European royal world. The game portrays the Western royal family with immersive audio-visual experiences and a multi-dimensional storytelling approach, creating a dynasty of legendary queen. Players will enter the royal world, experience the struggle for power, enjoy emotional interactions, and cast a generation of queen legends.
Code: WX	代号: 武侠	N	MMO	2024	
Code: PE	代号: PE	N	Strategy	2024	

Source: Company data, CMBIGM

Maintain BUY; TP at HK\$1.32

To factor in existing game decline and potential S&M expenses incurred by ToF, we cut FY23-25E rev by 21.1-25.8%, while trimmed NPM by 1-15ppts for conservative estimates.

We maintain BUY rating, but adjust DCF-based TP to HK\$1.32 from HK\$1.45. Game softness has been well priced in recent price weakness, and 1H23 would be earnings trough as its existing key games turned profitable. We expect the potential launch of ToF to help it rebound, and diversified genre and overseas expansion might bring LT growth. Key catalysts: 1) potential breakeven in 2H23E; 2) ToF to be launched in 4Q23E/1H24E.

Figure 6: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	1,142	1,401	1,592	1,721	2,221	2,475	-33.6%	-36.9%	-35.7%
Gross profit	771	953	1,083	1,179	1,521	1,695	-34.6%	-37.4%	-36.1%
Operating profit	(18)	37	220	167	403	545	NA	-90.8%	-59.6%
Adj. net profit	(80)	38	206	200	384	527	NA	-90.0%	-60.9%
Adj. EPS (RMB)	(0.04)	0.02	0.09	0.09	0.18	0.25	NA	-90.1%	-61.4%
Gross margin	67.5%	68.0%	68.0%	68.5%	68.5%	68.5%	-1.0ppts	-0.5ppts	-0.5ppts
Operating margin	-1.6%	2.7%	13.8%	9.7%	18.1%	22.0%	-11.3ppts	-15.5ppts	-8.2ppts
Adj. net margin	-7.0%	2.7%	12.9%	11.6%	17.3%	21.3%	-18.7ppts	-14.6ppts	-8.3ppts

Source: CMBIGM estimates, Bloomberg

Figure 7: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	1,142	1,401	1,592	1,539	1,816	2,018	-25.8%	-22.8%	-21.1%
Gross profit	771	953	1,083	1,047	1,235	1,372	-26.3%	-22.8%	-21.1%
Operating profit	(18)	37	220	131	258	297	NA	-85.5%	-26.0%
Adj. net profit	(80)	38	206	125	246	278	NA	-84.4%	-25.9%
Adj. EPS (RMB)	(0.04)	0.02	0.09	0.06	0.11	0.13	NA	-84.4%	-25.9%
Gross margin	67.5%	68.0%	68.0%	68.0%	68.0%	68.0%	-0.5ppts	0.0ppts	0.0ppts
Operating margin	-1.6%	2.7%	13.8%	8.5%	14.2%	14.7%	-10.1ppts	-11.5ppts	-0.9ppts
Adj. net margin	-7.0%	2.7%	12.9%	8.1%	13.5%	13.8%	-15.1ppts	-10.8ppts	-0.8ppts

Source: CMBIGM estimates, Bloomberg

Figure 8: DCF valuation

DCF Valuation (RMB mn)								
EBIT	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
	(18)	41	222	348	383	410	435	448
Tax	1	(2)	(16)	(24)	(31)	(37)	(43)	(45)
D&A	39	36	33	32	30	29	28	27
Change in working capital	(15)	6	5	5	6	6	6	7
CAPEX	(38)	(38)	(38)	(42)	(44)	(45)	(46)	(48)
FCF	(31)	42	206	319	345	363	379	389
FCF Growth			396%	54%	8%	5%	4%	3%
PV	(31)	36	156	210	198	181	164	1,306
Terminal Value								3,068

Assumptions	
WACC	14.9%
Tax rate	10.0%
Risk free rate	3.53%
Cost of debt	6.0%
Beta	1.30
Market risk return	11.4%
Cost of equity	14.9%
Long term growth	2.0%

Equity Value	
PV	2,220
minus: Net debt(RMB mn)	(369)
minus: Minority interest(RMB mn)	0
Equity Value(RMB mn)	2,589
FX	0.9
Stock price (HK\$)	1.32

		WACC				
Terminal growth rate	-	13%	14%	15%	16%	17%
	0.5%	1.45	1.34	1.25	1.16	1.09
	1.0%	1.48	1.36	1.27	1.18	1.10
	1.5%	1.51	1.39	1.29	1.20	1.12
	2.0%	1.55	1.42	1.32	1.22	1.14
	2.5%	1.59	1.45	1.35	1.24	1.15
	3.0%	1.64	1.49	1.37	1.26	1.17
	3.5%	1.69	1.53	1.41	1.29	1.19

Source: CMBIGM estimates, Bloomberg

Figure 9: Comps table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
FriendTimes	6820 HK	212	HKD	0.8	BUY	1.3	NA	38.4	7.1	1.4	1.2	1.0	NA
Domestic Game													
Tencent	700 HK	408,420	HKD	335	BUY	458	20.1	17.0	15.0	4.8	4.3	3.9	15%
NetEase	NTES US	65,482	USD	102	BUY	123	18.2	16.7	15.2	4.5	4.1	3.7	6%
XD Inc	2400 HK	1,036	HKD	17	NA	NA	50.8	20.3	12.4	1.8	1.5	1.2	136%
Kingsoft	3888 HK	5,267	HKD	30	NA	NA	49.6	29.6	23.0	4.3	3.6	3.0	49%
IGG	799 HK	543	HKD	4	NA	NA	NA	5.7	4.9	0.8	0.7	0.7	NA
CMGE	302 HK	570	HKD	2	BUY	4	6.9	5.3	4.4	0.8	0.6	0.5	26%
Archosaur Games	9990 HK	371	HKD	4	NA	NA	14.5	12.2	7.6	1.5	1.4	1.7	NA
Perfect World	002624 CH	3,730	CNY	14	BUY	49	18.2	14.9	12.9	3.1	2.7	2.5	19%
Sanqi Interactive	002555 CH	7,851	CNY	26	BUY	30	16.9	14.7	13.0	3.0	2.7	2.4	14%
Giant Network	002558 CH	3,775	CNY	14	NA	NA	20.8	17.6	15.8	7.7	7.2	6.4	17%
G-bits	603444 CH	3,972	CNY	403	NA	NA	19.2	16.1	14.2	5.3	4.5	4.1	15%
Kingnet Network	002517 CH	4,345	CNY	15	NA	NA	22.0	17.4	14.7	6.5	5.3	4.6	21%
Average							17.4	13.8	12.8	3.3	2.8	2.6	17%
International Game													
Activision Blizzard	ATVI US	71,481	USD	91	NA	NA	21.9	20.9	20.0	7.5	7.3	7.0	5%
Electronic Arts	EA US	32,694	USD	121	NA	NA	17.5	15.9	15.0	4.3	4.0	3.9	11%
Take-Two	TTWO US	23,822	USD	140	NA	NA	42.8	18.7	16.5	4.3	3.0	2.9	65%
ROBLOX	RBLX US	18,034	USD	29	NA	NA	NA	NA	NA	5.5	4.7	4.1	NA
Nintendo	7974 JT	54,867	JPY	6,180	NA	NA	19.4	22.4	22.1	5.0	5.2	5.0	-6%
Bandai Namco	7832 JT	15,462	JPY	3,396	NA	NA	23.0	20.8	19.2	2.2	2.1	2.0	9%
Square Enix	9684 JT	4,531	JPY	5,409	NA	NA	16.6	15.2	15.3	1.8	1.8	1.8	4%
Z Holdings	4689 JT	21,365	JPY	409	NA	NA	31.5	25.8	21.6	1.7	1.6	1.4	21%
CyberAgent	4751 JT	3,017	JPY	872	NA	NA	50.3	21.7	16.4	0.6	0.6	0.5	73%
Sony	6758 JT	104,573	JPY	12,130	NA	NA	16.9	15.2	13.9	1.3	1.2	1.2	11%
Capcom	9697 JT	10,853	JPY	5,957	NA	NA	36.6	33.0	30.0	10.8	9.5	8.8	10%
Oriental Land	4661 JT	64,245	JPY	5,168	NA	NA	80.3	66.3	57.8	15.4	13.2	12.3	19%
Nexon	3659 JT	15,862	JPY	2,717	NA	NA	20.4	19.0	17.2	5.5	5.1	4.8	9%
Average							24.7	20.8	18.8	3.6	3.3	3.1	8%
Average							23.1	17.4	15.7	3.5	3.1	2.9	13%

Source: Bloomberg, CMBIGM

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	1,616	1,524	1,142	1,401	1,592
Games	1,616	1,524	1,142	1,401	1,591
Others	0	1	1	1	1
COGS	(527)	(480)	(371)	(448)	(509)
Gross profit	1,089	1,044	771	953	1,083
S&M	(456)	(647)	(459)	(561)	(501)
R&D	(365)	(357)	(308)	(329)	(334)
G&A	(67)	(70)	(47)	(55)	(56)
Other income	39	48	25	29	29
Operating profit	241	17	(18)	37	220
Finance costs	(0)	(0)	(0)	(0)	(0)
Other gains, net	(7)	7	0	4	2
Pre-tax Income	234	24	(18)	41	222
Income Tax	42	1	1	(2)	(16)
MI	-	-	-	-	-
Net profit	275	25	(80)	38	206
Adj. net profit	275	25	(80)	38	206

Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Pre-tax Income	234	24	(18)	41	222
D&A	23	42	39	36	33
Change in WC	(2)	106	(15)	6	5
Others	8	(17)	(7)	(14)	(27)
Operating CF	263	155	(1)	68	233
Capex	(57)	(38)	(38)	(38)	(38)
Others	(329)	(43)	10	14	14
Investing CF	(386)	(81)	(28)	(25)	(25)
Equity raised	0	0	0	0	0
Change of debts	0	0	0	0	0
Others	(217)	(225)	(0)	(0)	(0)
Financing CF	(217)	(225)	(0)	(0)	(0)
Net change in cash	(340)	(348)	(29)	43	208
Cash (beg of yr)	1,093	752	404	375	418
FX	(1)	0	0	0	0
Cash (end of yr)	752	404	375	418	626

Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	565	556	564	567	572
Fixed asset	279	266	276	279	284
Right-of-use assets	9	9	5	4	3
Intangible assets	3	4	6	7	8
Others	275	277	277	277	277
Current assets	1,241	1,057	894	963	1,190
Cash	752	404	375	418	626
Trade receivables	183	104	103	126	143
Other current assets	307	549	417	419	420
Current liabilities	151	106	136	165	187
Bank loans	-	-	-	-	-
Trade and other payables	117	80	88	107	121
Lease liabilities	1	1	1	1	1
Other current liabilities	33	25	47	57	65
Non-current liabilities	9	10	15	20	22
Contract liabilities	9	10	10	13	14
Lease liabilities	-	0	5	8	8
Others	-	-	-	-	-
Total Equity	1,646	1,497	1,591	1,630	1,836

Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Sales mix (%)					
Games	100.0	99.9	100.0	99.9	99.9
Others	0.0	0.1	0.0	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	(25.9)	(5.7)	(25.1)	22.7	13.6
Gross profit	(25.8)	(4.2)	(26.2)	23.6	13.6
EBIT	(55.7)	(92.8)	NA	NA	490.4
Net profit	(45.3)	(90.9)	NA	NA	437.7
P&L ratios (%)					
Gross Margin	67.4	68.5	67.5	68.0	68.0
Pre-tax margin	14.5	1.6	(1.6)	2.9	13.9
Adj. net margin	17.0	1.6	(7.0)	2.7	12.9
Effective tax rate	(17.8)	(2.8)	5.0	6.0	7.0
Returns (%)					
ROE	16.7	1.7	NA	2.4	11.2
ROA	15.2	1.6	NA	2.5	11.7
Adj. EPS (RMB)	0.13	0.01	(0.04)	0.02	0.09
DPS (RMB)	0.12	0.06	NA	0.01	0.05
BVPS (RMB)	0.75	0.69	0.73	0.75	0.84

Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBIGMG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBIGMG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBIGMG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBIGMG at +65 6350 4400 for matters arising from, or in connection with the report.