

FIT Hon Teng (6088 HK)

FY24E Preview: robust earnings recovery; Expect AI server momentum to drive re-rating

FIT Hon Teng will report 4Q24/FY24E results in mid-March. We estimate FY24E revenue/net profit of US\$4,555mn/179mn (+9%/+39% YoY), and 4Q24E revenue/net profit of US\$1,313mn/78.4mn (+5%/+6% YoY), largely in-line with guidance/consensus. Looking into 2025, we are positive on FIT as the major beneficiary of GB200/300 AI server ramp-up and order wins in CPU sockets, liquid cooling components and NVLink copper backplane. AirPods production in India and consolidation of AK Group will also boost sales growth in 2025/26E. We believe the stock deserves further re-rating as higher-margin AI server/networking and auto business will account for 31%/32% of FY25/26E sales, up substantially from 17% in FY23. Thus, we lift our TP to HK\$4.79 based on new estimates and higher 14.1x FY25E P/E, 8-year hist. avg. P/E (vs prior 13x P/E).

■ **4Q24E Preview: server/networking and automobile as key drivers; new AI server product shipment started.** We estimate 4Q24E revenue/net profit of US\$1,313mn/78.4mn (+5%/+6% YoY), vs +1%/24% in 3Q24. By segment, we expect networking/computing/mobility to grow 133%/4%/21% YoY, offsetting weakness of smartphone/system products (-17%/7% YoY) in 4Q24. We expect 4Q24 NPM to recover to 6%, from 5.8%/ 2.0% in 3Q/2Q24, due to better mix and improving opex. As GB200 server started to ramp up since 4Q24, we believe FIT's AI server products (high-speed connectivity, power busbar, liquid cooling UQD) will also start to contribute sales in 4Q24.

■ **2025/26E outlook: GB200/300 products, AirPods and auto business.** We remain positive on FIT's FY25-27E guidance: 20% sales CAGR and GPM/OPM of 22%/8% in 2027 (vs 20%/5.4% in 2024), backed by solid product roadmap and expansion of "3+3" strategy. In 2025, for AI server/networking, we expect share gain upside from NVLink copper backplane, compute tray cables and GPU sockets as GB200/300 ramps up. For EV mobility, consolidation of Auto-Kabel will contribute meaningful revenue in FY25E. For AirPods, India plant will commence mass production in 1Q25E, and 2-3 more production lines will be added in 2H25E.

■ **Improving mix and margins to drive re-rating; Raise TP to HK\$4.79.** We believe the stock deserves re-rating as fast-growing high-margin AI server/networking and auto business will account for 31%/32% of FY25/26E sales, up substantially from 17% in FY23. Thus, we lift our TP to HK\$4.79 based on new estimates and higher 14.1x FY25E P/E, 8-year hist. avg. P/E (vs prior 13x P/E). The stock now trades at 12.1x/9.2x FY25/26E P/E, compared to 73%/31% EPS growth in FY25/26E. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	4,531	4,196	4,555	5,925	7,172
YoY growth (%)	0.9	(7.4)	8.6	30.1	21.0
Net profit (US\$ mn)	170.1	129.6	179.5	310.4	406.9
YoY growth (%)	24.5	(23.8)	38.5	72.9	31.1
EPS (Reported) (US\$ cents)	2.42	1.82	2.53	4.37	5.73
Consensus EPS (US\$)	0.00	0.00	2.45	3.97	4.75
P/E (x)	21.7	28.9	20.8	12.1	9.2
P/B (x)	1.6	1.5	1.4	1.3	1.1
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	7.2	5.4	7.1	11.2	13.0
Net gearing (%)	na	0.0	0.0	0.0	na

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$4.79
(Previous TP)	HK\$4.38)
Up/Downside	16.9%
Current Price	HK\$4.10

China Technology

Alex NG

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

Hanqing LI

lihanqing@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	29,794.7
Avg 3 mths t/o (HK\$ mn)	127.5
52w High/Low (HK\$)	4.10/0.90
Total Issued Shares (mn)	7267.0

Source: FactSet

Shareholding Structure

Foxconn Far East Ltd	71.1%
Lu Sung-Ching	5.5%

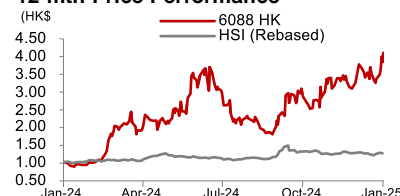
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	27.7%	27.9%
3-mth	42.9%	45.9%
6-mth	36.7%	17.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

1. FIT Hon Teng (6088 HK) - NDR takeaway: FY24E guidance on track; Expect 20% rev CAGR in FY25-27E - 12 Dec 2024 ([link](#))
2. FIT Hon Teng (6088 HK) - Upbeat 3-year guidance reaffirmed our positive view; Raise TP to HK\$ 4.38- 14 Nov 2024 ([link](#))
3. FIT Hon Teng (6088 HK) - First take: Earnings in-line with solid margin recovery; Focus on GB200 products in 4Q24E- 13 Nov 2024 ([link](#))
4. FIT Hon Teng (6088 HK)-Beneficiary of GB200 server ramp in 4Q24E; Assessing the AI server opportunity- 23 Oct 2024 ([link](#))

FY24E results preview

Figure 1: Revenue breakdown

US\$ 000	FY22	FY23	1H24	2H24E	FY24E	FY25E	FY26E
Smartphones	1,261,047	1,044,335	415,228	514,230	929,458	975,931	1,034,487
...YoY	-3%	-17%	-7%	-14%	-11%	5%	6%
Networking	753,854	424,793	260,729	414,692	675,421	951,069	1,336,734
...YoY	-14%	-44%	19%	101%	59%	41%	41%
Traditional server		382,314			420,545	466,805	513,486
AI server		42,479			254,876	484,264	823,249
Computing	819,708	773,285	378,226	410,525	788,751	867,626	954,388
...YoY	2%	-6%	0%	4%	2%	10%	10%
Mobility	152,814	305,098	227,270	247,884	475,154	930,403	979,426
...YoY	10%	100%	217%	6%	56%	96%	5%
EV business	152,814	137,553	73,793	43,127	116,920	125,104	133,862
Voltaira	-	167,545	153,477	204,757	358,234	376,145	394,953
AK Group						429,153	450,611
Systems Products	1,335,580	1,415,280	671,576	793,468	1,465,044	1,946,023	2,600,244
...YoY	20%	6%	16%	-5%	4%	33%	34%
AirPods					233,750	591,600	1,178,100
Others					1,231,294	1,354,423	1,422,144
Others	207,600	232,759	113,731	107,390	221,121	254,289	267,004
...YoY	-17%	12%	24%	-24%	-5%	15%	5%
Total	4,530,603	4,195,550	2,066,760	2,488,188	4,554,948	5,925,341	7,172,283
...YoY	0.9%	-7.4%	15.8%	3.2%	8.6%	30.1%	21.0%

Source: Company data, CMBIGM estimates

Figure 2: P&L forecast

US\$ mn	FY22	FY23	1H24	2H24E	FY24E	FY25E	FY26E
Revenue	4,531	4,196	2,067	2,488	4,555	5,925	7,172
...YoY	0.9%	-7.4%	15.8%	3.2%	8.6%	30.1%	21.0%
Cost of sales	-3,763	-3,388	(1,646)	(1,969)	(3,614)	(4,673)	(5,634)
Gross profit	768	807	421	519	941	1,252	1,538
GPM (%)	17%	19%	20%	21%	21%	21%	21%
...YoY	14.1%	5.1%	48.8%	-0.9%	16.5%	33.1%	22.9%
SG&A	-223	-295	(180)	(161)	(342)	(409)	(488)
...% of rev	-4.9%	-7.0%	-8.7%	-6.5%	-7.5%	-6.9%	-6.8%
R&D	-296	-308	(172)	(181)	(353)	(433)	(516)
...% of rev	-6.5%	-7.3%	-8.3%	-7.3%	-7.8%	-7.3%	-7.2%
Operating profit	307	263	93	222	315	482	606
OPM (%)	6.8%	6.3%	4.5%	8.9%	6.9%	8.1%	8.4%
...YoY	74.0%	-14.4%	97.5%	2.7%	19.8%	53.0%	25.8%
Net profit	169	129	33	146	179	309	406
NPM (%)	3.7%	3.1%	1.6%	5.9%	3.9%	5.2%	5.7%
...YoY	23.2%	-23.9%	263.3%	6.2%	38.8%	72.8%	31.1%

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

(US\$ mn)	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	4,555	5,925	7,172	4,592	5,660	6,521	-1%	5%	10%
Gross profit	941	1,252	1,538	927	1,172	1,365	1%	7%	13%
Operating profit	315	482	606	305	427	530	3%	13%	14%
Net profit	179	309	406	178	268	333	0%	15%	22%
EPS (USD cents)	2.53	4.37	5.73	2.45	3.97	4.75	3%	10%	21%
Gross margin	20.6%	21.1%	21.4%	20.2%	20.7%	20.9%	0.4 ppt	0.4 ppt	0.5 ppt
Operating margin	6.9%	8.1%	8.4%	6.6%	7.5%	8.1%	0.3 ppt	0.6 ppt	0.3 ppt
Net Margin	3.9%	5.2%	5.7%	3.9%	4.7%	5.1%	0 ppt	0.5 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: CMBIGM earnings revisions

(US\$ mn)	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	4,555	5,925	7,172	4,555	5,896	7,131	0%	1%	1%
Gross profit	941	1,252	1,538	942	1,245	1,528	0%	1%	1%
Operating profit	315	482	606	321	479	601	-2%	1%	1%
Net profit	179	309	406	184	307	402	-3%	1%	1%
EPS (USD cents)	2.53	4.37	5.73	2.59	4.34	5.67	-3%	1%	1%
Gross margin	20.6%	21.1%	21.4%	20.7%	21.1%	21.4%	0 ppt	0 ppt	0 ppt
Operating margin	6.9%	8.1%	8.4%	7.0%	8.1%	8.4%	-0.1 ppt	0 ppt	0 ppt
Net Margin	3.9%	5.2%	5.7%	4.0%	5.2%	5.6%	-0.1 ppt	0 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Assessing FIT's AI server opportunity:

Figure 5: Scenario analysis of FIT NVDA AI server revenue (2025)

FIT NVDA AI server revenue (2025)	Bull	Base	Bear
NVDA AI server units			
GB200/GB300 rack shipment (NVL72-eq.)	50	41	30
# of GPUs (GB200/300) ('000)	2,936	2,936	2,936
NVL36/72 mix	6:1	6:1	6:1
... NVL72 racks ('000)	10	10	10
... NVL36 racks ('000)	80	62	40
# of Compute Trays ('000)	900	734	540
HGX/MGX AI server shipment (H100/H200/B200/B300A/B300)			
# of GPUs (H100/H200/B200/B300A/B300) ('000)	3,782	3,782	3,782
# of AI Servers (H100/H200/B200/B300A/B300) ('000)	473	473	473
GB200/GB300 AI Server revenue			
Compute tray: Connectors/cables (e.g. MCIO, MXIO, memory socket, PCIe)			
FIT content value per compute tray (US\$)	1,000	800	600
FIT share allocation	20%	20%	20%
Total revenue (US\$ '000)	180,000	117,440	64,800
Compute tray: components (e.g. power, thermal)			
FIT content value per compute tray (US\$)	100	100	100
FIT share allocation	5%	5%	5%
Total revenue (US\$ '000)	4,500	3,670	2,700
NVLink copper cables/connector			
... Content value per NVL72 rack (US\$)	60,000	60,000	60,000
... Content value per NVL36 rack (US\$)	42,000	42,000	42,000
TAM - Backplane cables/connectors (US\$ '000)	3,960,000	3,185,333	2,280,000
FIT share allocation	13%	8%	5%
Total revenue (US\$ '000)	514,800	254,827	114,000
Liquid Cooling: Components (e.g. cold plate, UQD, manifold)			
FIT content value per rack (US\$)	500	500	500
FIT share allocation	5%	5%	5%
Total revenue (US\$ '000)	1,250	1,019	750
GPU socket (GB300)			
GB300 shipment ('000)	440	440	440
ASP (US\$)	20	20	20
TAM - GPU sockets (US\$ '000)	8,800	8,800	8,800
FIT share allocation	90%	80%	70%
Total revenue (US\$ '000)	7,920	7,040	6,160
FIT GB200/GB300 AI server revenue (US\$ '000)	708,470	383,996	188,410
HGX/MGX AI server (H100/H200/B200/B300A/B300) revenue			
Server connectors (e.g. MCIO, CPU/memory socket, PCIe)			
FIT's content value per server (US\$)	1,000	800	600
FIT's share allocation	20%	20%	20%
Total revenue (US\$ '000)	94,550	75,640	56,730
GPU sockets			
B300A/B300 shipments ('000)	418	418	418
ASP (US\$)	20	20	20
TAM - GPU sockets (US\$ '000)	8,360	8,360	8,360
FIT share allocation	90%	80%	70%
Total revenue (US\$ '000)	7,524	6,688	5,852
FIT HGX/MGX AI server revenue (US\$ '000)	102,074	82,328	62,582
Total NVDA AI server revenue (US\$ '000)	810,544	466,324	250,992

Source: CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$4.79

We lift our TP to HK\$4.79 based on new estimates and higher 14.1x FY25E P/E, 8-year hist. avg. P/E (vs prior 13x P/E). The stock now trades at 12.1x/9.2x FY25/26E P/E, compared to 73%/31% EPS growth in FY25/26E. Reiterate BUY. Upcoming catalysts include Auto-Kabel deal progress, GB200/GB300 supply chain updates and GPU socket applications.

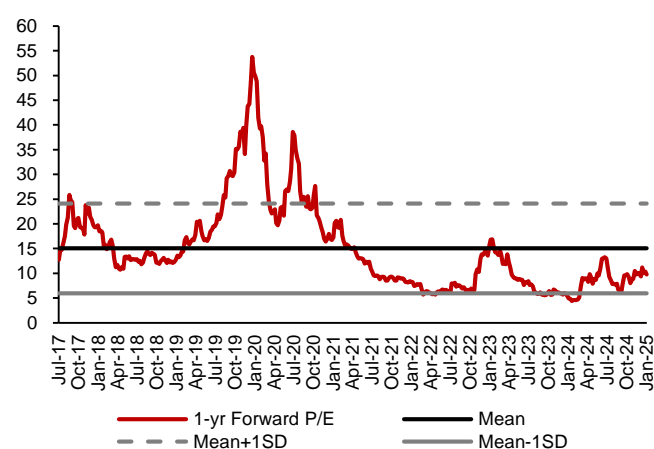
Figure 6: Peers' valuation

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap	Price	TP	Up/Down	P/E (x)		P/B (x)		ROE (%)	
			US\$(mn)	(LC)	(LC)	-side	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Global Connectors												
TE	TEL US	NR	46,854	156.98	NA	NA	20.8	19.4	3.8	3.7	19.1	18.9
Amphenol	APH US	NR	94,701	78.55	NA	NA	42.4	34.5	9.8	8.3	24.9	26.6
Fabrinet	FN US	NR	9,644	265.91	NA	NA	30.5	26.7	5.6	4.7	18.2	18.9
Aviat	6807 JP	NR	1,296	2875.00	NA	NA	18.9	15.3	1.4	1.4	7.5	9.7
Hirose	6806 JP	NR	4,308	18825.00	NA	NA	24.4	20.4	1.8	1.7	7.4	8.4
Luxshare	002475 CH	BUY	40,929	40.97	55.1	34%	21.8	17.8	3.5	2.9	16.0	16.4
Foxconn	2354 TT	NR	3,385	78.20	NA	NA	27.1	19.1	0.7	0.7	3.8	5.3
Hon Hai	2317 TT	NR	76,510	180.00	NA	NA	15.7	12.1	1.5	1.4	9.6	11.5
Average							25.2	20.7	3.5	3.1	13.3	14.5
China technology												
FIT Hon Teng	6088 HK	BUY	3,837	4.10	4.79	17%	20.8	12.1	1.4	1.3	7.1	11.2
AAC Tech	2018 HK	BUY	6,117	39.95	40.83	2%	23.9	18.9	1.8	1.7	7.4	8.8
Sunny Optical	2382 HK	BUY	10,260	73.00	72.52	-1%	29.1	24.4	2.9	2.7	10.1	11.2
Tongda	698 HK	BUY	100	0.08	0.12	53%	26.7	4.0	0.1	0.1	0.4	2.7
BYDE	285 HK	BUY	12,337	42.65	48.66	14%	19.4	14.2	2.7	2.3	13.7	16.5
Q tech	1478 HK	BUY	1,221	8.03	6.79	-15%	31.3	15.0	1.7	1.5	5.4	10.3
TK Group	2283 HK	BUY	206	1.93	2.82	46%	5.7	4.5	0.9	0.8	15.2	17.4
YOFC	6869 HK	NR	3,096	20.95	NA	NA	19.1	15.6	1.2	1.2	6.9	8.3
Cowell	1415 HK	NR	3,022	27.30	NA	NA	29.0	16.5	5.8	4.3	22.6	28.8
Average							22.8	13.9	2.0	1.8	9.8	12.7

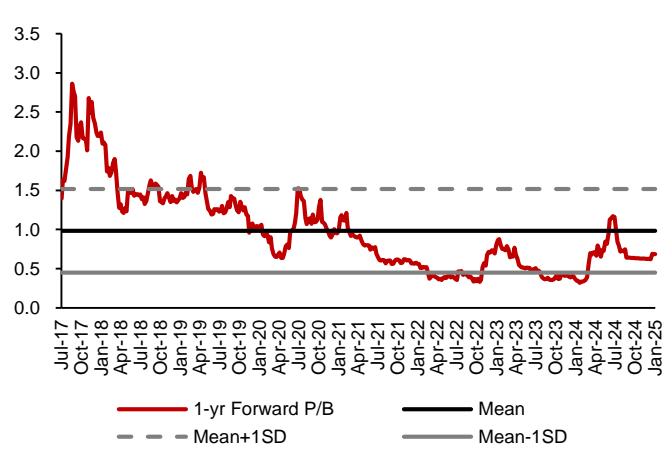
Source: Bloomberg, CMBIGM estimates

Figure 7: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: 12M forward P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	4,490	4,531	4,196	4,555	5,925	7,172
Cost of goods sold	(3,817)	(3,763)	(3,388)	(3,614)	(4,673)	(5,634)
Gross profit	673	768	807	941	1,252	1,538
Selling expense	(105)	(93)	(105)	(128)	(148)	(179)
Admin expense	(161)	(130)	(191)	(214)	(261)	(308)
R&D expense	(301)	(296)	(308)	(353)	(433)	(516)
Others	70	58	61	69	71	72
Operating profit	177	307	263	315	482	606
Share of (losses)/profits of associates/JV	(8)	(46)	(50)	(38)	(38)	(38)
Interest expense	(2)	(14)	(33)	(33)	(30)	(26)
Pre-tax profit	167	248	179	244	414	542
Income tax	(31)	(78)	(50)	(64)	(103)	(136)
Minority interest	(1)	1	1	0	1	1
Net profit	137	170	130	179	310	407

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	3,034	2,764	3,112	2,790	3,803	4,273
Cash & equivalents	769	914	1,316	882	1,178	1,411
Account receivables	1,033	720	807	851	1,306	1,305
Inventories	982	967	802	870	1,132	1,371
ST bank deposits	98	66	4	4	4	4
Non-current assets	1,973	1,783	1,982	2,498	2,426	2,317
PP&E	823	753	900	1,416	1,344	1,235
Deferred income tax	133	131	126	126	126	126
Investment in JVs & assos	172	123	73	73	73	73
Intangibles	634	601	700	700	700	700
Other non-current assets	211	175	182	182	182	182
Total assets	5,007	4,547	5,094	5,287	6,229	6,590
Current liabilities	1,937	1,539	2,563	2,578	3,209	3,163
Short-term borrowings	690	453	1,383	1,383	1,383	1,383
Account payables	1,138	971	1,095	1,109	1,740	1,694
Tax payable	94	98	70	70	70	70
Other current liabilities	15	18	17	17	17	17
Non-current liabilities	674	661	93	93	93	93
Long-term borrowings	576	575	0	0	0	0
Obligations under finance leases	46	43	41	41	41	41
Other non-current liabilities	52	43	52	52	52	52
Total liabilities	2,611	2,200	2,656	2,670	3,302	3,256
Share capital	139	142	142	142	142	142
Other reserves	2,348	2,295	2,384	2,564	2,874	3,281
Total shareholders equity	2,396	2,347	2,437	2,617	2,927	3,334
Minority interest	1	2	3	3	3	3
Total equity and liabilities	5,007	4,547	5,094	5,287	6,229	6,590

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	167	248	179	244	414	542
Depreciation & amortization	251	232	220	434	472	509
Tax paid	(91)	(79)	(75)	(64)	(103)	(136)
Change in working capital	(257)	93	146	(98)	(86)	(283)
Others	15	63	103	0	0	0
Net cash from operations	85	556	574	516	696	633
Investing						
Capital expenditure	(216)	(113)	(243)	(950)	(400)	(400)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(4)	47	(167)	0	0	0
Net cash from investing	(220)	(66)	(410)	(950)	(400)	(400)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(1)	(2)	(1)	0	0	0
Others	121	(268)	250	0	0	0
Net cash from financing	120	(270)	249	0	0	0
Net change in cash						
Cash at the beginning of the year	766	769	914	1,316	882	1,178
Exchange difference	19	(75)	(10)	0	0	0
Cash at the end of the year	769	914	1,316	882	1,178	1,411
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	4.1%	0.9%	(7.4%)	8.6%	30.1%	21.0%
Gross profit	16.1%	14.1%	5.1%	16.5%	33.1%	22.9%
Operating profit	41.2%	74.0%	(14.4%)	19.8%	53.0%	25.8%
Net profit	219.3%	24.5%	(23.8%)	38.5%	72.9%	31.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	15.0%	16.9%	19.2%	20.6%	21.1%	21.4%
Operating margin	3.9%	6.8%	6.3%	6.9%	8.1%	8.4%
Return on equity (ROE)	6.0%	7.2%	5.4%	7.1%	11.2%	13.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	na	na	0.0	0.0	0.0	na
Current ratio (x)	1.6	1.8	1.2	1.1	1.2	1.4
Receivable turnover days	0.0	0.0	0.0	0.0	0.0	0.0
Inventory turnover days	0.0	0.0	0.0	0.0	0.0	0.0
Payable turnover days	0.0	0.0	0.0	0.0	0.0	0.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	25.9	21.7	28.9	20.8	12.1	9.2
P/B	1.5	1.6	1.5	1.4	1.3	1.1
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

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

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

CMB International Global Markets Limited

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

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

Important Disclosures

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

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

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

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and 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.