

Sunny Optical (2382 HK)

Headwinds not fully priced in; Maintain Hold

We remain cautious on the stock and lowered our 12-m TP to HK\$140.5 (from HK\$210.1), as we cut our FY21-23E EPS by 6-19% to reflect 1) worse-than-expected de-spec trend in 1H22E, 2) weaker Android demand following iPhone SE 5G launch, and 3) margin pressure on lower utilization and competition. Despite recent stock correction and consensus downgrade, we believe consensus estimate of 26%/24% EPS growth in FY22E/23E remains too aggressive. Our FY22-23E EPS is 18-19% below consensus given our conservative shipment/ ASP assumptions. Maintain HOLD as current valuation at 23.5x FY22E P/E is stretched, vs 9% EPS growth in FY22E. We recommend to take profit on stock rebound ahead of results on 23 Mar and expect more earnings downward revisions ahead.

- HCM/HLS shipment decline and de-spec trend to continue into 2Q22E.** HCM/HLS Feb shipment remains sluggish at -25%/16% YoY (vs -23%/-11% YoY in Jan), and we expect weakness to persist into 2Q22 on high base and weak Android demand following recent launch of lower-priced iPhone 5G SE. In addition, our recent check suggested that Android brands will continue cam spec downgrade in 2Q22E due to cost inflation and weak consumer demand. We note quad/triple-cam penetration decreased to 65% in Jan 2022, vs 69%/71% by 3Q/2Q21, based on Counterpoint. We now estimate HCM/HLS will deliver muted growth with 10%/3% ASP decline in 1H22E.
- 2H21E Preview: Expect revenue/net profit to decline 6%/22% YoY.** Our 2H21 revenue/NP estimate is 14%/13% below consensus given more conservative HCM/HLS ASP at 4%/14% YoY decline. We expect in-line GPM at 23.4% in 2H21E, while our FY22E GPM estimate of 24% is lower than consensus of 24.4% due to lower utilization and intense competition on industry slowdown. Note that AAC attributed its 4Q21 profit warning (NP down 71-79% YoY) in late-Jan to lower ASP/GPM and production efficiency.
- Fair valuation with earnings downside in 2022/23E; Maintain HOLD.** We trimmed FY21-23E EPS by 6-19% to reflect lower HCM/HLS ASP/shipment. Trading at 23.5x FY22E P/E, we think the stock is fairly valued with 9% EPS growth in FY22E. While we are positive on LT outlook for Sunny, we recommend to take profit on stock rebound ahead of results on 23 Mar, given earnings downside and industry headwinds in 2022. We will revisit the stock when spec downgrade normalizes and HCM/HLS ASP stabilizes. Our new SOTP-based TP of HK\$140.5 implies 22.8x FY22E P/E.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	37,849	38,002	37,753	39,348	45,039
YoY growth (%)	46.0	0.4	(0.7)	4.2	14.5
Net income (RMB mn)	3,991	4,882	5,128	5,596	6,818
EPS (RMB)	3.65	4.47	4.69	5.12	6.24
YoY growth (%)	60.1	22.4	5.1	9.1	21.8
Consensus EPS (RMB)	NA	NA	4.97	6.24	7.73
P/E (x)	32.9	26.9	25.6	23.5	19.3
P/B (x)	10.2	7.8	6.2	5.1	4.2
Yield (%)	0.5	0.6	0.6	0.7	0.8
ROE (%)	31.4	29.0	24.2	21.6	21.5
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	HK\$140.5
(Previous TP)	HK\$210.1)
Up/Downside	-3%
Current Price	HK\$144.8

China Technology Sector

Alex Ng

(852) 3900 0881
alexng@cmbi.com.hk

Lily Yang, Ph.D

(852) 3916 3716
lilyyang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	158,824
Avg 3 mths t/o (HK\$ mn)	982.83
52w High/Low (HK\$)	259.4/ 140.0
Total Issued Shares (mn)	1,097

Source: Bloomberg

Shareholding Structure

SUN XU LTD	35.47%
JPMORGAN CHASE	5.73%
WENJIAN WANG	3.04%

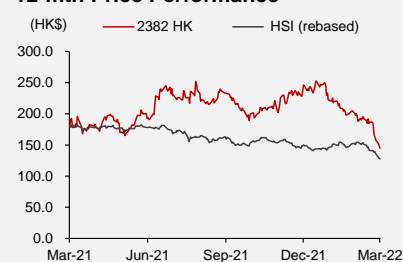
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-27.7%	-13.0%
3-mth	-41.2%	-30.8%
6-mth	-37.9%	-22.5%

Source: Bloomberg

12-mth Price Performance

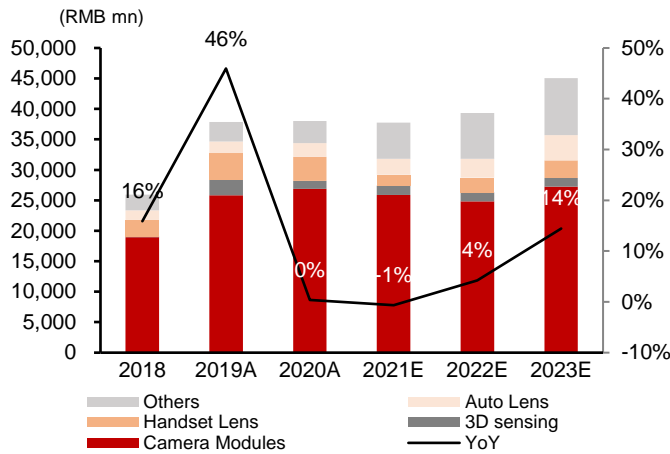


Source: Bloomberg

Auditor: Deloitte Touche Tohmatsu

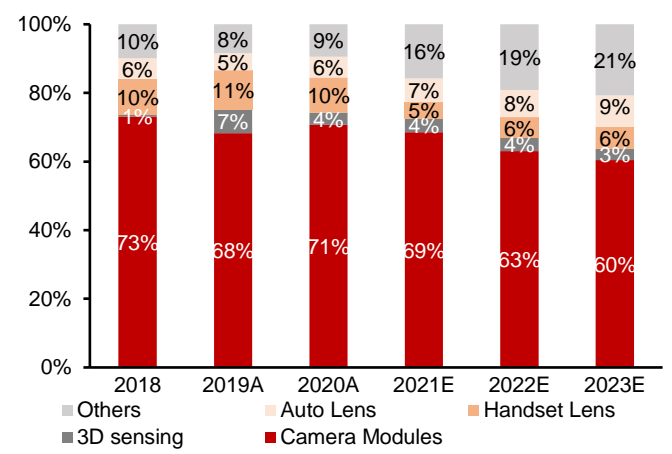
Focus Charts

Figure 1: Sunny Optical revenue trend



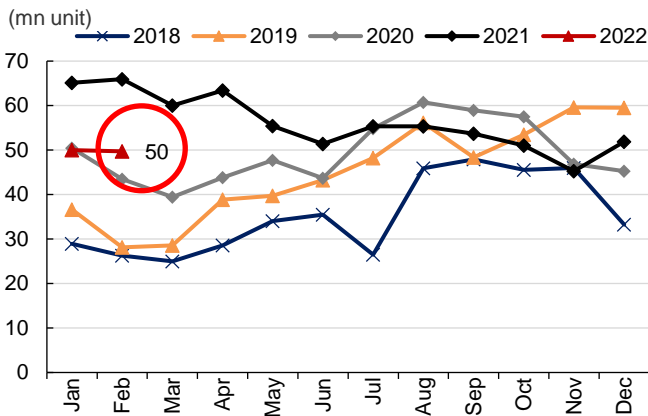
Source: Company data, CMBIGM estimates

Figure 2: Sunny Optical revenue breakdown



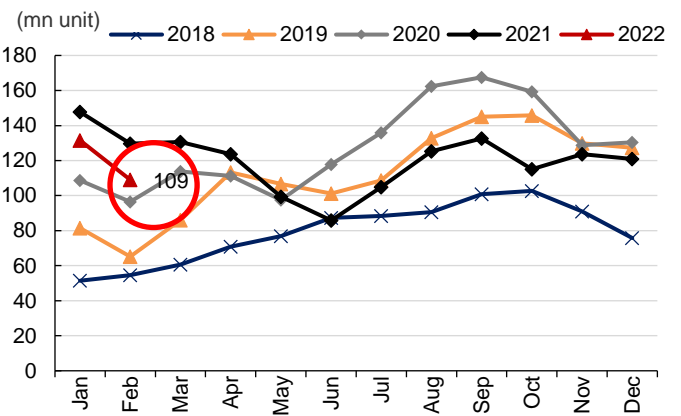
Source: Company data, CMBIGM estimates

Figure 3: Sunny HCM shipment trend



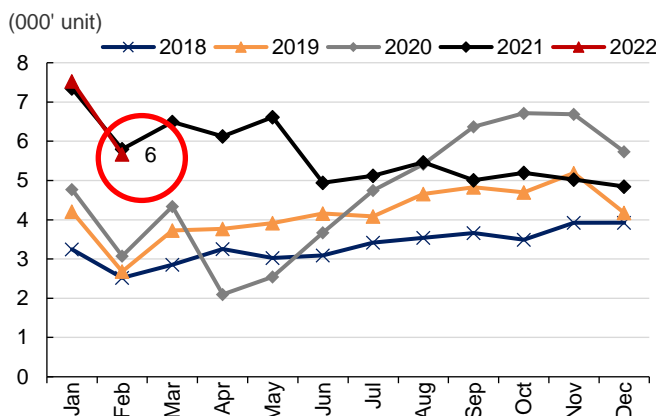
Source: Company data, CMBIGM estimates

Figure 4: Sunny HLS shipment trend



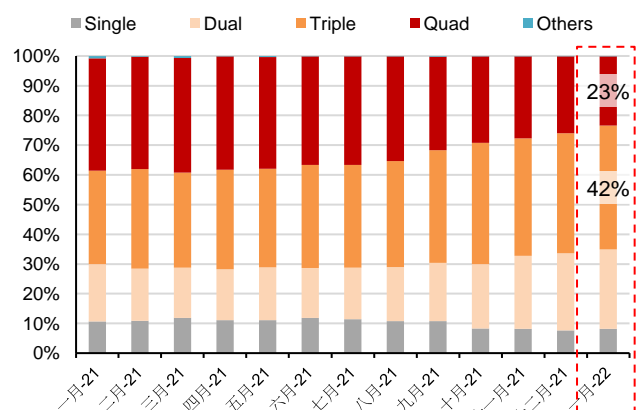
Source: Company data, CMBIGM estimates

Figure 5: Sunny VLS shipment trend



Source: Company data, CMBIGM estimates

Figure 6: China smartphone market trend



Source: Counterpoint, CMBIGM estimates

2H21 Results Preview:

Figure 7: 2H21 estimates vs consensus

RMB mn	1H20	2H20	1H21	2H21E	Consensus	
					2H21E	Diff
Revenue	18,864	19,138	19,833	17,920	20,700	-13.4%
...YoY	21.1%	-14.1%	5.1%	-6.4%	8.2%	
Cost of sales	(15,187)	(14,116)	(14,887)	(13,736)		
Gross profit	3,676	5,022	4,946	4,185	4,857	-13.9%
GPM (%)	19.5%	26.2%	24.9%	23.4%	23.5%	
...YoY	28.4%	2.8%	34.5%	-16.7%	-3.3%	
SG&A	(469)	(563)	(533)	(448)		
...% of rev	-2.5%	-2.9%	-2.7%	-2.5%		
R&D	(1,068)	(1,431)	(1,321)	(1,075)		
...% of rev	-5.7%	-7.5%	-6.7%	-6.0%		
Other Gain&Loss	107	590	252	197		
Operating profit	2,246	3,630	3,345	2,858	2,782	2.8%
OPM (%)	11.9%	19.0%	16.9%	16.0%	13.4%	
...YoY	25.5%	20.3%	48.9%	-21.3%	-23.4%	
Net profit	1,749	3,133	2,688	2,440	2,787	-12.4%
NPM (%)	9.3%	16.4%	13.6%	13.6%	13.5%	
...YoY	22.2%	22.4%	53.7%	-22.1%	-11.0%	

Source: Company data, CMBIGM estimates

Figure 8: 2H21 results preview

RMB mn	1H20	2H20	1H21	2H21E	YoY	HoH
Optical Comp (Auto/ handset lens)	3,864	5,318	4,344	5,089	-4%	
Auto lens shipment (mn unit)	21	36	37	31	-14%	
... ASP (Rmb)	38.8	41.6	36.2	41.5	0%	15%
Handset lens Shipment (mn unit)	6,454	8,844	7,171	7,225	-18%	
... ASP (Rmb)	4.2	4.0	3.5	3.4	-14%	-3%
Optoelectronic (HCM, 3D)	14,874	13,620	15,308	12,714	-7%	
HCM Shipment (mn unit)	269	324	361	312	-4%	
... ASP (Rmb)	53.0	39.0	39.4	37.3	-4%	-5%
3D sensing Shipment (mn unit)	10.5	19.7	19.1	19.1	-3%	
... ASP (Rmb)	46.2	42.9	42.9	36.3	-15%	-15%
Optical instruments	126	200	182	117	-42%	
Total Revenue	18,864	19,138	19,833	17,920	-6%	
Gross Margin						
Optical Comp (Auto/ handset lens)	41.5%	43.7%	42.9%	40.0%	-3.7 ppt	-2.9 ppt
Optoelectronic (HCM, 3D)	11.1%	14.2%	14.8%	12.0%	-2.2 ppt	-2.8 ppt
Optical instruments	38.6%	46.3%	44.2%	42.0%	-4.3 ppt	-2.2 ppt
Blended GPM	19.5%	26.2%	24.9%	23.4%	-2.9 ppt	-1.6 ppt

Source: Company data, CMBIGM estimates

Earnings Revision

Figure 9: CMBIGM earnings revisions

RMB mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	37,753	39,348	45,039	39,791	48,409	56,597	-5%	-19%	-20%
Gross Profit	9,131	9,424	11,203	9,592	11,557	13,792	-5%	-18%	-19%
Operating Profit	6,204	6,658	8,082	6,514	8,154	9,869	-5%	-18%	-18%
Net profit	5,128	5,596	6,818	5,404	6,901	8,377	-5%	-19%	-19%
EPS (RMB)	4.69	5.12	6.24	4.94	6.31	7.67	-5%	-19%	-19%
Gross Margin	24.2%	24.0%	24.9%	24.1%	23.9%	24.4%	0.1%	0.1%	0.5%
Operating Margin	16.4%	16.9%	17.9%	16.4%	16.8%	17.4%	0.1%	0.1%	0.5%
Net Margin	13.6%	14.2%	15.1%	13.6%	14.3%	14.8%	0.0%	0.0%	0.3%

Source: Company data, CMBIGM estimates

Figure 10: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	37,753	39,348	45,039	40,534	49,050	57,948	-7%	-20%	-22%
Gross Profit	9,131	9,424	11,203	9,804	11,945	14,362	-7%	-21%	-22%
Operating Profit	6,204	6,658	8,082	6,127	7,568	9,407	1%	-12%	-14%
Net profit	5,128	5,596	6,818	5,475	6,825	8,398	-6%	-18%	-19%
EPS (RMB)	4.69	5.12	6.24	4.97	6.24	7.73	-6%	-18%	-19%
Gross Margin	24.2%	24.0%	24.9%	24.2%	24.4%	24.8%	0 ppt	-0.4 ppt	0.1 ppt
Operating Margin	16.4%	16.9%	17.9%	15.1%	15.4%	16.2%	1.3 ppt	1.5 ppt	1.7 ppt
Net Margin	13.6%	14.2%	15.1%	13.5%	13.9%	14.5%	0.1 ppt	0.3 ppt	0.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 11: P&L forecast

RMB mn	FY19	FY20	1H21	2H21E	FY21E	FY22E	FY23E
Revenue	37,849	38,002	19,833	17,920	37,753	39,348	45,039
...YoY	46.0%	0.4%	5.1%	-6.4%	-0.7%	4.2%	14.5%
Cost of sales	(30,098)	(29,304)	(14,887)	(13,736)	(28,623)	(29,924)	(33,836)
Gross profit	7,751	8,698	4,946	4,185	9,131	9,424	11,203
GPM (%)	20.5%	22.9%	24.9%	23.4%	24.2%	24.0%	24.9%
...YoY	57.8%	12.2%	34.5%	-16.7%	5.0%	3.2%	18.9%
SG&A	(929)	(1,032)	(533)	(448)	(981)	(956)	(1,094)
...% of rev	-2.5%	-2.7%	-2.7%	-2.5%	-2.6%	-2.4%	-2.4%
R&D	(2,209)	(2,499)	(1,321)	(1,075)	(2,396)	(2,322)	(2,657)
...% of rev	-5.8%	-6.6%	-6.7%	-6.0%	-6.3%	-5.9%	-5.9%
Other Gain & Loss	205	698	252	197	252	197	-
Operating profit	4,806	5,877	3,345	2,858	6,204	6,658	8,082
OPM (%)	12.7%	15.5%	16.9%	16.0%	16.4%	16.9%	17.9%
...YoY	56.2%	22.3%	48.9%	-21.3%	5.6%	7.3%	21.4%
Net profit	3,991	4,882	2,688	2,440	5,128	5,596	6,818
NPM (%)	10.5%	12.8%	13.6%	13.6%	13.6%	14.2%	15.1%
...YoY	60.2%	22.3%	53.7%	-22.1%	5.1%	9.1%	21.8%

Source: Company data, CMBIGM estimates

Figure 12: Major assumptions

	FY19	FY20	FY21E	FY22E	FY23E
Shipment volume (mn unit)					
Optical Components					
Handset lens sets	1,343	1,530	1,440	1,533	1,763
...YoY(%)	41%	14%	-6%	7%	15%
Vehicle lens sets	50	56	68	75	96
...YoY(%)	25%	12%	21%	11%	28%
Optoelectronic Products					
Handset camera modules	540	593	674	714	803
...YoY(%)	27%	10%	14%	6%	12%
Other optoelectronic (3D sensing)	49	41	59	71	85
...YoY(%)	388%	-18%	45%	20%	20%
Optical Instruments					
Microscopic instruments	197	195	258	284	312
...YoY(%)	-5%	-1%	32%	10%	10%
Revenue (RMB mn)					
Optical Components	8,815	9,181	9,433	11,436	13,841
Optoelectronic Products	28,748	28,494	28,022	27,635	30,893
Optical instruments	285	326	299	277	305
Total Revenue	37,849	38,002	37,753	39,348	45,039
...YoY(%)	46.0%	0.4%	-0.7%	4.2%	14.5%
Gross Margin					
Optical Components	20.5%	22.9%	24.2%	24.0%	24.9%
Optoelectronic products	45.2%	42.8%	41.4%	41.1%	42.0%
Optical instruments	9.3%	12.6%	13.5%	12.4%	12.3%
Optical instruments	41.3%	39.2%	43.3%	42.9%	41.9%

Source: Company data, CMBIGM estimates

Valuation

Maintain HOLD with new TP of HK\$140.5

We maintain HOLD with new TP HK\$140.5. We derived our 12-month TP from SOTP valuation methodology and our TP is based on weighted-average target P/E multiple of 22.8x FY22E EPS, in order to reflect 1) Sunny's diversification in multiple businesses with different growth profiles, and 2) visibility of product upcycles across different segments.

We assign lower 15x P/E to its CCM business to reflect its China No.1 position, product upcycle and advanced technology capacity. We assign 35x P/E for its vehicle lens business to reflect the high-margin and high-growth industry nature of vehicle lens (25% CAGR FY20-23E) and Sunny's No.1 global market share. We apply a 25x P/E to its handset lens segment given secular upgrade trend and continued share gains from peers.

Figure 13: Sunny Optical – SOTP valuation

Business segment	% of FY22E Profit	FY22E EPS (RMB)	Target P/E
Camera modules	36.3%	1.86	15x
Handset lenses	48.4%	2.48	25x
Vehicle lenses	14.1%	0.72	35x
Others	1.2%	0.06	25x
Total (RMB) /Implied P/E		5.12	22.8x
TP (HK\$)			140.5

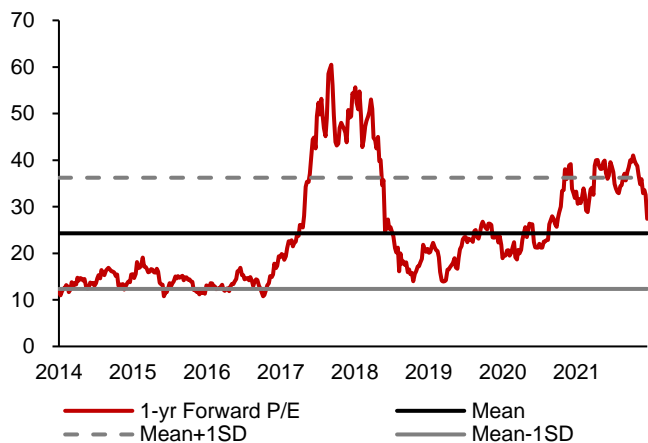
Sources: Company data, CMBIGM estimates

Figure 14: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY21E	FY22E	FY21E	FY22E	FY20E	FY21E
Sunny Optical	2382 HK	Hold	20,309	144.8	140.5	-3%	25.6	23.5	6.2	5.1	24.2	21.6
Q tech	1478 HK	Buy	955	6.3	22.0*	N/A	6.2	5.2	1.7	1.4	23.1	24.5
Cowell	1415 HK	NR	790	7.40	NA	NA	13.9	10.0	2.4	2.0	18.8	20.6
Truly	732 HK	NR	976	2.32	NA	NA	5.9	4.6	-	-	11.6	13.1
Catcher	2474 TT	NR	3,859	144.00	NA	NA	14.4	11.9	0.7	0.7	5.2	5.9
Largan	3008 TT	NR	9,345	1980.00	NA	NA	14.2	13.6	1.8	1.7	13.5	12.7
Lite-on	2301 TT	NR	5,749	69.50	NA	NA	11.7	12.0	2.1	2.0	18.0	16.6
Primax	4915 TT	NR	820	51.20	NA	NA	9.7	8.6	1.5	1.4	15.7	16.6
O-film	002456 CH	NR	3,921	7.59	NA	NA	19.7	21.8	2.2	2.3	0.1	3.9
Average							13.6	12.0	2.6	2.3	14.6	15.7

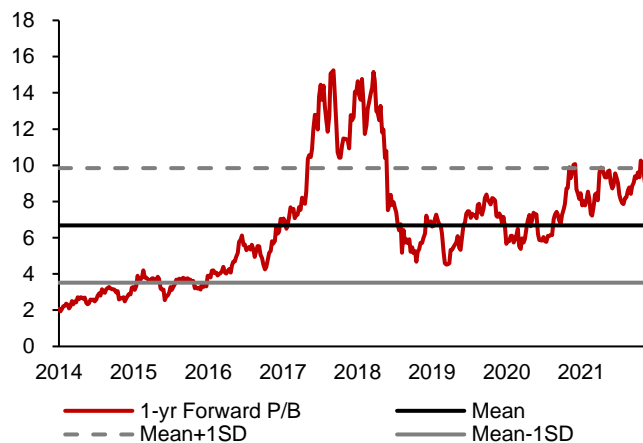
Source: Bloomberg, CMBIGM estimates, * TP under review

Figure 15: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 16: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	37,849	38,002	37,753	39,348	45,039
Cost of sales	(30,098)	(29,304)	(28,623)	(29,924)	(33,836)
Gross profit	7,751	8,698	9,131	9,424	11,203
Selling expenses	(279)	(313)	(281)	(287)	(329)
Admin expenses	(650)	(719)	(700)	(669)	(766)
R&D expenses	(2,209)	(2,499)	(2,396)	(2,322)	(2,657)
Other income	406	510	438	472	586
Other gain/ losses	(201)	187	12	39	45
Operating profit	4,806	5,877	6,204	6,658	8,082
Financial costs	(250)	(224)	(228)	(251)	(276)
Investment income	(6)	0	0	0	0
Pre-tax profit	4,550	5,653	5,976	6,408	7,807
Income tax expense	(531)	(703)	(797)	(756)	(921)
NCI	28	68	51	56	68
Net profit	3,991	4,882	5,128	5,596	6,818

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before taxation	4,550	5,643	5,976	6,408	7,807
Depreciation/amortisation	1,227	1,570	1,536	1,836	2,136
Change in working capital	(1,477)	115	(2,419)	2,069	(3,541)
Others	361	(168)	(570)	(501)	(630)
Net cash from operating	4,662	7,160	4,524	9,813	5,773
Capex	(2,760)	(2,271)	(3,000)	(3,000)	(3,000)
Other	(796)	(3,705)			
Net cash from investing	(3,556)	(5,976)	(3,000)	(3,000)	(3,000)
Net borrowings	(382)	1,017			
Dividend paid	(623)	(796)	(839)	(915)	(1,115)
Purchase of shares	(170)	(151)			
Other	(266)	(291)	(228)	(251)	(276)
Net cash from financing	(1,441)	(222)	(1,067)	(1,166)	(1,391)
Net change in cash	(336)	962	457	5,647	1,382
Cash at beginning of the year	2,254	1,917	2,842	3,299	8,946
Exchange difference	(2)	(37)			
Cash at the end of the year	1,917	2,842	3,299	8,946	10,328

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Current assets	22,446	25,630	25,232	32,910	36,219
Cash & equivalents	1,917	2,842	3,299	8,946	10,328
Financial assets	5,663	8,480	8,480	8,480	8,480
Deposits	21	238	238	238	238
Account receivables	9,630	8,212	9,513	8,961	12,185
Inventories	5,146	5,783	3,627	6,211	4,913
Other current assets	69	74	74	74	74
Non-current assets	8,247	9,809	11,271	12,443	13,338
Prepaid lease					
PPE	6,567	7,513	8,977	10,140	11,004
Interest in associates	1	2	2	2	2
Other non-curr. assets	1,680	2,293	2,292	2,301	2,332
Total assets	30,693	35,438	36,503	45,353	49,557
Current liabilities	12,630	13,411	10,135	14,249	12,682
ST borrowings	1,119	2,071	2,071	2,071	2,071
Account payables	11,322	10,733	7,460	11,560	9,946
Other current liabilities	5,622	9,223	16,837	17,473	24,857
Non-current liabilities	5,336	5,201	5,201	5,201	5,201
LT borrowings					
Others	5,336	5,201	5,201	5,201	5,201
Total liabilities	17,967	18,612	15,336	19,450	17,883
Share capital	105	105	105	105	105
Reserves	12,448	16,492	20,782	25,463	31,165
Minority interest	173	229	280	335	403
Shareholders' equity	12,726	16,826	21,167	25,903	31,673
Total equity & liabilities	30,693	35,438	36,503	45,353	49,557

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Optical components	23.3	24.2	25.0	29.1	30.7
Optoelectronic products	76.0	75.0	74.2	70.2	68.6
Optical instruments	0.8	0.9	0.8	0.7	0.7
Growth (%)					
Revenue	46.0	0.4	(0.7)	4.2	14.5
Gross profit	57.8	12.2	5.0	3.2	18.9
Operating profit	56.2	22.3	5.6	7.3	21.4
Net profit	60.2	22.3	5.1	9.1	21.8
Profit & loss ratio (%)					
Gross margin	20.5	22.9	24.2	24.0	24.9
Operating margin	12.7	15.5	16.4	16.9	17.9
Net profit margin	10.5	12.8	13.6	14.2	15.1
Balance sheet ratio					
Net debt/total equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.8	1.9	2.5	2.3	2.9
Receivable turnover days	76.5	85.7	85.7	85.7	85.7
Inventory turnover days	49.8	68.1	60.0	60.0	60.0
Payable turnover days	111.5	137.4	116.0	116.0	116.0
Profitability (%)					
ROE	31.4	29.0	24.2	21.6	21.5
ROA	13.0	13.8	14.0	12.3	13.8
Per share data (RMB)					
EPS	3.65	4.47	4.69	5.12	6.24
DPS	0.57	0.73	0.77	0.84	1.02

Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

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

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

CMBIGM Ratings

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

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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

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

Important Disclosures

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

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

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

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

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

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

For recipients of this document in the United States

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

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (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.