

# AAC Technologies (2018 HK)

## 1Q profit alert on normalised demand; Maintain HOLD on fair valuation

AAC Tech announced 1Q21 positive profit alert, stating net profit of Rmb510-550mn (9.6-10.4x YoY). Mid-point is 45%/43% above our/consensus estimates, mainly due to low base in 1Q20 (-88% YoY) and better blended GPM, in our view. We also believe optics margin resumed QoQ improvement to 26% in 1Q21 (vs 21.3% in 4Q20). However, we think recent shortage in CIS/ SOC may drag smartphone demand in 2Q21E, and plastic lens pricing, CCM expansion and WLG ramp will cap AAC's margin upside in FY21E. Our new FY21-23E EPS are 12-24% below consensus. Maintain Hold with new SOTP-based TP HK\$48.0 given fair valuation at 21.8x/19.0x FY21/22E P/E.

- 1Q21 beat on low base and better GPM.** AAC stated 1Q21E earnings would jump 9.6-10.4x YoY to RMB510-550mn (vs RMB53mn in 1Q20), due to normalized market demand post COVID-19. Mid-point of 1Q NP is 45/43% above our/consensus estimates, given better blended GPM and iPhone shipment, in our view. While we think optics GPM improved QoQ to 26.0% in 1Q21 from 21.3% in 4Q20, we see plastic lens pricing, expansion in lower-margin CCM and WLG ramp will limit optics GPM improvement in FY21E.
- Semi shortage and de-spec trend are near-term headwinds.** While we think AAC would deliver solid plastic lens shipment of 70-80kk/m in 1Q21, we are cautious on recent semi shortage (esp. CIS, SoC) will slow down plastic lens demand in 2Q21E, as commented by Largan. In addition, ongoing de-spec trend and intense competition with Sunny/Largan will slow down lens ASP/GPM hike in FY21E. Expansion into lower-margin HCM and initial ramp of WLG lens in 1H21E will also be a margin drag in the near term.
- 2021 outlook: limited upgrade across all segments.** We believe 2021 will remain a slow year for smartphone spec upgrade given semi cost hike and sluggish high-end demand. Mgmt. also guided 2021 CAPEX will be 10-15% lower vs 2020, due to investment reduction in optics/acoustics. Overall, we expect ASP/GPM pressure will remain across haptics, acoustics, casings and plastic lens in FY21E.
- Our FY21-23E EPS are 12-24% below consensus; Maintain HOLD.** We revised up FY21-22E EPS by 5-13% for better optics margin and lower opex, but our FY21-23E EPS remain 12-24% below consensus for more conservative optics ASP/margin in FY22/23E. Our new SOTP-based TP is HK\$48.0, implying 23.3x FY21E P/E. Trading at 21.8x/19.0 FY21/22E P/E, the stock is fairly valued in our view.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	17,884	17,140	19,157	21,330	23,175
YoY growth (%)	(1.4)	(4.2)	11.8	11.3	8.7
Net income (RMB mn)	2,222	1,507	2,068	2,370	2,660
EPS (RMB)	1.84	1.25	1.71	1.96	2.20
YoY growth (%)	(41.1)	(32.1)	37.3	14.6	12.2
Consensus EPS (RMB)	1.84	1.27	1.95	2.40	2.90
P/E (x)	20.3	29.9	21.8	19.0	16.9
P/B (x)	2.3	2.1	2.0	1.9	1.8
Yield (%)	3.4	1.7	2.3	2.6	3.0
ROE (%)	11.5	6.9	9.1	9.9	10.5

Source: Company data, Bloomberg, CMBIS estimates

### HOLD (Maintain)

Target Price	HK\$48.0
(Previous TP)	HK\$45.3)
Up/Downside	7%
Current Price	HK\$44.9

### China Technology Sector

#### Alex Ng

(852) 3900 0881

alexng@cmbi.com.hk

#### Stock Data

Mkt. Cap. (HK\$m)	54,262
Avg. 3mths t/o (HK\$m)	478.41
52W High/Low (HK\$)	63.95/ 35.81
Total Issued Shares (mn)	1,209

Source: Bloomberg

#### Shareholding Structure

Chunyuan Wu	21.75%
Zhengmin Pan	19.24%
JPMorgan Chase	10.42%

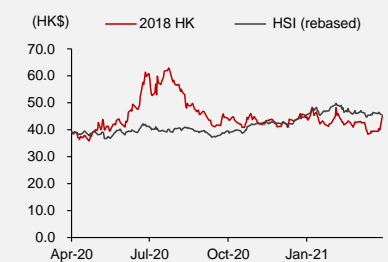
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	5.3%	6.3%
3-mth	-0.2%	-0.8%
6-mth	1.0%	-12.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Deloitte Touche Tohmatsu

#### Related Reports:

- 4Q20 beat on one-off gain; Optics ASP/GPM weaker than expected – 26 Mar 2021
- 3Q20 another miss; Optics likely to improve but hard to move the needle – 16 Nov 2020
- Further strategic investments into AAC Optics; Expect ASP/margin pressure to persist – 12 Oct 2020

## Earnings Revision

Figure 1: CMBIS earnings revisions

RMB mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY20E	FY21E	FY22E
Revenue	19,157	21,330	23,175	19,039	20,297	21,425	1%	5%	8%
Gross Profit	4,941	5,710	6,259	4,809	5,457	5,829	3%	5%	7%
Operating Profit	2,093	2,568	2,869	1,986	2,448	2,684	5%	5%	7%
Net profit	2,068	2,370	2,660	1,826	2,250	2,474	13%	5%	8%
EPS (RMB)	1.71	1.96	2.20	1.51	1.86	2.05	13%	5%	8%
Gross Margin	25.8%	26.7%	27.0%	25.2%	26.9%	27.2%	0.5 ppt	-0.1 ppt	-0.2 ppt
Operating Margin	10.9%	12.0%	12.4%	10.4%	12.1%	12.5%	0.5 ppt	0 ppt	-0.1 ppt
Net Margin	10.8%	11.1%	11.5%	9.6%	11.1%	11.5%	1.2 ppt	0 ppt	-0.1 ppt

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	19,157	21,330	23,175	19,855	22,711	26,508	-4%	-6%	-13%
Gross Profit	4,941	5,710	6,259	5,532	6,538	7,907	-11%	-13%	-21%
Operating Profit	2,093	2,568	2,869	2,404	2,938	4,227	-13%	-13%	-32%
Net profit	2,068	2,370	2,660	2,299	2,896	3,527	-10%	-18%	-25%
EPS (RMB)	1.71	1.96	2.20	1.95	2.40	2.90	-12%	-18%	-24%
Gross Margin	25.8%	26.7%	27.0%	27.9%	28.8%	29.8%	-2.1 ppt	-2 ppt	-2.8 ppt
Operating Margin	10.9%	12.0%	12.4%	12.1%	12.9%	15.9%	-1.2 ppt	-0.9 ppt	-3.6 ppt
Net Margin	10.8%	11.1%	11.5%	11.6%	12.8%	13.3%	-0.8 ppt	-1.6 ppt	-1.8 ppt

Source: Bloomberg, CMBIS estimates

Figure 3: P&L forecast

RMB mn	FY20	1Q21E	2Q21E	3Q21E	4Q21E	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>17,140</b>	4,445	4,644	4,998	5,070	<b>19,157</b>	<b>21,330</b>	<b>23,175</b>
...YoY	-4.2%	24.9%	8.6%	10.6%	6.0%	11.8%	11.3%	8.7%
Cost of sales	(12,913)	(3,251)	(3,440)	(3,717)	(3,813)	(14,221)	(15,626)	(16,922)
<b>Gross profit</b>	<b>4,227</b>	<b>1,195</b>	<b>1,204</b>	<b>1,281</b>	<b>1,257</b>	<b>4,936</b>	<b>5,704</b>	<b>6,253</b>
GPM (%)	24.7%	26.9%	25.9%	25.6%	24.8%	25.8%	26.7%	27.0%
...YoY	-17.2%	45.2%	20.9%	20.1%	-6.4%	16.8%	15.5%	9.6%
SG&A	(957)	(222)	(232)	(240)	(259)	(953)	(1,088)	(1,182)
...% of rev	-5.6%	-5.0%	-5.0%	-4.8%	-5.1%	-5.0%	-5.1%	-5.1%
R&D	(1,920)	(489)	(511)	(445)	(446)	(1,891)	(2,048)	(2,202)
...% of rev	-11.2%	-11.0%	-11.0%	-8.9%	-8.8%	-9.9%	-9.6%	-9.5%
<b>Operating profit</b>	<b>1,350</b>	<b>484</b>	<b>461</b>	<b>596</b>	<b>552</b>	<b>2,093</b>	<b>2,568</b>	<b>2,869</b>
OPM (%)	7.9%	10.9%	9.9%	11.9%	10.9%	10.9%	12.0%	12.4%
...YoY	-45.4%	409.3%	75.8%	58.7%	-10.5%	55.0%	22.7%	11.7%
<b>Income Tax</b>	<b>(147)</b>	<b>(62)</b>	<b>(60)</b>	<b>(76)</b>	<b>(72)</b>	<b>(271)</b>	<b>(322)</b>	<b>(361)</b>
Effective Tax Rate	8.9%	10.5%	12.0%	12.0%	12.0%	11.6%	12.0%	12.0%
<b>Net profit</b>	<b>1,507</b>	<b>530</b>	<b>442</b>	<b>565</b>	<b>531</b>	<b>2,068</b>	<b>2,370</b>	<b>2,660</b>
NPM (%)	8.8%	11.9%	9.5%	11.3%	10.5%	10.8%	11.1%	11.5%
...YoY	-32.2%	907.1%	65.2%	31.4%	-29.8%	37.3%	14.6%	12.2%

Source: Company data, CMBIS estimates

**Figure 4: Revenue breakdown**

RMB mn	FY20	1Q21E	2Q21E	3Q21E	4Q21E	FY21E	FY22E	FY23E
<b>Revenue</b>								
Dynamic components	7,560	1,719	1,953	2,200	1,870	7,742	7,936	8,151
MEMS components	1,083	219	285	405	283	1,191	1,310	1,441
Haptics & RF	6,847	1,819	1,555	1,442	1,838	6,655	7,287	7,653
Others (incl. optics)	1,650	688	851	951	1,079	3,570	4,797	5,930
Optics	1,634	684	846	947	1,077	3,552	4,780	5,913
Others	16	5	6	4	3	17	17	17
<b>Total</b>	<b>17,140</b>	<b>4,445</b>	<b>4,644</b>	<b>4,998</b>	<b>5,070</b>	<b>19,157</b>	<b>21,330</b>	<b>23,175</b>
<b>Revenue mix</b>								
Dynamic components	44%	39%	42%	44%	37%	40%	37%	35%
MEMS components	6%	5%	6%	8%	6%	6%	6%	6%
Haptics & RF	40%	41%	33%	29%	36%	35%	34%	33%
Others (incl. optics)	10%	15%	18%	19%	21%	19%	22%	26%
<b>YoY Growth (%)</b>								
Dynamic components	-7%	21%	2%	2%	-10%	2%	3%	3%
MEMS components	17%	10%	10%	10%	10%	10%	10%	10%
Haptics & RF	-11%	8%	-10%	-5%	-4%	-3%	10%	5%
Others (incl. optics)	51%	176%	121%	99%	101%	116%	34%	24%
Optics	53%	179%	123%	100%	101%	117%	35%	24%
<b>Total</b>	<b>-4%</b>	<b>25%</b>	<b>9%</b>	<b>11%</b>	<b>6%</b>	<b>12%</b>	<b>11%</b>	<b>9%</b>
<b>Gross profit margin</b>								
Dynamic components	27.9%	31.0%	28.0%	28.5%	29.0%	29.0%	28.5%	28.5%
MEMS components	17.5%	20.0%	20.5%	21.0%	21.0%	20.7%	21.0%	21.5%
Haptics & RF	23.8%	24.2%	24.0%	22.0%	20.1%	22.5%	23.7%	23.3%
Others (incl. optics)	18.2%	26.0%	26.5%	26.5%	26.5%	26.4%	30.0%	31.0%
<b>Total</b>	<b>24.7%</b>	<b>26.9%</b>	<b>25.9%</b>	<b>25.6%</b>	<b>24.8%</b>	<b>25.8%</b>	<b>26.7%</b>	<b>27.0%</b>

Source: Company data, CMBIS estimates

## Valuation

### Maintain HOLD with new TP HK\$48.0

We derived our new TP of HK\$ 48.0 based on SOTP to reflect business diversification with different growth profiles and visibility. Our new TP is based on weighted-average target P/E multiple of 23.3x FY21E EPS and valuation of optics segment at RMB 17.9bn. We assign 20x P/E to AAC's core businesses, including acoustics, MEMS, haptics and mechanical RF, in-line with HK-listed peers.

**Figure 5: AAC Tech – SOTP valuation**

Business segment	Value per share (RMB)	Valuation Methodology	Target P/E	% of FY21E Profit	FY21E EPS (RMB)
Acoustics	15.6	P/E target multiple	20x	46%	0.78
MEMS	1.7	P/E target multiple	20x	5%	0.09
ED & PM	10.4	P/E target multiple	20x	30%	0.52
Optics	12.1	82% of RMB 17.9bn			0.33
<b>TP (RMB)</b>	<b>39.8</b>		<b>24.9x</b>		<b>1.71</b>
<b>TP (HK\$)</b>	<b>48.0</b>				

Sources: Company data, CMBIS estimates

**Figure 6: 12M forward P/E band**



Source: Company data, CMBIS

**Figure 7: 12M forward P/B band**



Source: Company data, CMBIS

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	17,884	17,140	19,157	21,330	23,175
COGS	(12,777)	(12,913)	(14,221)	(15,626)	(16,922)
<b>Gross profit</b>	<b>5,107</b>	<b>4,227</b>	<b>4,936</b>	<b>5,704</b>	<b>6,253</b>
Selling and marketing	(275)	(285)	(302)	(341)	(371)
Administrative	(643)	(672)	(651)	(747)	(811)
R&D	(1,717)	(1,920)	(1,891)	(2,048)	(2,202)
<b>Operating profit</b>	<b>2,472</b>	<b>1,350</b>	<b>2,093</b>	<b>2,568</b>	<b>2,869</b>
Financial cost	(248)	(353)	(353)	(353)	(353)
Other income/(losses)	329	650	592	468	496
<b>Pre-tax profit</b>	<b>2,552</b>	<b>1,648</b>	<b>2,332</b>	<b>2,684</b>	<b>3,012</b>
Tax	(330)	(147)	(271)	(322)	(361)
Minority interest	-	(6)	(7)	(8)	(9)
<b>Net profit</b>	<b>2,222</b>	<b>1,507</b>	<b>2,068</b>	<b>2,370</b>	<b>2,660</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profit before taxation</b>	<b>2,552</b>	<b>1,648</b>	<b>2,332</b>	<b>2,684</b>	<b>3,012</b>
Depreciation	1,529	3,409	3,467	3,834	4,147
Change in working capital	(509)	(231)	(1,063)	(731)	(199)
Others	(109)	(1,233)	101	52	9
<b>Net cash from operating</b>	<b>3,464</b>	<b>3,593</b>	<b>4,837</b>	<b>5,839</b>	<b>6,969</b>
Capex	(3,000)	(3,262)	(4,327)	(3,678)	(3,126)
Other	68	-	-	-	-
<b>Net cash from investing</b>	<b>(2,932)</b>	<b>(3,262)</b>	<b>(4,327)</b>	<b>(3,678)</b>	<b>(3,126)</b>
Net borrowings					
Interest paid	(248)	(353)	(353)	(353)	(353)
Dividend paid	(1,531)	(753)	(1,034)	(1,185)	(1,330)
Other	-	3,688	-	-	-
<b>Net cash from financing</b>	<b>(1,779)</b>	<b>2,582</b>	<b>(1,387)</b>	<b>(1,537)</b>	<b>(1,683)</b>
<b>Net change in cash</b>	<b>(1,247)</b>	<b>2,913</b>	<b>(876)</b>	<b>624</b>	<b>2,161</b>
Cash at beg of year	4,059	5,512	7,540	6,664	7,288
Exchange difference					
<b>Cash at end of year</b>	<b>5,512</b>	<b>7,540</b>	<b>6,664</b>	<b>7,288</b>	<b>9,448</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Current assets</b>					
Cash & equivalents	14,808	16,850	17,138	18,732	21,832
Trade and other rev.	5,512	7,540	6,664	7,288	9,448
Inventories	5,576	5,176	8,487	6,734	9,864
Other current assets	3,664	3,995	1,849	4,572	2,382
	55	138	138	138	138
<b>Non-current assets</b>					
PPE	19,400	22,062	22,922	22,765	21,744
Lease prepayments	16,911	18,592	19,452	19,295	18,274
Intangible assets					
Other non-curr. assets	434	373	373	373	373
<b>Total assets</b>	<b>2,055</b>	<b>3,096</b>	<b>3,096</b>	<b>3,096</b>	<b>3,096</b>
	<b>34,207</b>	<b>38,911</b>	<b>40,060</b>	<b>41,497</b>	<b>43,576</b>
<b>Current liabilities</b>					
Short-term borrowings	7,711	9,380	9,501	9,761	10,520
Trade & other payables	1,876	3,349	3,349	3,349	3,349
Tax payables	5,474	5,205	5,306	5,546	6,286
Other current liabilities	178	167	187	208	226
	182	660	660	660	660
<b>Non-current liabilities</b>					
Government grants	7,136	7,711	7,711	7,711	7,711
Deferred tax liabilities	209	604	604	604	604
Other non-current liab.	65	49	49	49	49
<b>Total liabilities</b>	<b>6,861</b>	<b>7,058</b>	<b>7,058</b>	<b>7,058</b>	<b>7,058</b>
	<b>14,846</b>	<b>17,090</b>	<b>17,212</b>	<b>17,472</b>	<b>18,230</b>
Share capital					
Reserves	98	98	98	98	98
Minority interest	19,253	21,061	22,095	23,280	24,610
<b>Shareholders' equity</b>	<b>10</b>	<b>662</b>	<b>655</b>	<b>647</b>	<b>638</b>
<b>Total equity &amp; liabilities</b>	<b>19,361</b>	<b>21,821</b>	<b>22,848</b>	<b>24,025</b>	<b>25,346</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Dynamic components	45.7	44.1	40.4	37.2	35.2
MEMS (microphone)	5.2	6.3	6.2	6.1	6.2
Electro. (haptics)	43.0	39.9	34.7	34.2	33.0
Other	6.1	9.6	18.6	22.5	25.6
<b>Growth (%)</b>					
Revenue	(1.4)	(4.2)	11.8	11.3	8.7
Gross profit	(24.3)	(17.2)	16.8	15.5	9.6
Operating Income	(42.0)	(45.4)	55.0	22.7	11.7
Net profit	(41.5)	(32.2)	37.3	14.6	12.2
<b>Profitability (%)</b>					
Gross Margin	28.6	24.7	25.8	26.7	27.0
Operating Margin	13.8	7.9	10.9	12.0	12.4
Net margin	12.4	8.8	10.8	11.1	11.5
<b>Balance sheet ratios</b>					
Net debt/total equity (x)	0.0	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.9	1.8	1.8	1.9	2.1
Receivable turnover days	87.8	87.8	90.0	90.0	90.0
Inventory turnover days	88.6	88.6	75.0	75.0	75.0
Payable turnover days	84.7	84.7	70.0	70.0	70.0
<b>Returns (%)</b>					
ROE	11.5	6.9	9.1	9.9	10.5
ROA	6.5	3.9	5.2	5.7	6.1
<b>Per share data (RMB)</b>					
EPS	1.84	1.25	1.71	1.96	2.20
DPS	1.27	0.62	0.86	0.98	1.10

Source: Company data, CMBIS 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.

## CMBIS 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 CMBIS

**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 Securities Limited

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

**CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS 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 CMBIS. 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 CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.