

# CMGE Technology (302 HK)

## Looking into improving profitability in 2H23E

CMGE delivered above-industrial rev growth (+25% YoY) and profitability in 1H23. Looking ahead, we expect 2H23E to see rev acceleration and stronger earnings, for: 1) rising contribution from newly launched games in 1H23; 2) several key titles to be launched in 4Q23E; 3) R&D to decline with lower outsourcing cost and manageable S&M. We think pipeline delay has been partially priced in recent stock price, and the delay would be acceptable for fierce competition and high TAC in summer. We trimmed its earnings forecast by 28%-39% in FY23-25E to reflect 2H23E pipeline reschedule. Our DCF-based TP was adjusted to HK\$3.2.

■ **1H23 with above-industrial growth and profitability.** Rev +24.6% YoY in 1H23, below our estimates, primarily attributable to resilient legacy games and several new launches, such as Sword and Fairy: Wen Qing <新仙剑之挥剑问情>, Rakshasa Street: Chosen One <镇魂街>, Cultivation Fantasy <我的御剑日记>. Bottom line achieved breakeven with profit of RMB76mn in 1H23 (suggesting adj. NPM at 5%), backed by higher-than-expected other income at RMB70mn and disciplined S&M, partially offset by lower GP and higher R&D expenses. 1H23 GPM declined to 34% from 41% in 1H22, due to 1) higher commission shared by publishing channels; 2) higher amortization of IP royalties on the publishing of IP games (e.g. Ultraman: The Gathering).

■ **Pipeline delay partially priced in, looking into strong earnings in 2H23E.** In 2H23E, two titles would be rescheduled to launch in 4Q23E, including Hoop City 3v3 <全民街篮, licensed/4Q23>, and Soul Land: Shrek College <斗罗大陆: 史莱克学院, licensed/4Q23>. Given fierce competition and high TAC in summer, we view this delay as acceptable. As the blockbuster game, Sword and Fairy World <仙剑世界> has obtained licenses for both mobile and PC versions and several rounds of testing will begin before launch by the end of 2023. With rising contribution from newly launched games in 1H23, we expect 2H23E to see rev acceleration and margin improvement. Mgmt. guided R&D expenses to decline YoY for lower outsourcing cost, and S&M/rev ratio at 10% in 2H23E, attributable to 1) brand effect of IPs, 2) higher user retention with effective operating, and 3) multiple distribution channels to achieve high ROI.

■ **Maintain BUY.** We trimmed its earnings by 28%-39% in FY23-25E to reflect 2H23E pipeline reschedule. Our DCF-based TP was adjusted to HK\$3.2, with multiple rolling over to 15x FY24E P/E. The stock is trading at 10x/7x FY23/24E P/E, with limited downside risk, in our view.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	3,957	2,714	3,435	4,477	5,372
YoY change (%)	4%	-31%	27%	30%	20%
Adj. net income (RMB mn)	630	(196)	365	516	672
Adj. EPS (RMB)	0.27	(0.07)	0.13	0.19	0.24
YoY growth (%)	-22%	NA	NA	41%	30%
Consensus EPS (RMB)	NA	NA	0.21	0.27	0.34
P/E (x)	4.7	NA	9.6	6.8	5.2
P/S (x)	0.7	1.1	0.9	0.7	0.5
Yield (%)	3%	3%	3%	3%	3%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

Target Price **HK\$3.20**  
 (Previous TP **HK\$3.52**)  
 Up/Downside **+124%**  
 Current Price **HK\$1.43**

### China Entertainment 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) 3,964  
 Avg 3 mths t/o (HK\$ mn) 20.36  
 52w High/Low (HK\$) 2.71/ 1.10  
 Total Issued Shares (mn) 2,753  
 Source: Bloomberg

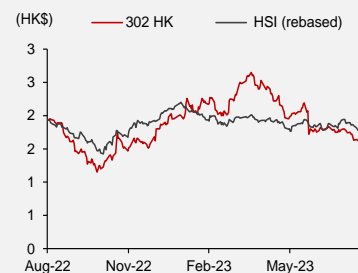
**Shareholding Structure**  
 Fairview Ridge Investment 25.2%  
 Pegasus Network 10.7%  
 C&T Services 5.2%  
 Source: Bloomberg

**Share Performance**

	Absolute	Relative
1-mth	-18.3%	-11.8%
3-mth	-26.9%	-23.7%
6-mth	-34.2%	-26.7%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

**Figure 1: 1H23 financial review**

RMB mn, Dec-YE	1H21	2H21	1H22	2H22	1H23	YoY
<b>Revenue</b>	<b>2,180</b>	<b>1,776</b>	<b>1,233</b>	<b>1,481</b>	<b>1,535</b>	<b>25%</b>
Cost of sales	(1,341)	(1,143)	(732)	(870)	(1,019)	
<b>Gross profit</b>	<b>840</b>	<b>634</b>	<b>501</b>	<b>611</b>	<b>516</b>	<b>3%</b>
Sales and distribution expenses	(225)	(272)	(115)	(123)	(120)	
Administrative expenses	(184)	(262)	(313)	(418)	(352)	
Other income	34	203	30	34	70	
<b>Operating (loss)/profit</b>	<b>465</b>	<b>302</b>	<b>104</b>	<b>103</b>	<b>114</b>	<b>10%</b>
Finance costs	(11)	(13)	(16)	(19)	(10)	
Share of loss of an associate	(2)	(0)	(7)	(10)	10	
<b>Profit before tax</b>	<b>423</b>	<b>228</b>	<b>(19)</b>	<b>(156)</b>	<b>43</b>	<b>NA</b>
Income tax expense	(44)	(13)	(6)	(35)	8	
Profit for the year	378	216	(25)	(191)	51	<b>NA</b>
<b>Adjusted net profit</b>	<b>402</b>	<b>228</b>	<b>(16)</b>	<b>(180)</b>	<b>76</b>	<b>NA</b>

**Margin Analysis**

Gross margin	39%	36%	41%	41%	34%
Operating margin	21%	17%	8%	7%	7%
Adj. net margin	18%	13%	-1%	-12%	5%

Source: Company data, Bloomberg

**Figure 2: CMGE's financial forecasts**

RMB mn, Dec-YE	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>3,957</b>	<b>2,714</b>	<b>3,435</b>	<b>4,477</b>	<b>5,372</b>
Game publishing	2,820	2,114	2,689	2,396	2,948
Game development	905	453	583	1,813	2,131
IP licensing	232	147	162	267	294
Cost of sales	(2,483)	(1,602)	(2,253)	(2,865)	(3,384)
<b>Gross profit</b>	<b>1,473</b>	<b>1,112</b>	<b>1,182</b>	<b>1,612</b>	<b>1,988</b>
Selling and distribution expenses	(498)	(238)	(309)	(410)	(500)
Administrative expenses	(446)	(731)	(676)	(783)	(913)
Other expenses	(31)	(193)	(34)	(38)	(34)
<b>Operating profit</b>	<b>499</b>	<b>(50)</b>	<b>162</b>	<b>380</b>	<b>540</b>
Other income and gains	237	64	209	164	168
Finance costs	(24)	(35)	(23)	(20)	(21)
Share of profits and losses of JV	(4)	(0)	-	-	-
Share of profits and losses of associates	(2)	(17)	19	(0)	1
<b>Pre-tax profit</b>	<b>705</b>	<b>(38)</b>	<b>368</b>	<b>524</b>	<b>687</b>
Tax	(57)	(41)	(37)	(52)	(69)
<b>Profit for the period from continuing operations</b>	<b>648</b>	<b>(80)</b>	<b>331</b>	<b>471</b>	<b>619</b>
Profit for the period from a discontinued operation	-	-	-	-	-
<b>Profit for the period</b>	<b>594</b>	<b>(217)</b>	<b>331</b>	<b>471</b>	<b>619</b>
MI	(18)	(12)	0	0	0
<b>Net profit attributable to ordinary shareholders</b>	<b>612</b>	<b>(205)</b>	<b>331</b>	<b>471</b>	<b>619</b>
<b>Adj. net profit</b>	<b>630</b>	<b>(196)</b>	<b>365</b>	<b>516</b>	<b>672</b>

**Margin Analysis**

Gross margin	37%	41%	34%	36%	37%
Operating margin	13%	-2%	5%	8%	10%
Net margin	16%	-7%	11%	12%	13%

**Growth Analysis**

Revenue	4%	-31%	27%	30%	20%
Gross profit	20%	-25%	6%	36%	23%
Operating profit	17%	NA	NA	134%	42%
Net profit	-22%	NA	NA	41%	30%

Source: Company data, CMBIGM estimates

## Maintain BUY with lower TP at HK\$3.2

To reflect 2H23E pipeline reschedule, we trimmed its earnings forecast by 28%-39% in FY23-25E. FY23E rev would grow 27% YoY, with adj. net profit at RMB365mn. Looking into FY24E, we expect rev acceleration ahead, backed by: 1) several key titles rescheduled to launch in 4Q23E, thus contributing more rev in FY24E; and 2) grossing upside from Sword and Fair World <仙剑世界>. Our DCF-based TP was adjusted to HK\$3.2, implying 15x FY24E P/E, in line with industrial average of domestic peers.

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,435	4,477	5,372	4,880	6,474	8,074	-29.6%	-30.9%	-33.5%
Gross profit	1,182	1,612	1,988	1,915	2,578	3,129	-38.3%	-37.5%	-36.5%
Operating profit	162	380	540	562	804	913	-71.1%	-52.7%	-40.8%
Adj. net profit	365	516	672	593	774	932	-38.5%	-33.3%	-27.8%
EPS (RMB)	0.13	0.19	0.24	0.21	0.27	0.34	-37.5%	-30.7%	-27.5%
Gross margin	34.4%	36.0%	37.0%	39.3%	39.8%	38.8%	-4.9ppts	-3.8ppts	-1.8ppts
Operating margin	4.7%	8.5%	10.1%	11.5%	12.4%	11.3%	-6.8ppts	-3.9ppts	-1.3ppts
Net margin	10.6%	11.5%	12.5%	12.2%	12.0%	11.5%	-1.5ppts	-0.4ppts	+1.0ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	3,435	4,477	5,372	5,350	7,403	8,436	-35.8%	-39.5%	-36.3%
Gross profit	1,182	1,612	1,988	2,193	3,035	3,459	-46.1%	-46.9%	-42.5%
Operating profit	162	380	540	721	987	1,130	-77.5%	-61.5%	-52.2%
Adj. net profit	365	516	672	601	812	931	-39.2%	-36.4%	-27.8%
EPS (RMB)	0.13	0.19	0.24	0.22	0.29	0.34	-39.2%	-36.4%	-27.8%
Gross margin	34.4%	36.0%	37.0%	41.0%	41.0%	41.0%	-6.6ppts	-5.0ppts	-4.0ppts
Operating margin	4.7%	8.5%	10.1%	13.5%	13.3%	13.4%	-8.7ppts	-4.8ppts	-3.3ppts
Net margin	10.6%	11.5%	12.5%	11.2%	11.0%	11.0%	-0.6ppts	+0.6ppts	+1.5ppts

Source: Company data, CMBIGM estimates

Figure 5: DCF valuation

DCF Valuation (Rmb mn)										
	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	390	544	709	886	1,074	1,268	1,463	1,653	1,837	2,010
Tax	(37)	(52)	(69)	(133)	(161)	(190)	(219)	(248)	(276)	(302)
D&A	40	37	39	41	43	45	47	50	52	55
Change in working capital	91	(337)	(286)	(289)	(292)	(295)	(298)	(301)	(304)	(307)
CAPEX	(30)	(30)	(30)	(32)	(33)	(35)	(36)	(38)	(40)	(42)
FCF	454	161	363	473	631	793	956	1,116	1,269	1,414
FCF Growth		-65%	126%	31%	33%	26%	21%	17%	14%	11%
PV	454	140	275	313	363	398	417	424	420	3,967
Terminal Value										12,334

Assumptions	
WACC	14.8%
Tax rate	-15.0%
Risk free rate	3.95%
Beta	1.2
Market risk return	13.0%
Cost of equity	14.8%
Long term growth	3.0%

Equity Value	
PV	7,172
minus: Net debt (Rmb mn)	(810)
minus: Minority interest (Rmb mn)	0
Equity Value(Rmb mn)	7,982
FX	0.9
Target Price (HK\$) based on DCF	3.20

		WACC				
Terminal growth rate	~	13%	14%	15%	16%	17%
	1.5%	3.63	3.30	3.02	2.79	2.59
	2.0%	3.72	3.37	3.08	2.83	2.63
	2.5%	3.81	3.45	3.14	2.88	2.66
	3.0%	3.92	3.53	3.20	2.93	2.71
	3.5%	4.04	3.62	3.27	2.99	2.75
	4.0%	4.17	3.72	3.35	3.05	2.80
	4.5%	4.32	3.83	3.44	3.12	2.85

Source: CMBIGM estimates, Bloomberg

**Figure 6: Comps table**

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
<b>CMGE</b>	<b>302 HK</b>	<b>509</b>	<b>HKD</b>	<b>1.4</b>	<b>BUY</b>	<b>3.2</b>	<b>9.6</b>	<b>6.8</b>	<b>5.2</b>	<b>0.9</b>	<b>0.7</b>	<b>0.5</b>	<b>36%</b>
<b>Domestic Game</b>													
Tencent	700 HK	398,081	HKD	327	BUY	458	19.6	16.6	14.7	4.7	4.2	3.8	15%
NetEase	NTES US	63,695	USD	99	BUY	125	16.0	15.4	14.1	4.4	4.0	3.6	3%
XD Inc	2400 HK	1,002	HKD	16	NA	NA	52.9	20.3	12.3	1.7	1.4	1.2	136%
Kingsoft	3888 HK	5,257	HKD	30	NA	NA	53.6	32.4	23.9	4.3	3.6	3.1	44%
IGG	799 HK	536	HKD	4	NA	NA	NA	6.8	4.5	0.8	0.7	0.6	NA
FriendTimes	6820 HK	208	HKD	1	BUY	1	39.3	5.5	3.1	1.1	0.8	0.7	112%
Archosaur Games	9990 HK	322	HKD	3	NA	NA	NA	16.5	6.6	1.8	1.4	1.5	NA
Perfect World	002624 CH	3,548	CNY	13	BUY	49	17.4	14.3	12.4	2.9	2.6	2.3	19%
Sanqi Interactive	002555 CH	7,617	CNY	25	BUY	30	16.5	14.4	12.7	2.9	2.6	2.4	14%
Giant Network	002558 CH	3,601	CNY	13	NA	NA	20.0	17.0	15.1	7.6	7.0	6.2	16%
G-bits	603444 CH	3,986	CNY	403	NA	NA	19.9	16.2	14.1	5.5	4.6	4.1	18%
Kingnet Network	002517 CH	4,200	CNY	14	NA	NA	21.4	16.9	14.2	6.3	5.2	4.5	21%
<b>Average</b>							<b>18.7</b>	<b>14.5</b>	<b>12.3</b>	<b>3.3</b>	<b>2.8</b>	<b>2.5</b>	<b>27%</b>
<b>International Game</b>													
Activision Blizzard	ATVI US	72,118	USD	92	NA	NA	21.7	20.5	19.9	7.5	7.4	7.1	6%
Electronic Arts	EA US	32,425	USD	120	NA	NA	17.4	15.8	14.9	4.3	4.0	3.9	11%
Take-Two	TTWO US	24,017	USD	141	NA	NA	43.0	18.8	16.7	4.3	3.1	2.9	66%
ROBLOX	RBLX US	16,536	USD	27	NA	NA	NA	NA	NA	5.1	4.3	3.8	NA
Nintendo	7974 JT	54,800	JPY	6,175	NA	NA	19.4	22.4	21.9	5.0	5.2	5.1	-6%
Bandai Namco	7832 JT	15,551	JPY	3,417	NA	NA	23.2	21.0	19.2	2.2	2.1	2.0	9%
Square Enix	9684 JT	4,521	JPY	5,399	NA	NA	16.7	15.2	15.7	1.8	1.8	1.8	3%
Z Holdings	4689 JT	21,544	JPY	413	NA	NA	30.8	25.6	21.4	1.7	1.6	1.5	20%
CyberAgent	4751 JT	3,116	JPY	901	NA	NA	50.1	22.5	16.9	0.6	0.6	0.6	73%
Sony	6758 JT	103,410	JPY	12,000	NA	NA	16.8	15.1	13.8	1.3	1.2	1.2	11%
Capcom	9697 JT	10,925	JPY	5,999	NA	NA	36.8	33.2	29.8	10.9	9.7	9.0	11%
Oriental Land	4661 JT	63,548	JPY	5,114	NA	NA	79.6	66.0	56.5	15.4	13.2	12.2	18%
Nexon	3659 JT	16,492	JPY	2,825	NA	NA	21.0	19.5	17.8	5.7	5.2	4.9	9%
<b>Average</b>							<b>22.6</b>	<b>20.9</b>	<b>18.9</b>	<b>3.6</b>	<b>3.3</b>	<b>3.1</b>	<b>8%</b>
<b>Average</b>							<b>19.9</b>	<b>17.0</b>	<b>15.5</b>	<b>3.5</b>	<b>3.1</b>	<b>2.8</b>	<b>18%</b>

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	3,957	2,714	3,435	4,477	5,372
Game publishing	2,820	2,114	2,689	2,396	2,948
Game development	905	453	583	1,813	2,131
IP licensing	232	147	162	267	294
<b>COGS</b>	(2,483)	(1,602)	(2,253)	(2,865)	(3,384)
<b>Gross profit</b>	1,473	1,112	1,182	1,612	1,988
S&M	(498)	(238)	(309)	(410)	(500)
R&D	(446)	(731)	(676)	(783)	(913)
Other expenses	(31)	(193)	(34)	(38)	(34)
<b>Operating profit</b>	499	(50)	162	380	540
Other income	237	64	209	164	168
Finance costs	(24)	(35)	(23)	(20)	(21)
Associates	(7)	(17)	19	(0)	1
<b>Pre-tax Income</b>	705	(38)	368	524	687
Income Tax	(57)	(41)	(37)	(52)	(69)
MI	(18)	(12)	-	-	-
<b>Net profit</b>	612	(205)	331	471	619
<b>Adj. net profit</b>	630	(196)	365	516	672

### Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Pre-tax Income</b>	651	(175)	368	524	687
D&A	132	25	40	37	(10)
Change in WC	(339)	(263)	91	(337)	(286)
Others	(88)	411	(56)	(52)	(70)
<b>Operating CF</b>	356	(2)	443	171	322
Capex	(305)	(300)	(30)	(30)	(30)
Others	(690)	124	0	0	0
<b>Investing CF</b>	(995)	(177)	(30)	(30)	(30)
Equity raised	702	-	-	-	-
Others	(651)	(588)	573	61	332
<b>Financing CF</b>	51	(588)	573	61	332
<b>Net change in cash</b>	51	(588)	573	61	332
Cash (beg of yr)	51	(588)	573	61	332
FX	795	819	237	810	871
<b>Cash (end of yr)</b>	795	819	237	810	871

### Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Non-current assets</b>	4,517	4,923	4,732	4,915	5,117
Fixed asset	9	18	4	0	42
Goodwill	1,108	1,125	1,023	1,023	1,023
Intangible assets	537	539	692	688	687
Others	3,457	3,821	3,742	3,945	4,122
<b>Current assets</b>	3,325	2,231	2,511	3,003	3,704
Cash	819	237	810	871	1,203
Trade receivables	1,052	1,071	927	1,209	1,450
Other current assets	1,454	923	773	923	1,051
<b>Current liabilities</b>	1,788	1,359	1,150	1,164	1,287
Bank loans	765	444	604	524	564
Trade and other payables	867	590	390	483	566
Tax payable	135	133	133	133	133
Other current liabilities	21	192	23	23	23
<b>Non-current liabilities</b>	260	103	75	75	75
Deferred tax liabilities	73	75	75	75	75
Contingent consideration	178	-	-	-	-
Others	8	27	-	-	-
<b>Total Equity</b>	5,794	5,692	6,017	6,679	7,459

Source: Company data, CMBIGM estimates

### Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales mix (%)</b>					
Game publishing	71.3	77.9	78.3	53.5	54.9
Game development	22.9	16.7	17.0	40.5	39.7
IP licensing	5.9	5.4	4.7	6.0	5.5
<b>Total</b>	100.0	100.0	100.0	100.0	100.0
<b>Growth rate (%)</b>					
Revenue	3.6	(31.4)	26.6	30.3	20.0
Gross profit	20.5	(24.6)	6.3	36.4	23.3
EBIT	16.7	NA	NA	133.9	42.2
Net profit	(21.9)	NA	NA	41.4	30.3
<b>P&amp;L ratios (%)</b>					
Gross Margin	37.2	41.0	34.4	36.0	37.0
Pre-tax margin	17.8	(1.4)	10.7	11.7	12.8
Adj. net margin	15.9	(7.2)	10.6	11.5	12.5
Effective tax rate	(8.8)	23.6	(10.0)	(10.0)	(10.0)
<b>Returns (%)</b>					
ROE	11.2	(3.8)	5.7	7.4	8.8
ROA	8.4	(2.9)	4.6	6.2	7.4

# 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

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: 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 (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.