

Bosideng (3998 HK)

Our view on three major investors' concerns

We recently held an investor call with Bosideng and accessed several concerns on its FY3/23E outlook. To conclude, thanks to Bosideng's ability to: 1) innovate, 2) manage inventory and 3) boost staff efficiency, we believe it can certainly deliver a better-than-peers performance in FY3/23E, but still remains highly subjective to: 1) Covid-19 outbreaks and 2) macro-economic status in China.

- **1) How can Bosideng drive its volume growth in FY3/23E?** Bosideng's track record was excellent, but it was mostly driven by ASP than volume. While the five-year sales CAGR was 19% during FY17-22, ASP/ volume CAGR were only at 13%/ 6%, based on CMBIGM's estimates. Hence, investors are questioning on its 10%+ volume growth target in FY3/23E. We do find it challenging but reachable, supported by the followings: 1) product innovations, Bosideng will upgrade and renew the designs for its existing hot-selling series (GT/ Extreme Cold collections), 2) new categories, such as the light down apparel (target to drive 10-15% of sales in FY23E) which is less sensitive to weather and regional difference, hence may penetrate into a wider group of customers. It will also have more crossovers, high-tech (winning the red dot design awards) products (noted that new products usually account for 30-40% of annual sales), 3) store productivity improvement, Bosideng revamped a huge amount of stores in the past few years and since those were not fully mature, their same store volume growth could still be fast in FY23E (store and employee-level KPIs were refined to provide better incentives), and 4) stores expansion to resume, expecting ~300/100 new stores for distributors/ self-operation. Moreover, it is still aiming for better inventory days of ~130 vs ~150 last year.
- **2) Would there be any margin improvements in FY3/23E?** There are some obvious headwinds for Bosideng's GP margin in FY3/23E, namely: 1) rising raw material costs, 2) potentially less ASP increases vs the past few years, 3) relative less room for retail discounts to improve (as it is already in a fairly industry leading level), and 4) slightly more favorable rebates and wholesale discounts in orders to motivate its distributors to open more stores. However, since Bosideng is still targeting to have MSD increases in ASP and enjoy an improved bargaining power over its raw material suppliers and marketing agencies, we are not surprised to see some leverage in its COGS and A&P expenses, hence leading to OP margin expansions in FY3/23E.
- **Maintain BUY and keep TP at HK\$ 5.89.** We reiterate BUY and maintain TP at HK\$ 5.89, based on 18x FY24E P/E (unchanged). Current valuation of 14x FY24E P/E with a 20% FY22-25E NP CAGR is undemanding, vs 5-year average of 16x and GOOS's 14x, MONC's 23x and Li Ning's 25x.

Earnings Summary

(YE 31 Mar)	FY20A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	13,517	16,214	18,862	21,114	23,277
YoY growth (%)	10.9	20.0	16.3	11.9	10.2
Net income (RMB mn)	1,710	2,062	2,538	3,067	3,606
Diluted EPS (RMB)	0.151	0.183	0.225	0.272	0.319
YoY growth (%)	48.1	22.8	23.1	20.8	17.6
Consensus EPS (RMB)	n/a	n/a	0.231	0.273	0.353
P/E (x)	25.9	21.1	17.1	14.2	12.1
P/B (x)	3.8	3.5	3.3	3.0	2.7
Yield (%)	2.9	4.0	4.1	4.9	5.8
ROE (%)	15.4	17.4	20.0	21.9	23.3
Net gearing (%)	1.8	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.89
(Previous TP	HK\$5.89)
Up/Downside	+27.0%
Current Price	HK\$4.64

China Apparel Sector

Walter Woo
 (852) 3761 6974
 walterwoo@cmbi.com.hk

Raphael Tse
 (852) 3900 0856
 raphaeltse@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	50,514
Avg 3 mths t/o (HK\$ mn)	102.68
52w High/Low (HK\$)	6.93/3.11
Total Issued Shares (mn)	10,886.6

Source: Bloomberg

Shareholding Structure

Mr Gao Dekang & Family	70.49%
Employee incentive scheme	6.81%
Free Float	22.70%

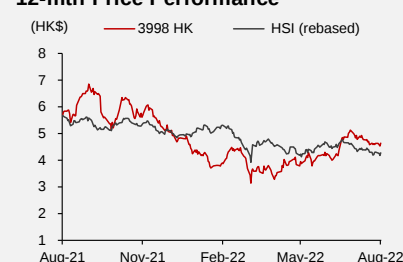
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.2%	-1.6%
3-mth	19.5%	19.7%
6-mth	16.5%	48.0%
12-mth	-21.6%	6.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Bosideng (3998 HK, BUY) – Healthy inventory with an upbeat guidance – 27 Jun 2022
2. Bosideng (3998 HK, BUY) – The negatives should have priced in – 15 Feb 2022

- **3) Would there be any potential cannibalization between newly launched light and traditional heavy down apparel?** We cannot rule out this possibility as some consumers may purchase only one down apparel during the winter. However, Bosideng would make certain differentiation to avoid this issue. For example, time of product launches for light down apparel will be in Sep to Oct while heavy down apparel will be in Nov to Jan. Also, regions will be different. Light down apparel is a suitable product for its recent expansion in southern China (e.g. Shenzhen and Guangzhou), which usually has a much shorter winter. Lastly, some investors may worried about its relatively lower ASP, at around RMB 900-1500 (vs RMB 1800+ heavy down apparel). But in fact, similar products sold by Bosideng in the past were only priced at RMB 500-800, and the GP margin for these light down apparel is at least at par with Company's average.

Assumption

Figure 1: CMBIGM's major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by segment (RMB mn)					
Down apparels	10,889	13,223	15,557	17,650	19,656
OEM management	1,536	1,901	2,129	2,236	2,348
Ladieswear	947	904	953	994	1,028
Diversified apparels	145	186	223	234	246
Total	13,517	16,214	18,862	21,114	23,277
Sales by segment growth (%)					
Down apparels	14.5%	21.4%	17.7%	13.5%	11.4%
OEM management	-4.7%	23.8%	12.0%	5.0%	5.0%
Ladieswear	-3.7%	-4.5%	5.4%	4.4%	3.4%
Diversified apparels	72.6%	28.3%	20.0%	5.0%	5.0%
Total	10.9%	20.0%	16.3%	11.9%	10.2%
Sales by channel growth (%)					
Down Apparels - offline	2.1%	25.6%	16.7%	8.4%	7.0%
Down Apparels - online	54.3%	12.7%	20.0%	25.0%	20.0%
OEM management	-4.7%	23.8%	12.0%	5.0%	5.0%
Non-down apparels - offline	1.1%	-1.1%	7.3%	4.5%	3.9%
Non-down apparels - online	21.8%	11.3%	15.0%	5.0%	2.0%
Total	10.9%	20.0%	16.3%	11.9%	10.2%
Sales network by segment					
Down apparel	4,150	3,809	4,218	4,333	4,452
Non - down apparel	477	462	476	490	505
Total	4,627	4,271	4,694	4,823	4,956
Sales network by channel type					
Self-operated	2,161	2,090	2,212	2,286	2,362
Third party distributors	2,466	2,181	2,481	2,537	2,595
Total	4,627	4,271	4,694	4,823	4,956
GP margins by segment					
Down apparels	63.7%	65.7%	66.0%	66.4%	67.0%
OEM management	19.6%	18.6%	19.0%	18.5%	18.5%
Ladieswear	72.6%	72.4%	70.0%	65.0%	65.0%
Diversified apparels	0.1%	25.7%	15.0%	10.0%	10.0%
Total	58.6%	60.1%	60.3%	60.6%	61.4%
Opex breakdown					
D&A/ sales	3.6%	3.0%	2.4%	2.1%	1.9%
Rental/ sales	13.3%	14.2%	13.9%	14.0%	14.0%
Labor/ sales	11.9%	10.6%	10.6%	10.4%	10.4%
A&P/ sales	6.5%	7.5%	5.0%	5.0%	5.0%
Others/ sales	7.7%	10.2%	10.5%	10.3%	10.2%
OP margins	16.5%	15.8%	18.5%	19.4%	20.5%
Effective tax rate	24.0%	23.0%	25.0%	25.0%	25.0%
NP att. margins	12.6%	12.7%	13.5%	14.5%	15.5%
NP att. growth (%)	42.1%	20.6%	23.1%	20.8%	17.6%

Source: Company data, CMBIGM estimates

Valuation

Figure 2: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H-shares Apparel														
Bosideng Intl	3998 HK	BUY	5.89	4.64	27%	50,514	Mar-22	17.1	14.2	3.3	3.0	17.7	0.8	4.2
China Lilang	1234 HK	BUY	4.94	3.77	31%	4,515	Dec-21	6.1	5.2	1.0	0.9	12.8	0.3	11.7
Jnby Design	3306 HK	BUY	14.51	7.35	97%	3,813	Jun-21	5.5	4.6	1.8	1.6	37.1	0.8	13.1
Cosmo Lady	2298 HK	NR	n/a	0.22	n/a	484	Dec-21	9.2	3.1	0.2	0.2	(23.2)	0.0	0.0
Mulsanne Group	709 HK	NR	n/a	1.85	n/a	2,923	Dec-21	15.4	11.6	n/a	n/a	7.8	0.9	n/a
Giordano	1817 HK	NR	n/a	4.12	n/a	3,914	Dec-21	n/a	n/a	n/a	n/a	(11.6)	0.0	n/a
Koradior	3709 HK	NR	n/a	11.10	n/a	7,815	Dec-21	9.1	8.2	1.5	1.4	15.3	0.7	4.9
Avg.								10.4	7.8	1.5	1.4	8.0	0.5	6.8
Med.								9.2	6.7	1.5	1.4	12.8	0.7	4.9
A-shares Apparel														
Ningbo Peacebird	603877 CH	NR	n/a	19.52	n/a	10,821	Dec-21	12.0	9.9	2.0	1.8	15.5	0.8	4.1
Joeone Co Ltd	601566 CH	NR	n/a	8.26	n/a	5,520	Dec-21	19.9	12.8	1.2	1.1	0.9	0.7	5.2
Fujian Septwolves	002029 CH	NR	n/a	5.34	n/a	4,693	Dec-21	12.4	11.4	n/a	n/a	3.5	0.0	n/a
Hla Corp Ltd	600398 CH	NR	n/a	4.53	n/a	22,755	Dec-21	7.2	6.3	1.2	1.1	15.7	0.7	7.7
Jiangsu Hongdou	600400 CH	NR	n/a	5.22	n/a	13,980	Dec-21	111.1	87.0	3.7	3.5	1.7	3.6	n/a
Dazzle Fashion	603587 CH	NR	n/a	14.25	n/a	7,973	Dec-21	9.1	7.7	1.6	1.5	17.1	0.8	7.2
Anzheng Fashion	603839 CH	NR	n/a	6.85	n/a	3,187	Dec-21	22.8	19.0	1.0	0.9	0.4	0.7	n/a
Lancy Co Ltd	002612 CH	NR	n/a	31.07	n/a	15,986	Dec-21	85.1	57.6	4.5	4.2	5.0	5.9	0.6
Shenzhen Huijie	002763 CH	NR	n/a	8.68	n/a	4,138	Dec-21	n/a	n/a	n/a	n/a	12.4	0.0	n/a
Ellassay Fashion	603808 CH	NR	n/a	9.21	n/a	3,953	Dec-21	10.7	8.3	1.1	1.0	9.9	0.8	2.5
Bobaolon Co	002776 CH	NR	n/a	2.71	n/a	1,695	Dec-21	n/a	n/a	n/a	n/a	(135.0)	0.0	n/a
Avg.								32.3	24.5	2.0	1.9	(4.8)	1.3	4.6
Med.								12.4	11.4	1.4	1.3	5.0	0.7	4.6
International Apparel														
Canada Goose	GOOS US	NR	n/a	22.18	n/a	18,375	Apr-22	17.5	14.1	4.8	3.4	18.9	0.0	n/a
Moncler Spa	MONC IM	NR	n/a	49.76	n/a	110,372	Dec-21	25.1	22.6	4.7	4.1	n/a	1.9	1.6
Hugo Boss	BOSS GR	NR	n/a	57.76	n/a	32,956	Dec-21	20.4	17.4	3.8	3.2	23.1	1.0	1.8
Ted Baker	TED LN	NR	n/a	86.60	n/a	1,532	Jan-22	n/a	86.6	n/a	n/a	(26.1)	0.0	n/a
Next	NXT LN	NR	n/a	6420.0	n/a	79,534	Jan-22	11.7	11.9	7.0	5.9	81.1	(8.0)	3.2
Hennes & Mauritz	HMB SS	NR	n/a	133.00	n/a	171,891	Nov-21	19.0	16.3	3.7	3.6	23.6	3.3	5.2
Industria De Diseno	ITX SM	NR	n/a	25.37	n/a	640,825	Jan-22	20.3	19.0	4.8	4.7	24.7	3.3	4.4
Ovs Spa	OVS IM	NR	n/a	1.64	n/a	3,862	Jan-22	7.5	6.6	0.5	0.4	5.8	0.5	2.9
Pvh Corp	PVH US	NR	n/a	67.80	n/a	35,608	Jan-22	7.8	6.8	0.8	0.7	19.5	17.8	0.1
Vf Corp	VFC US	NR	n/a	47.24	n/a	143,949	Apr-22	15.5	13.9	4.8	4.5	30.4	8.0	4.3
Marks & Spencer	MKS LN	NR	n/a	136.25	n/a	25,646	Apr-22	8.5	8.3	0.9	0.9	11.8	19.9	4.3
Avg.								15.3	20.3	3.6	3.1	21.3	4.3	3.1
Med.								16.5	14.1	4.2	3.5	21.3	1.9	3.2

Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Mar (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E	YE 31 Mar (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	13,517	16,214	18,862	21,114	23,277	EBIT	2,225	2,569	3,482	4,096	4,775
Down apparels	10,889	13,223	15,557	17,650	19,656	D & A	564	358	375	370	370
OEM management	1,536	1,901	2,129	2,236	2,348	Change in working capital	425	62	(102)	(88)	(87)
Ladieswear	947	904	953	994	1,028	Income tax paid	(348)	(613)	(849)	(1,026)	(1,225)
Diversified apparels	145	186	223	234	246	Others	267	316	312	404	522
Cost of goods sold	(5,592)	(6,476)	(7,484)	(8,311)	(8,986)	Net cash from operating	3,133	2,691	3,218	3,756	4,354
Gross profit	7,924	9,737	11,378	12,803	14,291	Capex & investments	(437)	(524)	(609)	(682)	(752)
Other income	204	274	189	232	256	Associated companies	(3,193)	-	-	-	-
Operating expenses	(5,903)	(7,442)	(8,084)	(8,939)	(9,773)	Interest received	153	-	-	-	-
D & A	(177)	(148)	(150)	(149)	(149)	Others	(386)	-	-	-	-
Staff costs	(1,633)	(1,735)	(2,011)	(2,221)	(2,433)	Net cash from investing	(3,863)	(524)	(609)	(682)	(752)
S & D costs (ex-staff, D&A)	(3,155)	(4,301)	(4,737)	(5,289)	(5,835)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(523)	(669)	(621)	(662)	(694)	Net change in bank loans	148	-	-	-	-
Other operating expenses	(416)	(589)	(565)	(618)	(661)	Dividend paid	(880)	(1,295)	(1,667)	(1,780)	(2,134)
EBIT	2,225	2,569	3,482	4,096	4,775	Others	(361)	(199)	(199)	(199)	(199)
Finance costs, net	18	117	114	206	324	Net cash from financing	(1,092)	(1,494)	(1,866)	(1,978)	(2,333)
JVs & associates	-	(14)	(199)	(199)	(199)	Net change in cash	(1,822)	673	743	1,096	1,270
Exceptional	-	-	-	-	-	Beginning cash balance	3,639	1,771	2,445	3,188	4,283
Pre-tax profit	2,242	2,672	3,397	4,103	4,900	Exchange difference	(46)	-	-	-	-
Income tax	(537)	(613)	(849)	(1,026)	(1,225)	Cash at the end of the year	1,771	2,445	3,188	4,283	5,553
Less: Minority interests	(5)	(4)	9	11	70		2,225	2,569	3,482	4,096	4,775
Net profit	1,710	2,062	2,538	3,067	3,605						

Balance sheet						Key ratios					
YE 31 Mar (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E	YE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	6,080	6,232	6,267	6,381	6,565	Sales mix (%)					
Fixed asset	1,762	2,041	2,388	2,813	3,308	Down apparels	80.6	81.6	82.5	83.6	84.4
Intangible assets & goodwill	1,572	1,459	1,346	1,234	1,121	OEM management	11.4	11.7	11.3	10.6	10.1
Prepaid lease payments	912	912	912	912	912	Ladieswear	7.0	5.6	5.0	4.7	4.4
Interest in joint ventures	-	-14	-213	-411	-610	Diversified apparels	1.1	1.1	1.2	1.1	1.1
Other non-current assets	1,833	1,833	1,833	1,833	1,833	Total	100.0	100.0	100.0	100.0	100.0
Current assets	12,877	14,166	15,756	17,559	19,459	P&L ratios (%)					
Cash and cash equivalents	1,771	2,445	3,188	4,283	5,553	Gross margin	58.6	60.1	60.3	60.6	61.4
Inventories	2,646	2,662	3,076	3,416	3,693	Operating margin	16.5	15.8	18.5	19.4	20.5
Trade and other receivables	876	1,244	1,447	1,620	1,786	Pre-tax margin	16.6	16.5	18.0	19.4	21.0
Prepayments	1,168	1,401	1,630	1,825	2,012	Net margin	12.6	12.7	13.5	14.5	15.5
Other current assets	6,415	6,415	6,415	6,415	6,415	Effective tax rate	24.0	22.8	23.6	23.8	24.0
Current liabilities	5,442	6,120	6,865	7,484	8,027	Balance sheet ratios					
Bank loans	671	671	671	671	671	Current ratio (x)	2.4	2.3	2.3	2.3	2.4
Trade payables	2,469	2,839	3,281	3,643	3,939	Quick ratio (x)	1.9	1.9	1.8	1.9	2.0
Accruals & other payables	1,543	1,851	2,154	2,411	2,658	Cash ratio (x)	0.3	0.4	0.5	0.6	0.7
Tax payables	520	520	520	520	520	Inventory turnover days	173	150	150	150	150
others	239	239	239	239	239	Trade receivables days	24	28	28	28	28
Non-current liabilities	2,263	2,263	2,263	2,263	2,263	Trade payables days	161	160	160	160	160
Bank loans	-	-	-	-	-	Total debt / total equity ratio (%)	21	19	18	16	15
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	2	Net cash	Net cash	Net cash	Net cash
Deferred tax	174	174	174	174	174	Returns (%)					
Others	2,089	2,089	2,089	2,089	2,089	ROE	15.4	17.4	20.0	21.9	23.3
Minority Interest	182	178	187	198	268	ROA	9.0	10.1	11.5	12.8	13.9
Total net assets	11,069	11,836	12,707	13,994	15,465	Per share					
Shareholders' equity	11,069	11,836	12,707	13,994	15,465	Diluted EPS (RMB)	0.15	0.18	0.22	0.27	0.32
						DPS (RMB)	0.11	0.15	0.16	0.19	0.22
						BVPS (RMB)	1.03	1.10	1.18	1.30	1.44

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.