

# Vanke - A (000002 CH)

## Forerunner

Revenue and net profit grew by 5.0% to RMB146.4bn and 5.6% to RMB12.5bn in 1H20, respectively. We maintained earnings forecast unchanged but cut TP from RMB31.6 to RMB31.36. Maintain BUY recommendation.

- Mild growth in 1H20.** Revenue gained by 5.0% to RMB146.4bn in 1H20. Delivery GFA surged 24% to 10.5mn sq m. But a 19% decline of recognized ASP (RMB12,668 per sq m) dragged down growth for revenue of property development. On the other hand, other businesses grew robustly. Revenue of construction, property services, rental and other jumped 65%, 27%, 25% and 53% in 1H20, respectively. Gross margin retreated 4.4 ppts to 31.8% but declining reduction from minority interests pushed net profit to grow 5.6% to RMB12.5bn in 1H20.
- Contracted sales down 4% in 1H20.** Contracted sales amount and area tumbled by 4.0% to RMB320.5bn and 3.4% to 20.77mn sq m in 1H20, respectively. Shanghai Region is the largest contributor and accounted for 41.3% of contracted sales in 1H20. Contracted sales in Hangzhou, Shanghai, Ningbo, Suzhou and Nanjing exceeded RMB10bn in 1H20. Sales pace started to accelerate in Jul. Contracted sales increased by 22.5% YoY to RMB59.02bn in Jul 2020. We maintain our sales forecast of RMB650bn in 2020, up 3% YoY.
- Attributable land bank of 94mn sq m as at Jun 2020.** In 1H20, Vanke acquired 55 projects with attributable GFA of 5.05mn sq m. Average land cost was RMB6,368 per sq m. As at Jun 2020, attributable land bank under construction and for future planning were 65.95mn sq m and 28.03mn sq m, respectively. Vanke plans to have new start of 29.21mn sq m in 2020. Construction work was affected by COVID-19 but now returns to normal.
- Ample property management space.** Vanke services had 680mn sq m contracted GFA and 520mn sq m managed GFA as at Jun 2020. It signed 53mn sq m new contracted GFA in the period.
- Trim TP to RMB31.36.** Presold and unbooked properties amounted to RMB695.3bn as at Jun 2020. Completion GFA was 10.75mn sq m in 1H20 and expected to be 22.44mn sq m in 2H20. So earnings growth will be accelerated in 2H20. We maintain earnings forecast unchanged but cut end-20 NAV forecast from HK\$52.42 to HK\$48.46. Based on 8x 20E P/E, we change TP from RMB31.6 to RMB31.36.

### Earnings Summary

| (YE 31 Dec)         | FY18A   | FY19A   | FY20E   | FY21E   | FY22E   |
|---------------------|---------|---------|---------|---------|---------|
| Revenue (RMB mn)    | 297,083 | 367,894 | 442,402 | 497,475 | 521,397 |
| YoY growth (%)      | 25.2    | 23.8    | 20.3    | 12.4    | 4.8     |
| Net income (RMB mn) | 33,773  | 38,872  | 44,742  | 51,212  | 53,879  |
| EPS (RMB)           | 3.06    | 3.47    | 3.92    | 4.41    | 4.64    |
| YoY growth (%)      | 20.4    | 13.3    | 13.1    | 12.5    | 5.2     |
| Consensus EPS (RMB) | N.A.    | N.A.    | 3.88    | 4.38    | 4.77    |
| P/E (x)             | 9.0     | 8.0     | 7.0     | 6.3     | 5.9     |
| P/B (x)             | 2.0     | 1.7     | 1.4     | 1.2     | 1.1     |
| Yield (%)           | 3.8     | 3.8     | 4.6     | 5.3     | 5.7     |
| ROE (%)             | 21.7    | 20.7    | 19.6    | 19.3    | 17.8    |
| Net gearing (%)     | 30.9    | 34.3    | 28.1    | 23.2    | 30.6    |

Source: Company data, Bloomberg, CMBIS estimates

## BUY (Maintain)

|               |          |
|---------------|----------|
| Target Price  | RMB31.36 |
| (Previous TP) | RMB31.60 |
| Up/downside   | +13.7%   |
| Current Price | RMB27.57 |

### China Property Sector

#### Samson Man, CFA

(852) 3900 0853

samsonman@cmbi.com.hk

#### Bowen Li

(852) 3657 6239

bowenli@cmbi.com.hk

#### Stock Data

|                          |                 |
|--------------------------|-----------------|
| Mkt Cap (HK\$ mn)        | 309,779         |
| Avg 3 mths t/o (HK\$ mn) | 2,749           |
| 52w High/Low (HK\$)      | 33.6/24.18      |
| Total Issued Shares (mn) | 1,894(H)        |
|                          | <b>9,724(A)</b> |

Source: Bloomberg

#### Shareholding Structure

|                |        |
|----------------|--------|
| Shenzhen Metro | 27.91% |
|----------------|--------|

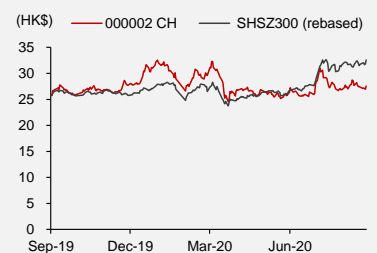
Source: Company data, CMBIS

#### Share Performance

|        | Absolute | Relative |
|--------|----------|----------|
| 1-mth  | 2.6%     | -1.4%    |
| 3-mth  | 7.3%     | -14.4%   |
| 6-mth  | -6.8%    | -24.2%   |
| 12-mth | 6.9%     | -16.2%   |

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: PricewaterhouseCoopers

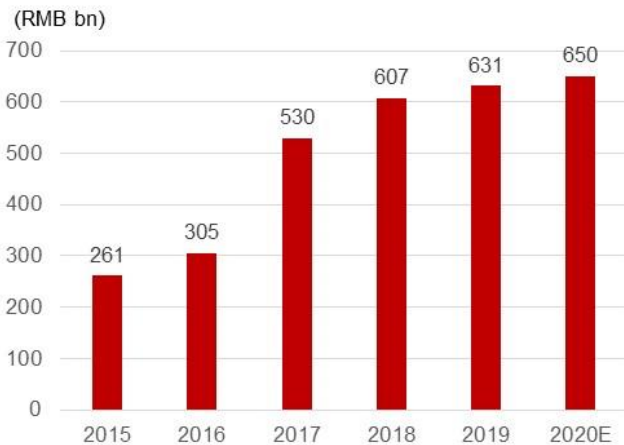
#### Related Reports

- Results slightly miss – 20 Mar 2020
- Best of Top Three – 21 Aug 2019
- Steady sales growth – 10 Jun 2019
- Still the top pick among big cap developers – 27 Mar 2019

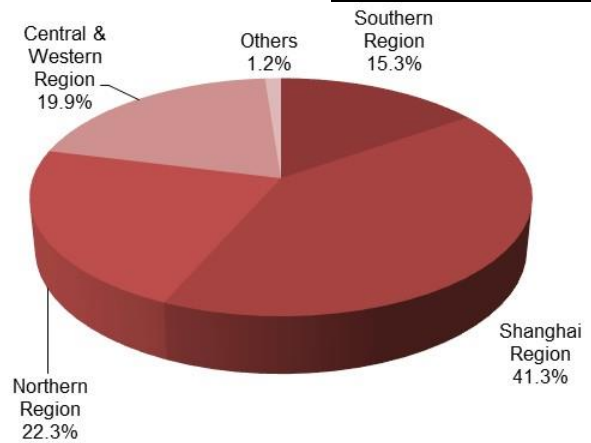
**Figure 1: 2020 interim results**

|                         | 1H20<br>(Rmb mn) | 1H19<br>(Rmb mn) | Change<br>(%) | Remark  |
|-------------------------|------------------|------------------|---------------|---|
| <b>Turnover</b>         | <b>146,350</b>   | <b>139,320</b>   | <b>5.0%</b>   |   |
| Property development    | 131,404          | 128,472          | 2.3%          | Delivery GFA soared 24% to 10.5mn sq m in 1H20          |
| Construction            | 4,407            | 2,672            | 64.9%         |   |
| Property services       | 6,698            | 5,283            | 26.8%         | Newly added managed GFA 530mn sq m in 1H20              |
| Rental                  | 2,621            | 2,094            | 25.2%         |   |
| Other business          | 1,220            | 800              | 52.5%         |   |
| Cost of Sales           | (99,798)         | (88,833)         | 12.3%         |   |
| <b>Gross Profit</b>     | <b>46,552</b>    | <b>50,487</b>    | <b>-7.8%</b>  | GM declined from 36.2% in 1H19 to 31.8% in 1H20         |
| Other operating income  | 2,722            | 2,411            | 12.9%         |   |
| Distribution Cost       | (3,185)          | (3,187)          | -0.1%         |   |
| Administrative Expenses | (6,308)          | (7,040)          | -10.4%        | Better cost control                                     |
| Other Expenses          | (583)            | (894)            | -34.8%        |   |
| <b>EBIT</b>             | <b>39,198</b>    | <b>41,778</b>    | <b>-6.2%</b>  |   |
| Interest Expense        | (4,520)          | (4,860)          | -7.0%         |   |
| Associated              | 1,712            | 907              | 88.7%         |   |
| Pre-tax Profit          | 36,391           | 37,825           | -3.8%         |   |
| Taxation                | (17,762)         | (18,540)         | -4.2%         | Effective tax rate declined by 0.2ppts to 48.8% in 1H20 |
| Profit after Tax        | 18,629           | 19,286           | -3.4%         |   |
| Minority                | (6,122)          | (7,444)          | -17.8%        |   |
| <b>Net Profit</b>       | <b>12,508</b>    | <b>11,842</b>    | <b>5.6%</b>   |   |

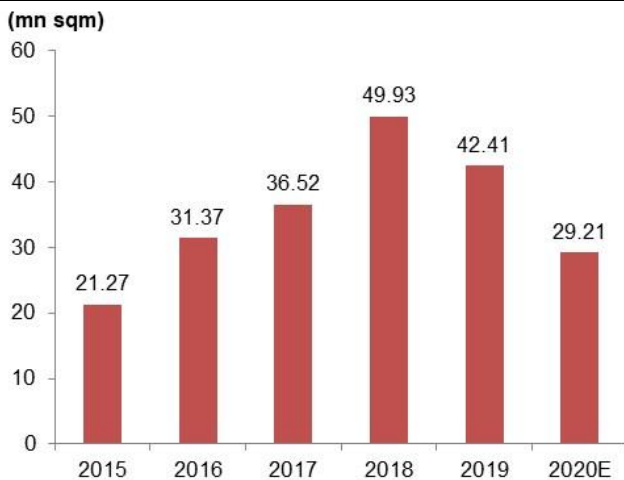
Source: Company data, CMBIS

**Figure 2: Contracted sales**

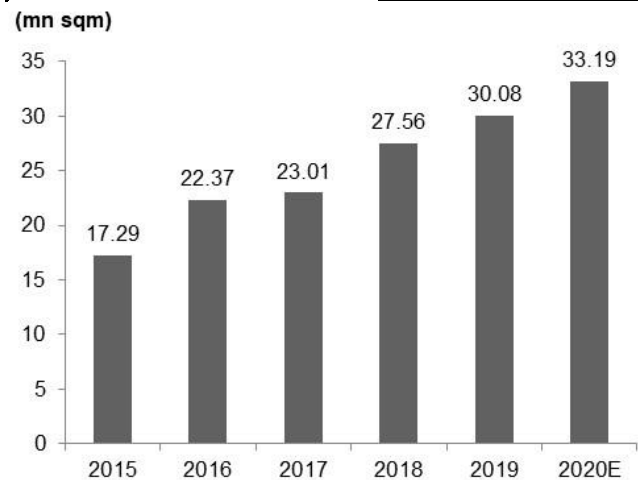
Source: Company data, CMBIS estimates

**Figure 3: Contracted sales breakdown in 1H20**

Source: Company data, CMBIS

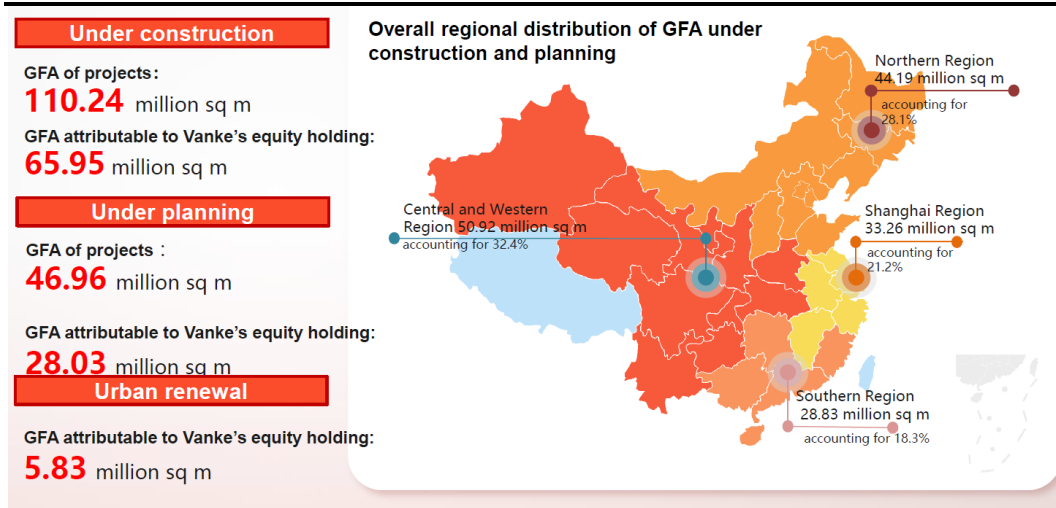
**Figure 4: New start area**

Source: Company data, CMBIS

**Figure 5: Completion area**

Source: Company data, CMBIS

Figure 6: Land bank



Source: Company data

Figure 7: Earnings revision

| (RMB mn)     | New     |         |         | Old     |         |         | Diff (%) |       |         |
|--------------|---------|---------|---------|---------|---------|---------|----------|-------|---------|
|              | FY20E   | FY21E   | FY22E   | FY20E   | FY21E   | FY22E   | FY20E    | FY21E | FY22E   |
| Revenue      | 442,402 | 497,475 | 521,397 | 442,402 | 497,475 | 521,397 | 0.0%     | 0.0%  | 0.0%    |
| Gross Profit | 140,825 | 158,044 | 165,171 | 140,825 | 158,044 | 165,171 | 0.0%     | 0.0%  | 0.0%    |
| EBIT         | 116,052 | 132,345 | 138,134 | 115,987 | 132,216 | 137,782 | 0.1%     | 0.1%  | 0.3%    |
| Net profit   | 44,742  | 51,212  | 53,879  | 44,691  | 51,111  | 53,604  | 0.1%     | 0.2%  | 0.5%    |
| EPS (RMB)    | 3.92    | 4.41    | 4.64    | 3.95    | 4.52    | 4.74    | -0.9%    | -2.5% | -2.2%   |
| Gross Margin | 31.8%   | 31.8%   | 31.7%   | 31.8%   | 31.8%   | 31.7%   | 0 ppt    | 0 ppt | 0 ppt   |
| EBIT Margin  | 26.2%   | 26.6%   | 26.5%   | 26.2%   | 26.6%   | 26.4%   | 0 ppt    | 0 ppt | 0.1 ppt |
| Net Margin   | 10.1%   | 10.3%   | 10.3%   | 10.1%   | 10.3%   | 10.3%   | 0 ppt    | 0 ppt | 0.1 ppt |

Source: CMBIS estimates

Figure 8: CMBIS estimates vs consensus

| (RMB mn)     | CMBIS   |         |         | Consensus |         |         | Diff (%) |          |         |
|--------------|---------|---------|---------|-----------|---------|---------|----------|----------|---------|
|              | FY20E   | FY21E   | FY22E   | FY20E     | FY21E   | FY22E   | FY20E    | FY21E    | FY22E   |
| Revenue      | 442,402 | 497,475 | 521,397 | 432,157   | 492,694 | 509,275 | 2.4%     | 1.0%     | 2.4%    |
| Gross Profit | 140,825 | 158,044 | 165,171 | 140,991   | 156,923 | 158,766 | -0.1%    | 0.7%     | 4.0%    |
| EBIT         | 116,052 | 132,345 | 138,134 | 113,021   | 122,754 | 124,785 | 2.7%     | 7.8%     | 10.7%   |
| Net profit   | 44,742  | 51,212  | 53,879  | 44,126    | 49,524  | 52,748  | 1.4%     | 3.4%     | 2.1%    |
| EPS (RMB)    | 3.92    | 4.41    | 4.64    | 3.88      | 4.38    | 4.77    | 1.0%     | 0.6%     | -2.8%   |
| Gross Margin | 31.8%   | 31.8%   | 31.7%   | 32.6%     | 31.9%   | 31.2%   | -0.8 ppt | -0.1 ppt | 0.5 ppt |
| EBIT Margin  | 26.2%   | 26.6%   | 26.5%   | 26.2%     | 24.9%   | 24.9%   | 0.1 ppt  | 1.7 ppt  | 1.6 ppt |
| Net Margin   | 10.1%   | 10.3%   | 10.3%   | 10.2%     | 10.1%   | 10.1%   | -0.1 ppt | 0.2 ppt  | 0.3 ppt |

Source: Bloomberg, CMBIS estimates

Figure 9: End-20 NAV estimate

|                       | (Rmb mn) | NAV/share (Rmb) | NAV/share (HK\$) | % of NAV | Remark        |
|-----------------------|----------|-----------------|------------------|----------|---------------|
| Completed projects    | 8,139    | 0.70            | 0.78             | 2%       | WACC of 11.3% |
| Under construction    | 228,275  | 19.65           | 21.91            | 45%      |               |
| Future development    | 262,992  | 22.64           | 25.24            | 52%      |               |
| Investment properties | 87,500   | 7.53            | 8.40             | 17%      | 6% cap rate   |
| Listed securities     | 4,605    | 0.40            | 0.44             | 1%       | Market value  |
| Gross amount          | 591,511  | 50.91           | 56.76            | 117%     |               |
| Net debt              | (86,554) | (7.45)          | (8.31)           | -17%     | Dec 2020      |
| NAV                   | 504,957  | 43.46           | 48.46            | 100%     |               |

Source: CMBIS estimates

## Financial Summary

### Income statement

| YE 31 Dec (RMB mn)      | FY18A          | FY19A          | FY20E          | FY21E          | FY22E          |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>          | <b>297,083</b> | <b>367,894</b> | <b>442,402</b> | <b>497,475</b> | <b>521,397</b> |
| Property development    | 278,083        | 340,582        | 408,466        | 456,925        | 472,927        |
| Construction            | 3,411          | 7,299          | 8,904          | 10,863         | 13,253         |
| Property services       | 9,796          | 12,700         | 16,256         | 19,507         | 23,409         |
| Other business          | 5,793          | 7,313          | 8,775          | 10,179         | 11,808         |
| Cost of sales           | (187,131)      | (235,697)      | (301,577)      | (339,431)      | (356,227)      |
| <b>Gross profit</b>     | <b>109,952</b> | <b>132,197</b> | <b>140,825</b> | <b>158,044</b> | <b>165,171</b> |
| Other income and gains  | 3,585          | 5,687          | 5,753          | 6,637          | 6,854          |
| Distribution expenses   | (7,868)        | (9,044)        | (10,618)       | (11,442)       | (11,992)       |
| Administrative expenses | (14,590)       | (15,740)       | (17,696)       | (18,407)       | (19,292)       |
| Other expenses          | (2,113)        | (1,518)        | (2,212)        | (2,487)        | (2,607)        |
| <b>Operating profit</b> | <b>88,966</b>  | <b>111,581</b> | <b>116,052</b> | <b>132,345</b> | <b>138,134</b> |
| Finance expenses        | (8,181)        | (9,255)        | (9,337)        | (10,175)       | (11,149)       |
| Associates/JV           | 6,280          | 3,791          | 7,780          | 8,240          | 8,240          |
| Exceptional             | 0              | 0              | 0              | 0              | 0              |
| <b>Pre-tax profit</b>   | <b>87,065</b>  | <b>106,116</b> | <b>114,494</b> | <b>130,411</b> | <b>135,225</b> |
| Profits tax             | (37,793)       | (50,985)       | (51,253)       | (57,948)       | (60,096)       |
| Minority interest       | (15,500)       | (16,260)       | (18,500)       | (21,250)       | (21,250)       |
| Perpetual               | 0              | 0              | 0              | 0              | 0              |
| <b>Net profit</b>       | <b>33,773</b>  | <b>38,872</b>  | <b>44,742</b>  | <b>51,212</b>  | <b>53,879</b>  |
| <b>Core profit</b>      | <b>33,773</b>  | <b>38,872</b>  | <b>44,742</b>  | <b>51,212</b>  | <b>53,879</b>  |

### Cash flow summary

| YE 31 Dec (RMB mn)             | FY18A           | FY19A           | FY20E           | FY21E          | FY22E           |
|--------------------------------|-----------------|-----------------|-----------------|----------------|-----------------|
| <b>EBIT</b>                    | <b>88,966</b>   | <b>111,581</b>  | <b>116,052</b>  | <b>132,345</b> | <b>138,134</b>  |
| Depreciation and amortization  | 2,922           | 6,306           | 5,940           | 5,800          | 5,860           |
| Change in working capital      | (21,185)        | (26,226)        | (50,844)        | (86,000)       | (97,000)        |
| Income tax paid                | (36,592)        | (42,868)        | (64,465)        | (56,318)       | (59,926)        |
| Others                         | (493)           | (3,106)         | 15,797          | 33,458         | 6,234           |
| <b>Net cash from operating</b> | <b>33,618</b>   | <b>45,687</b>   | <b>22,479</b>   | <b>29,285</b>  | <b>(6,698)</b>  |
| Capex                          | (18,486)        | (10,057)        | (5,242)         | (6,100)        | (7,060)         |
| Associates/JV                  | (45,840)        | (27,925)        | (10,080)        | (7,800)        | (8,200)         |
| Other                          | (3,038)         | 9,355           | 3,844           | 4,061          | 0               |
| <b>Net cash from investing</b> | <b>(67,364)</b> | <b>(28,627)</b> | <b>(11,477)</b> | <b>(9,839)</b> | <b>(15,260)</b> |
| Equity raised                  | 0               | 6,643           | 7,165           | 0              | 0               |
| Change of Debts                | 61,181          | (7,095)         | 27,949          | 21,000         | 36,000          |
| Dividend paid                  | (40,249)        | (36,823)        | (11,811)        | (14,467)       | (16,388)        |
| Other                          | 23,866          | 3,937           | 0               | 0              | 0               |
| <b>Net cash from financing</b> | <b>44,798</b>   | <b>(33,338)</b> | <b>23,303</b>   | <b>6,533</b>   | <b>19,612</b>   |
| Net change in cash             | 11,051          | (16,278)        | 34,305          | 25,980         | (2,346)         |
| Cash at the beginning          | 164,326         | 175,668         | 159,739         | 194,294        | 220,524         |
| Exchange difference            | 291             | 349             | 250             | 250            | 250             |
| <b>Cash at the end</b>         | <b>175,668</b>  | <b>159,739</b>  | <b>194,294</b>  | <b>220,524</b> | <b>218,428</b>  |
| Pledged deposit                | 12,749          | 6,456           | 6,152           | 6,152          | 6,152           |
| Cash at BS                     | 188,417         | 166,195         | 200,446         | 226,676        | 224,580         |

### Balance sheet

| YE 31 Dec (RMB mn)             | FY18A            | FY19A            | FY20E            | FY21E            | FY22E            |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Non-current assets</b>      | <b>233,508</b>   | <b>290,940</b>   | <b>301,500</b>   | <b>314,400</b>   | <b>330,100</b>   |
| Fixed asset                    | 22,645           | 29,698           | 29,000           | 29,300           | 30,500           |
| Investment properties          | 25,898           | 94,521           | 98,500           | 104,000          | 112,000          |
| Associates/JV                  | 129,528          | 130,476          | 140,000          | 146,000          | 152,000          |
| Intangible assets              | 1,015            | 786              | 800              | 800              | 800              |
| Other non-current assets       | 54,421           | 35,459           | 33,200           | 34,300           | 34,800           |
| <b>Current assets</b>          | <b>1,295,156</b> | <b>1,439,063</b> | <b>1,532,446</b> | <b>1,676,476</b> | <b>1,793,580</b> |
| Cash                           | 188,417          | 166,195          | 200,446          | 226,676          | 224,580          |
| Account receivable             | 331,839          | 351,617          | 362,000          | 388,000          | 420,000          |
| Inventories                    | 754,310          | 901,807          | 950,000          | 1,040,000        | 1,125,000        |
| Other current assets           | 20,590           | 19,445           | 20,000           | 21,800           | 24,000           |
| <b>Current liabilities</b>     | <b>1,121,914</b> | <b>1,272,610</b> | <b>1,308,000</b> | <b>1,402,500</b> | <b>1,461,500</b> |
| Borrowings                     | 93,183           | 95,086           | 95,000           | 98,000           | 100,000          |
| Trade and other payables       | 486,726          | 542,268          | 550,000          | 580,000          | 600,000          |
| Contract liabilities           | 504,711          | 577,047          | 623,000          | 683,000          | 720,000          |
| Deferred taxation              | 37,293           | 56,783           | 40,000           | 41,500           | 41,500           |
| Other current liabilities      | 0                | 1,426            | 0                | 0                | 0                |
| <b>Non-current liabilities</b> | <b>171,129</b>   | <b>186,814</b>   | <b>217,700</b>   | <b>237,130</b>   | <b>272,300</b>   |
| Borrowings                     | 168,024          | 185,243          | 192,000          | 210,000          | 244,000          |
| Other non-current liabilities  | 3,105            | 1,571            | 25,700           | 27,130           | 28,300           |
| <b>Shareholders' equity</b>    | <b>155,764</b>   | <b>188,058</b>   | <b>228,246</b>   | <b>264,846</b>   | <b>301,880</b>   |
| Minority interest              | 79,857           | 82,521           | 80,000           | 86,400           | 88,000           |
| Perpetual bond                 | 0                | 0                | 0                | 0                | 0                |
| Total equity                   | 235,621          | 270,579          | 308,246          | 351,246          | 389,880          |

### Key ratios

| YE 31 Dec                           | FY18A        | FY19A        | FY20E        | FY21E        | FY22E        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales mix (%)</b>                |              |              |              |              |              |
| Property development                | 93.6         | 92.6         | 92.3         | 91.8         | 90.7         |
| Construction                        | 1.1          | 2.0          | 2.0          | 2.2          | 2.5          |
| Property services                   | 3.3          | 3.5          | 3.7          | 3.9          | 4.5          |
| Other business                      | 1.9          | 2.0          | 2.0          | 2.0          | 2.3          |
| <b>Total</b>                        | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>Profit &amp; loss ratios (%)</b> |              |              |              |              |              |
| Gross margin                        | 37.0         | 35.9         | 31.8         | 31.8         | 31.7         |
| Pre-tax margin                      | 29.9         | 30.3         | 26.2         | 26.6         | 26.5         |
| Net margin                          | 11.4         | 10.6         | 10.1         | 10.3         | 10.3         |
| Effective tax rate                  | 43.4         | 48.0         | 44.8         | 44.4         | 44.4         |
| <b>Balance sheet ratios</b>         |              |              |              |              |              |
| Current ratio (x)                   | 1.2          | 1.1          | 1.2          | 1.2          | 1.2          |
| Receivable day                      | 407.7        | 348.9        | 298.7        | 284.7        | 294.0        |
| Payable day                         | 598.0        | 538.0        | 453.8        | 425.5        | 420.0        |
| Inventory day                       | 1471.3       | 1396.5       | 1149.8       | 1118.3       | 1152.7       |
| Net gearing ratio (%)               | 30.9         | 42.2         | 28.1         | 23.2         | 30.6         |
| <b>Returns (%)</b>                  |              |              |              |              |              |
| ROE                                 | 21.7         | 20.7         | 19.6         | 19.3         | 17.8         |
| ROA                                 | 3.2          | 3.2          | 3.4          | 3.6          | 3.5          |
| <b>Per share data</b>               |              |              |              |              |              |
| EPS (RMB)                           | 3.06         | 3.47         | 3.92         | 4.41         | 4.64         |
| DPS (RMB)                           | 1.05         | 1.05         | 1.28         | 1.45         | 1.56         |
| BVPS (RMB)                          | 14.11        | 16.64        | 19.65        | 22.80        | 25.98        |

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.

## Disclaimer

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

## CMBIS 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 CMBIS                                     |

## *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

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

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.