

Vesync (2148 HK)

Signs of turnaround are forming in 1Q23

After a fairly disappointing FY22 (sales dragged by Amazon's de-stocking and net profit hurt by products recall and shipping costs etc.), there are signs of turnaround (sell-in growth had finally picked up and GP margin expansion begins) in 1Q23 for Vesync. With undemanding valuation, we maintain BUY.

■ **1Q23 gross sales growth was at 24%, inline with guidance but way faster than the industry.** Vesync reported gross sales (which is a proxy for the sell-in GMV) growth of 24% YoY in 1Q23, significantly accelerated from the 5% in 2H22. Such result was a mixture of 16%/ 80% sales growth on Amazon/ non-Amazon platforms or 10%+/ 50%+ growth in US/ EU (CMBI est.). While the growth is inline with Company's FY23E guidance, it is certainly better than the flattish US industry growth or negative growth by SharkNinja (CMBI est.). We believe this was driven mainly by: 1) easing in Amazon's de-stocking, 2) solid market shares gain by Levoit's air purifiers and humidifiers in US, 3) robust sales growth for Cosori's air fryers in EU and 4) rapid penetration into the offline channels (e.g. Walmart, BESTBUY, Target, The Home Depot). Moreover, as the costs pressure shall gradually eased, we believe NP growth shall be much faster, which is similar to various peer's guidance in general (in the global small appliances space).

■ **FY23E guidance (20%+ sales growth and 10%+ NP margin) reiterated.** Management is aiming for 20%-30% sales growth in FY23E (while we only put in 18%), driven by 10%+ in US and 40%+ in EU. This also implies a normalization of sell-in and sell-out growth, as de-stocking pressure from Amazon had finally eased. In fact, a major improvement in FY23E should be the GP margin expansion, when we are forecasting a 41% GP margin, up around 3ppt (from about 4ppt and 1ppt potential savings in shipping and raw material costs) from the 38% adjusted GP margin in FY22 (if we exclude the roughly 10ppt drags from products recall). Moreover, we are also expecting some improvements on opex, thanks to potential leverage from staff costs and R&D expenses (where head counts and development costs are largely frozen) while A&P expenses and storage fees are more likely to increase in proportion with sales. All in all, management is also guiding a 10%+ NP margin for FY23E.

■ **Maintain BUY but cut TP to HK\$ 4.70 after the significant hit on earnings.** We cut our FY23E/ 24E net profit forecasts by 14%/ 20% to factor in: 1) slower than expected sell-in growth in 4Q22, 2) one-off earnings hit by product recalls in 4Q22, 3) potential import tariffs since 4Q23E. However, supported by its industry leading growth (16% sales and 40% adj. net profit CAGR in FY22-25E), its current valuation of 10x is not demanding. Our TP is based on 14x FY23E P/E (down from 16x, vs 3 years average of 12x).

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	454	490	579	677	769
YoY growth (%)	30.2	8.0	18.0	16.9	13.6
Operating profit (US\$ mn)	51	(21)	63	79	97
Net profit (US\$ mn)	41.6	(16.3)	50.4	64.3	81.8
EPS (Reported) (US\$ cents)	3.63	(1.40)	4.33	5.52	7.02
YoY growth (%)	(25.3)	na	na	27.6	27.2
P/E (x)	9.0	12.0	(31.1)	10.1	7.9
P/B (x)	1.9	1.6	1.6	1.4	1.2
Yield (%)	3.8	3.7	0.0	0.0	0.0
ROE (%)	39.6	14.5	(5.2)	14.8	16.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$4.70**
(Previous TP) HK\$6.23
Up/Downside **38.2%**
Current Price **HK\$3.40**

China Consumer Discretionary

Walter WOO
(852) 3761 8776
walterwoo@cmbi.com.hk

Raphael TSE
(852) 3900 0856
raphaeltse@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn) 3,961.3
Avg 3 mths t/o (HK\$ mn) 0.4
52w High/Low (HK\$) 5.88/2.09
Total Issued Shares (mn) 1165.1
Source: FactSet

Shareholding Structure

Ms. Yang Lin & Mr. Ryan Xu 36.2%
Mr. Yang Yuzheng 32.7%
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.3%	1.2%
3-mth	-20.9%	-11.1%
6-mth	58.9%	22.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **FY22 result recap, mainly affected by Amazon's de-stocking, surge in shipping, marketing and staff costs, plus the one-off expenses on products recall.** Sales increased by only 8% YoY in FY22, far below the 40% YoY sell-out GMV growth, which was a result of: 1) lack of storage space in the Amazon's warehouses (effectively a de-stocking in channel inventory), 2) change in recognition of revenue due to the shift from "Seller Central" model to "Vendor Central" in EU, etc. While the net losses of US\$16mn were actually registered in FY22, because of: 1) the accidental products recall (which caused around US\$ 46mn in total, assuming 40% of total units sold will be returned), 2) rocketed shipping costs and 3) heavy investments in staff and R&D expenses (hired many talents from different re-owned companies in the industry and launched many new products in both the existing and new product categories).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	578,817	676,899	769,205	597,224	695,404	n/a	-3.1%	-2.7%	n/a
Gross profit	235,092	267,266	303,490	243,961	291,078	n/a	-3.6%	-8.2%	n/a
EBIT	62,769	78,634	97,115	71,116	96,436	n/a	-11.7%	-18.5%	n/a
Net profit att.	50,401	64,314	81,784	58,616	80,134	n/a	-14.0%	-19.7%	n/a
Diluted EPS (USD)	0.043	0.055	0.070	0.050	0.069	n/a	-13.9%	-19.6%	n/a
Gross margin	40.6%	39.5%	39.5%	40.8%	41.9%	n/a	-0.2ppt	-2.4ppt	n/a
EBIT margin	10.8%	11.6%	12.6%	11.9%	13.9%	n/a	-1.1ppt	-2.3ppt	n/a
Net profit att. margin	8.7%	9.5%	10.6%	9.8%	11.5%	n/a	-1.1ppt	-2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	578,817	676,899	769,205	603,571	716,429	866,250	-4.1%	-5.5%	-11.2%
Gross profit	235,092	267,266	303,490	243,139	264,004	362,526	-3.3%	1.2%	-16.3%
EBIT	62,769	78,634	97,115	62,814	83,243	104,325	-0.1%	-5.5%	-6.9%
Net profit att.	50,401	64,314	81,784	51,633	67,817	83,525	-2.4%	-5.2%	-2.1%
Diluted EPS (USD)	0.043	0.055	0.070	0.041	0.048	0.066	6.9%	15.1%	6.4%
Gross margin	40.6%	39.5%	39.5%	40.3%	36.9%	41.9%	0.3ppt	2.6ppt	-2.4ppt
EBIT margin	10.8%	11.6%	12.6%	10.4%	11.6%	12.0%	0.4ppt	0ppt	0.6ppt
Net profit att. margin	8.7%	9.5%	10.6%	8.6%	9.5%	9.6%	0.2ppt	0ppt	1ppt

Source: Company data, CMBIGM estimates

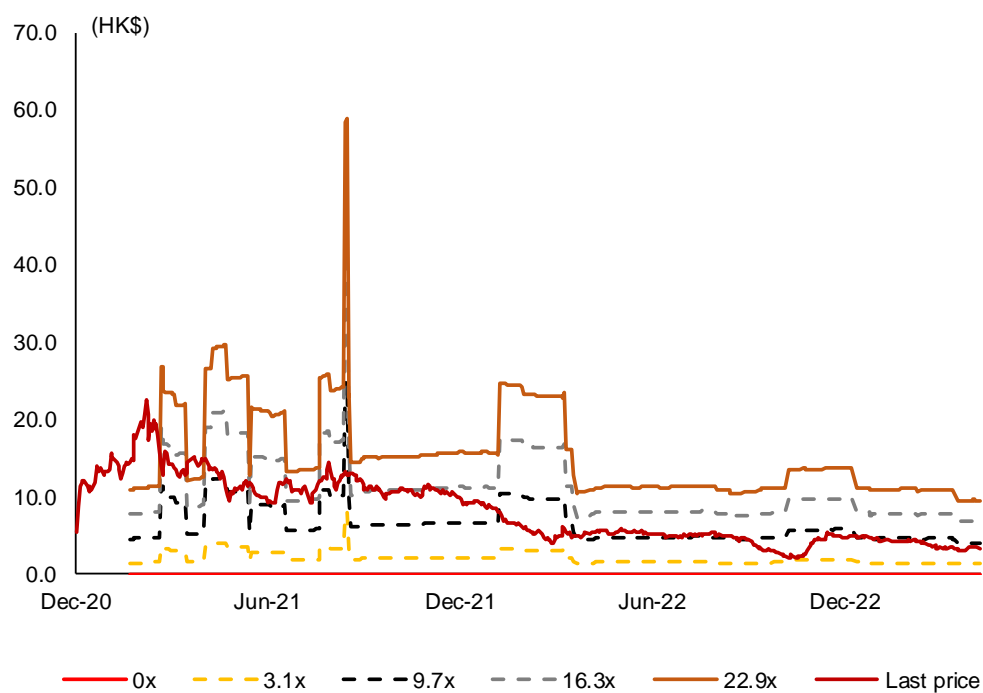
Valuation

Peers Valuation

Figure 3: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.	
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$ mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
A+ H shares Small Home Appliances															
Vesync	2148 HK	BUY	4.70	3.40	38%	3,954	Dec-22	10.1	7.9	1.4	(5.2)	(0.0)	0.0	(29.6)	
Js Global Lifestyle	1691 HK	BUY	9.72	6.93	40%	24,218	Dec-22	7.1	6.2	1.2	17.7	0.2	5.7	(21.0)	
Joyoung	002242 CH	NR	n/a	15.89	n/a	13,814	Dec-22	16.0	14.0	3.2	14.0	0.7	5.1	(3.6)	
Zhejiang Supor	002032 CH	NR	n/a	52.71	n/a	48,201	Dec-22	18.5	16.7	5.3	28.2	1.6	3.6	6.6	
Xinbao	002705 CH	NR	n/a	16.76	n/a	15,705	Dec-21	14.3	11.8	2.0	16.2	0.8	2.9	0.7	
Bear Electric	002959 CH	NR	n/a	89.75	n/a	15,870	Dec-22	28.8	24.7	5.1	17.4	1.5	1.4	48.8	
Ecovacs Robotics	603486 CH	NR	n/a	72.58	n/a	47,089	Dec-21	24.4	19.8	6.5	35.4	4.1	1.4	(0.5)	
Beijing Roborock	688169 CH	NR	n/a	302.17	n/a	32,089	Dec-21	23.7	19.2	3.0	14.4	4.0	0.5	22.0	
Kingclean Electric	603355 CH	NR	n/a	27.27	n/a	17,743	Dec-22	14.8	12.6	3.8	25.1	5.7	4.9	(2.7)	
								Avg.	17.5	14.8	3.5	18.1	2.1	2.9	2.3
								Med.	16.0	14.0	3.2	17.4	1.5	2.9	(0.5)
A + H Home Appliances															
Midea	000333 CH	BUY	67.79	57.65	18%	458,820	Dec-21	13.4	12.1	2.8	23.0	2.2	3.3	11.3	
Gree Electric	000651 CH	NR	n/a	40.84	n/a	260,678	Dec-21	9.1	8.2	2.0	27.4	1.1	6.3	26.4	
Haier Smart Home	600690 CH	NR	n/a	22.49	n/a	231,812	Dec-22	12.4	10.8	2.0	17.0	43.2	3.0	(8.1)	
Haier Smart Home	6690 HK	BUY	29.10	23.80	22%	231,813	Dec-22	11.6	10.2	1.9	17.0	(22.6)	3.3	(10.5)	
Hisense Home	921 HK	NR	n/a	18.22	n/a	35,265	Dec-22	12.2	10.4	1.7	13.1	0.6	3.4	111.6	
Hisense Home	000921 CH	NR	n/a	26.27	n/a	35,265	Dec-22	20.7	17.6	2.8	13.1	1.1	2.6	99.5	
Whirlpool China	600983 CH	NR	n/a	8.48	n/a	7,367	Dec-21	17.7	15.1	0.6	(14.1)	(0.1)	1.8	22.5	
Hangzhou Robam	002508 CH	NR	n/a	26.93	n/a	28,968	Dec-21	13.8	12.1	2.5	13.5	0.7	2.5	(3.0)	
Vatti	002035 CH	NR	n/a	6.96	n/a	6,687	Dec-21	16.9	11.8	1.7	6.2	0.4	2.1	25.6	
								Avg.	14.2	12.0	2.0	12.9	3.0	3.1	30.6
								Med.	13.4	11.8	2.0	13.5	0.7	3.0	22.5
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	80	n/a	146,233	Dec-22	15.8	13.5	3.1	21.7	1.0	2.5	(8.5)	
Smith (A.O.) Corp	AOS US	NR	n/a	69	n/a	81,647	Dec-22	20.7	19.3	5.5	13.2	0.6	1.8	20.4	
Helen Of Troy Ltd	HELE US	NR	n/a	86	n/a	16,161	Feb-22	9.2	10.1	1.4	10.4	4.2	n/a	(22.6)	
De'Longhi Spa	DLG IM	NR	n/a	20	n/a	26,477	Dec-22	14.6	13.2	1.7	11.0	1.2	2.6	(3.3)	
Irobot Corp	IRBT US	NR	n/a	44	n/a	9,388	Dec-22	n/a	n/a	3.3	(48.0)	n/a	0.0	(9.4)	
Seb Sa	SK FP	NR	n/a	100	n/a	47,635	Dec-22	13	11.1	1.7	10.3	0.6	2.5	27.3	
Breville Group	BRG AU	NR	n/a	20	n/a	15,126	Jun-22	27	23.5	4.0	16.2	4.5	1.5	10.7	
Koninklijke Philips	PHIA NA	NR	n/a	19	n/a	147,587	Dec-22	17.7	13.6	1.3	(11.6)	(0.1)	4.5	37.1	
								Avg.	16.9	14.9	2.8	2.9	1.7	2.2	6.5
								Med.	15.8	13.5	2.4	10.7	1.0	2.5	3.7
International Home Appliances															
Whirlpool	WHR US	NR	n/a	140.70	n/a	60,746	Dec-22	8.8	7.8	2.8	(60.6)	(0.0)	5.1	(0.5)	
Ingersoll-Rand	IR US	NR	n/a	55.37	n/a	176,012	Dec-22	21.7	19.7	2.3	6.6	0.8	0.2	6.0	
Electrolux Ab-B	ELUXB SS	NR	n/a	136	n/a	29,513	Dec-22	18.8	8.9	2.1	(7.5)	(0.1)	4.0	(3.4)	
Daikin Industries	6367 JP	NR	n/a	23530	n/a	404,330	Mar-22	27.0	24.3	3.2	12.4	4.1	0.9	16.5	
Panasonic	6752 JP	NR	n/a	1293.00	n/a	186,021	Mar-22	14.7	11.7	0.9	7.1	(56.9)	2.4	16.4	
Fujitsu General	6755 JP	NR	n/a	3770.00	n/a	24,166	Mar-22	40.9	25.5	3.0	2.3	0.7	0.9	19.1	
Lg Electronics	066570 KS	NR	n/a	108900.	n/a	104,417	Dec-22	8.6	6.8	0.9	6.0	0.2	0.8	25.9	
Samsung	005930 KS	NR	n/a	63600.0	n/a	2,224,576	Dec-22	39.7	13.7	1.2	15.0	(6.8)	2.3	15.0	
								Avg.	22.5	14.8	2.0	(2.3)	(7.2)	2.1	11.9
								Med.	20.2	12.7	2.2	6.3	0.1	1.6	15.7

Source: Bloomberg, CMBIGM estimates

Figure 4: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 5: CMBI's assumptions

USD mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by region (USD k)						
North America	302,318	358,060	366,182	404,942	459,556	508,393
Europe	40,718	81,041	107,946	151,124	188,906	226,687
Asia	5,886	15,149	16,250	22,750	28,438	34,125
Total	348,922	454,250	490,378	578,817	676,899	769,205
Sales growth by region (%)						
North America	103.4%	18.4%	2.3%	10.6%	13.5%	10.6%
Europe	85.3%	99.0%	33.2%	40.0%	25.0%	20.0%
Asia	349.7%	157.4%	7.3%	40.0%	25.0%	20.0%
Total	103.0%	30.2%	8.0%	18.0%	16.9%	13.6%
Sales growth by segment (%)						
Seller Central	23.0%	-27.0%	-92.8%	-5.0%	0.0%	0.0%
Vendor Central	166.7%	45.4%	19.7%	9.1%	7.3%	9.0%
Others (including offline)	860.0%	197.6%	95.1%	65.0%	50.0%	25.0%
GP margins by region						
North America	44.2%	39.5%	29.0%	42.0%	40.0%	40.0%
Europe	40.0%	36.0%	28.0%	37.0%	38.0%	38.0%
Asia	43.0%	37.0%	37.0%	40.0%	41.0%	41.0%
Total	43.7%	38.8%	29.0%	40.6%	39.5%	39.5%
GP margins by segment						
Seller Central	41.0%	35.0%	25.0%	35.0%	35.5%	36.0%
Vendor Central	46.1%	40.7%	28.5%	43.0%	42.0%	42.1%
Others (including offline)	23.0%	30.0%	32.0%	33.0%	33.5%	34.0%
Opex breakdown						
A & P	-3.5%	-4.7%	-7.3%	-7.3%	-7.2%	-7.1%
Commission to platform	-4.9%	-2.8%	-0.5%	-0.4%	-0.3%	-0.3%
Staff cost - Opex	-5.8%	-7.0%	-9.4%	-7.7%	-6.8%	-6.4%
Warehousing	-1.8%	-3.9%	-4.2%	-4.2%	-4.2%	-4.2%
R & D	-3.0%	-3.8%	-6.1%	-5.0%	-4.5%	-4.2%
Office expenses	-0.8%	-0.9%	-0.6%	-0.5%	-0.4%	-0.3%
D & A - Opex	-0.6%	-0.8%	-0.8%	-0.6%	-0.5%	-0.4%
Selling & distribution costs / sales	-13.5%	-15.2%	-18.2%	-16.6%	-16.1%	-15.8%
Admin expenses / sales	-11.2%	-11.3%	-14.2%	-12.1%	-10.7%	-9.9%
OP margins						
Effective tax rate	-8.9%	-18.5%	-25.3%	-17.0%	-16.0%	-14.0%
NP att. margins	15.7%	9.2%	-3.3%	8.7%	9.5%	10.6%
NP att. growth (%)	758.8%	-24.0%	n/a	n/a	27.6%	27.2%
Adjusted NP att. growth (%)	758.8%	-24.0%	n/a	n/a	27.6%	27.2%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	349	454	490	579	677	769
Cost of goods sold	(197)	(278)	(348)	(344)	(410)	(466)
Gross profit	152	176	142	235	267	303
Operating expenses	(91)	(126)	(167)	(173)	(189)	(207)
Selling expense	(47)	(69)	(89)	(96)	(109)	(122)
Admin expense	(39)	(51)	(70)	(70)	(72)	(76)
R&D expense	0	0	0	0	0	0
Others	(5)	(6)	(8)	(7)	(8)	(9)
Operating profit	61	51	(21)	63	79	97
Other income	0	1	3	1	1	1
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	62	53	(20)	64	80	98
Depreciation	(1)	(1)	(1)	(1)	(1)	(1)
Other amortisation	(0)	(1)	(0)	(0)	(0)	(0)
Interest income	0	1	1	1	1	1
Interest expense	(1)	(1)	(2)	(3)	(3)	(3)
Net Interest income/(expense)	(1)	(0)	(1)	(2)	(2)	(2)
Other income/expense	(0)	(0)	0	0	0	0
Pre-tax profit	60	51	(22)	61	77	95
Income tax	(5)	(9)	6	(10)	(12)	(13)
Minority interest	0	0	0	0	0	0
Net profit	55	42	(16)	50	64	82

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	339	416	489	498	640	677
Cash & equivalents	183	127	234	179	293	275
Account receivables	35	106	46	134	77	162
Inventories	96	129	152	125	205	170
Prepayment	25	22	23	28	32	37
ST bank deposits	0	32	32	32	32	32
Other current assets	0	1	1	1	1	1
Non-current assets	31	45	48	52	57	62
PP&E	2	4	7	11	16	22
Investment in JVs & assos	0	12	12	12	12	12
Intangibles	0	0	0	0	(0)	(0)
Goodwill	0	0	0	0	0	0
Other non-current assets	28	28	28	28	28	28
Total assets	370	461	537	550	696	739
Current liabilities	97	133	207	169	252	213
Short-term borrowings	3	35	35	35	35	35
Account payables	46	38	109	64	139	92
Tax payable	17	17	17	17	17	17
Other current liabilities	32	43	46	53	61	69
Non-current liabilities	12	13	13	13	13	13
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	12	13	13	13	13	13
Total liabilities	110	146	221	183	265	226
Share capital	1	2	2	2	2	2
Retained earnings	190	200	202	253	317	399
Other reserves	69	113	113	113	113	113
Total shareholders equity	260	315	316	367	431	513
Minority interest	0	0	0	0	0	0
Total equity and liabilities	370	461	537	550	696	739

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	60	51	(22)	61	77	95
Depreciation & amortization	1	2	1	1	1	1
Tax paid	(1)	(8)	6	(10)	(12)	(13)
Change in working capital	(57)	(113)	109	(102)	54	(94)
Others	7	22	1	3	3	3
Net cash from operations	10	(47)	95	(48)	123	(8)
Investing						
Capital expenditure	(1)	(4)	(4)	(5)	(6)	(7)
Acquisition of subsidiaries/ investments	(0)	(0)	0	0	0	0
Others	(5)	(42)	0	0	0	0
Net cash from investing	(6)	(46)	(4)	(5)	(6)	(7)
Financing						
Dividend paid	(4)	(19)	19	0	0	0
Net borrowings	(15)	1	0	0	0	0
Proceeds from share issues	193	29	0	0	0	0
Share repurchases	0	(0)	0	0	0	0
Others	(2)	(4)	(2)	(3)	(3)	(3)
Net cash from financing	171	7	17	(3)	(3)	(3)
Net change in cash						
Cash at the beginning of the year	174	(86)	108	(56)	114	(18)
Exchange difference	(0)	30	0	0	0	0
Others	9	183	127	234	179	293
Cash at the end of the year	183	127	234	179	293	275
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	103.0%	30.2%	8.0%	18.0%	16.9%	13.6%
Gross profit	126.7%	15.5%	(19.2%)	65.2%	13.7%	13.6%
Operating profit	643.3%	(16.4%)	na	na	25.3%	23.5%
EBITDA	598.3%	(14.8%)	na	na	24.7%	23.1%
Net profit	758.8%	(24.0%)	na	na	27.6%	27.2%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	43.7%	38.8%	29.0%	40.6%	39.5%	39.5%
Operating margin	17.6%	11.3%	(4.3%)	10.8%	11.6%	12.6%
EBITDA margin	17.9%	11.7%	(4.1%)	11.1%	11.8%	12.8%
Return on equity (ROE)	39.6%	14.5%	(5.2%)	14.8%	16.1%	17.3%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	3.5	3.1	2.4	2.9	2.5	3.2
Receivable turnover days	27.8	56.8	56.8	56.8	56.8	56.8
Inventory turnover days	119.7	147.1	147.1	147.1	147.1	147.1
Payable turnover days	60.4	54.7	54.7	54.7	54.7	54.7
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	9.0	12.0	(31.1)	10.1	7.9	9.0
P/E (diluted)	9.0	12.0	(31.1)	10.1	7.9	9.0
P/B	6.2	5.8	2.4	1.4	1.2	1.0
P/CFPS	168.3	na	7.9	na	4.1	na
Div yield (%)	1.1	1.0	0.0	0.0	0.0	0.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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 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 CMBIS 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 (CMBISG) (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. CMBISG 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, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.