

Johnson Health Tech (1736.TW/1736 TT)

Eye on 3Q-4Q24F peak season

Outperform · Maintained

Price as of September 25 (NT\$)	134.0
12M target price (NT\$)	178.0
Previous target price (NT\$)	108.0
Revised up (%)	64.8
Upside (%)	32.8

Key message

1. Demand from commercial segment clients in 2H24F stronger than expected.
2. The US acquisition has turned a profit in August, earlier than expected.
3. We forecast earnings to rise 189% YoY to EPS of NT\$6.75 this year, and by 39% YoY to NT\$9.41 in 2025F.

Trading data

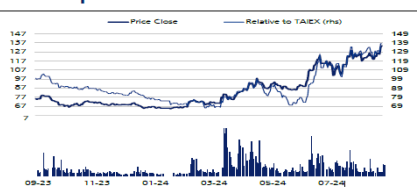
Mkt cap (NT\$bn/US\$m)	40.65 / 1,266
Outstanding shares (mn)	303.4
Foreign ownership (mn)	30.79
3M avg. daily trading (mn)	0.90
52-week trading range (NT\$)	64.10 –134.0

Performance	3M	6M	12M
Absolute (%)	56.4	91.4	74
Relative (%)	56.9	78.7	35.7

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	(2.14)A	1.10A	1.22A	2.16A
2024	(0.46)A	0.96A	1.98F	4.28F
2025	(0.00)F	1.45F	2.32F	5.66F

Share price chart



Source: TEJ

Event

Johnson Health Tech (JHT) guides strong pull-in demand from commercial segment clients in 2H24F, while profitability of the US acquisition has come earlier than expected.

Impact

Accelerating pull-in demand from commercial segment clients. JHT's home fitness equipment sales rose by 20-40% YoY in 2H23-1H24 thanks to strong replacement demand in the global/ US home-use segment. Management now sees the commercial fitness market catching up, driven by strong trends as low-cost gym chains expand more aggressively on inflation-driven industry consolidation. Smart-Fit (BR), the largest gym operator in Latin America, plans to open 150-170 clubs in 2H24F, up from 91 in 1H24. Basic-Fit (NL), the low-cost gym leader in Europe, is considering franchising to ramp up growth, with plans for 3,000-3,500 clubs in Europe by 2030F, doubling from 1,537 currently, along with further expansion outside Europe. JHT guides commercial segment sales growth of 20% YoY in 2H24F, accelerating from 10-15% YoY in 1H24.

US acquisition profitability ahead of schedule. JHT acquired BowFlex (US), the world's third-largest home-use fitness equipment brand, in April this year. It spent only two weeks installing systems, applications & products in data processing (SAP) software at BowFlex and reopening BowFlex's closed online stores. The acquisition turned a profit in August, earlier than expected. Management guides sales contribution from BowFlex will rise to NT\$1.2bn in 4Q24F and NT\$4bn in 2025F, versus NT\$0.6bn in May-August. Near term, September sales will be a bright spot. Management guides September sales will grow by 15-20% MoM, implying 30-35% YoY sales growth, up from 14% and 19% YoY in 1Q-2Q24.

Bright earnings growth outlook. To reflect JHT's updated sales guidance and gross margin uptrend on a diversifying production base, we revise up 2024-25F earnings estimates by 82% and 54% to EPS of NT\$6.75 and NT\$9.41, up 189% and 39% YoY, respectively. In peak season of 3Q-4Q24F, we forecast respective earnings QoQ growth of 105% and 117%, for EPS of NT\$1.98 and NT\$4.28, up 62% and 99% YoY.

Valuation & Action

JHT's shares have risen 56% over the past three months, outperforming the Taiex by 57%. We believe accelerating sales and earnings growth in peak season will drive share upside. We revise up our target price to NT\$178, based on unchanged 22x 2024-25F average EPS. Maintain Outperform.

Risks

Slow recovery of commercial product demand and rising competition.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (NT\$m)	33,613	38,070	47,272	53,281	57,994
Gross profit (NT\$m)	14,606	18,427	23,805	26,969	29,471
Operating profit (NT\$m)	(215)	1,242	2,817	3,947	4,328
Net profit (NT\$m)	429	710	2,051	2,856	3,206
EPS (NT\$)	1.42	2.34	6.75	9.41	10.56
Cash DPS (NT\$)	0.60	1.00	2.50	3.00	3.00
EPS growth (%)	1024.5	65.3	188.3	39.3	12.2
PE (x)	94.5	57.2	19.8	14.2	12.7
PB (x)	4.3	4.2	3.8	3.3	2.9
EV/EBITDA (x)	53.9	19.6	10.2	7.9	6.9
Net debt to equity (%)	137.8	116.2	95.6	74.6	47.0
Dividend yield (%)	0.4	0.7	1.9	2.2	2.2
Return on average equity (%)	4.8	7.4	20.1	24.8	24.4

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q-4Q24 forecast revisions vs. consensus

NT\$mn	3Q24F					4Q24F				
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)
Sales	12,197	10,020	21.7	18.3	26.1	16,741	13,023	28.5	37.3	31.6
Gross profit	6,160	4,930	24.9	17.5	30.5	8,387	6,394	31.2	36.2	32.2
Operating income	866	581	49.0	112.4	80.4	1,875	1,224	53.2	116.5	48.4
Pretax income	798	532	50.1	69.0	42.1	1,731	859	101.4	116.9	72.1
Net income	599	388	54.4	104.9	62.0	1,298	653	98.7	116.8	98.6
EPS (NT\$)	1.98	1.28	54.4	104.9	62.0	4.28	2.16	98.7	116.8	98.6
Gross margin (%)	50.5	49.2	1.3 ppts	(0.3)ppts	1.7 ppts	50.1	49.1	1.0 ppts	(0.4)ppts	0.2 ppts
OP margin (%)	7.1	5.8	1.3 ppts	3.1 ppts	2.1 ppts	11.2	9.4	1.8 ppts	4.1 ppts	1.3 ppts
Net margin (%)	4.9	3.9	1.0 ppts	2.1 ppts	1.1 ppts	7.8	5.0	2.7 ppts	2.8 ppts	2.6 ppts

Source: Bloomberg; KGI Research estimates

Figure 2: Breakdown of 1Q-2Q25 forecast revisions vs. consensus

NT\$mn	1Q25F					2Q25F				
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)
Sales	9,916	8,528	16.3	(40.8)	23.5	12,270	10,051	22.1	23.7	19.0
Gross profit	4,988	4,179	19.4	(40.5)	24.1	6,258	4,945	26.5	25.5	19.4
Operating income	59	(9)	-	(96.8)	-	687	281	144.2	-	68.6
Pretax income	(2)	(3)	-	-	-	628	288	117.6	-	32.9
Net income	(1)	(23)	-	-	-	440	210	109.1	-	50.5
EPS (NT\$)	(0.00)	(0.08)	-	-	-	1.45	0.69	109.1	-	50.5
Gross margin (%)	50.3	49.0	1.3 ppts	0.2 ppts	0.2 ppts	51.0	49.2	1.8 ppts	0.7 ppts	0.2 ppts
OP margin (%)	0.6	(0.1)	0.7 ppts	(10.6)ppts	4.7 ppts	5.6	2.8	2.8 ppts	5.0 ppts	1.6 ppts
Net margin (%)	(0.0)	(0.3)	0.3 ppts	(7.8)ppts	1.7 ppts	3.6	2.1	1.5 ppts	3.6 ppts	0.7 ppts

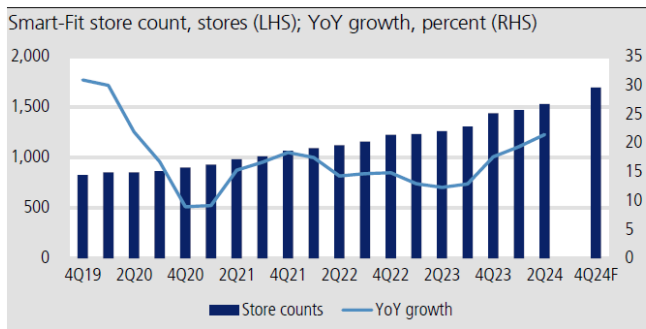
Source: Bloomberg; KGI Research estimates

Figure 3: Breakdown of 2024-26 forecast revisions vs. consensus

NT\$mn	2024F							2025F					2026F	
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	YoY (%)
Sales	47,272	40,398	17.0	24.2	47,278	(0.0)	53,281	42,970	24.0	12.7	54,267	(1.8)	57,994	8.8
Gross profit	23,805	19,913	19.5	29.2	23,677	0.5	26,969	21,145	27.5	13.3	27,361	(1.4)	29,471	9.3
Operating income	2,817	1,669	68.7	126.7	2,604	8.2	3,947	2,586	52.6	40.1	3,308	19.3	4,328	9.6
Pretax income	2,951	1,608	83.5	121.1	2,965	(0.5)	3,706	2,506	47.9	25.6	3,388	9.4	4,161	12.3
Net income	2,051	1,127	81.9	188.9	1,934	6.0	2,856	1,854	54.0	39.3	2,372	20.4	3,206	12.2
EPS (NT\$)	6.75	3.71	81.9	188.9	6.37	6.0	9.41	6.11	54.0	39.3	7.81	20.4	10.56	12.2
Gross margin (%)	50.4	49.3	1.1 ppts	2.0 ppts	50.1	0.3 ppts	50.6	49.2	1.4 ppts	0.3 ppts	50.4	0.2 ppts	50.8	0.2 ppts
OP margin (%)	6.0	4.1	1.8 ppts	2.7 ppts	5.5	0.5 ppts	7.4	6.0	1.4 ppts	1.4 ppts	6.1	1.3 ppts	7.5	0.1 ppts
Net margin (%)	4.3	2.8	1.5 ppts	2.5 ppts	4.1	0.2 ppts	5.4	4.3	1.0 ppts	1.0 ppts	4.4	1.0 ppts	5.5	0.2 ppts

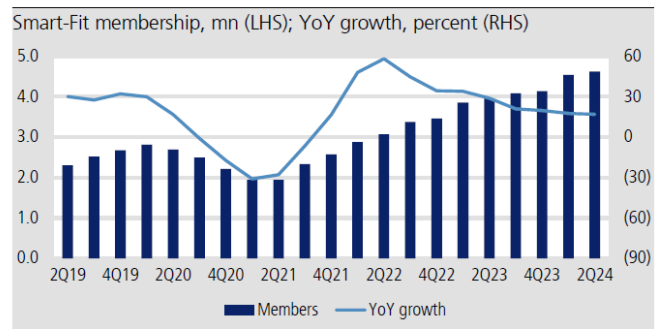
Source: Bloomberg; KGI Research estimates

Figure 4: Accelerating store openings for Smart-Fit



Source: Company data; KGI Research

Figure 5: Smart-Fit membership growth



Source: Company data; KGI Research

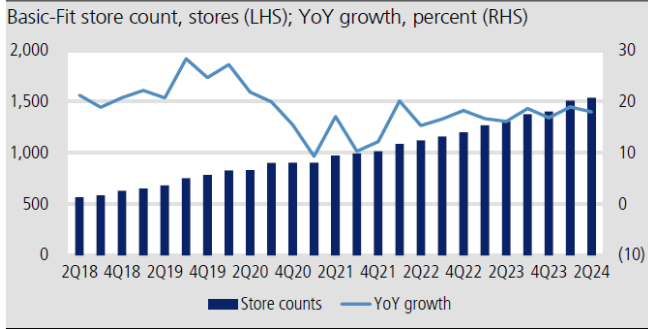
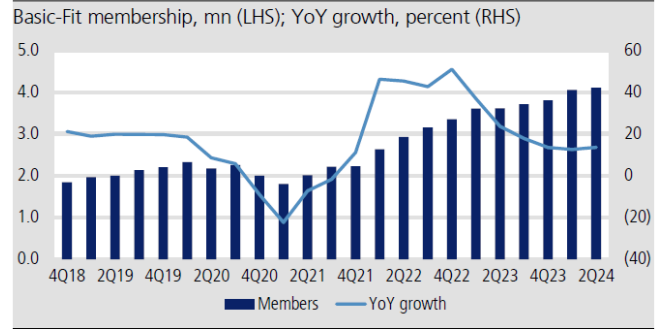
Figure 6: Continuous store expansion by Basic-Fit

Figure 7: Basic-Fit membership growth


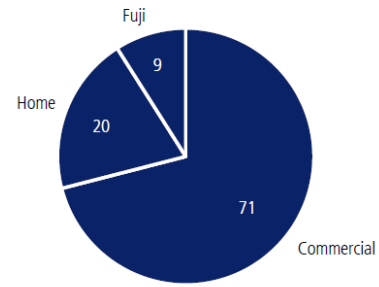
Figure 8: Company profile

Founded in 1975, Johnson Health Tech started out as an OEM partner for global gym equipment brands. It later entered own-brand business and has become the world's largest supplier of commercial fitness equipment, with estimated market share of 14%. It sells via three own brands, with Vision Fitness targeting the home-use market, while Horizon and Matrix are for the commercial segment, including health clubs, hospitality, and corporations. Currently the commercial segment represents the lion's share of sales at 71% in 2023, while home-use clients and Fujiiryoki (JP) account for the remainder.

Source: KGI Research

Figure 9: Sales by application in 2023

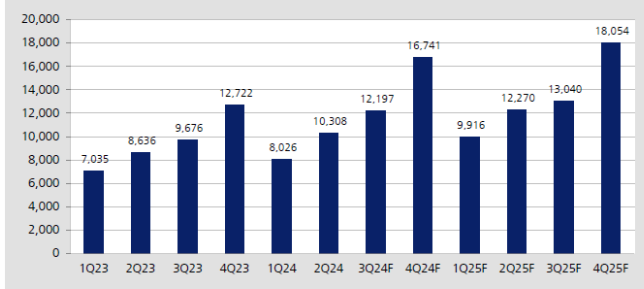
Sales weighting, percent



Source: KGI Research

Figure 10: Sales

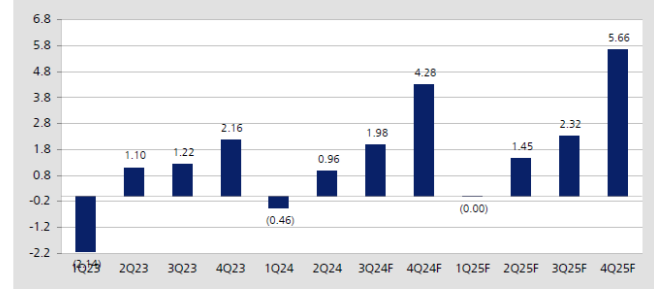
Sales, NT\$m



Source: KGI Research

Figure 11: EPS

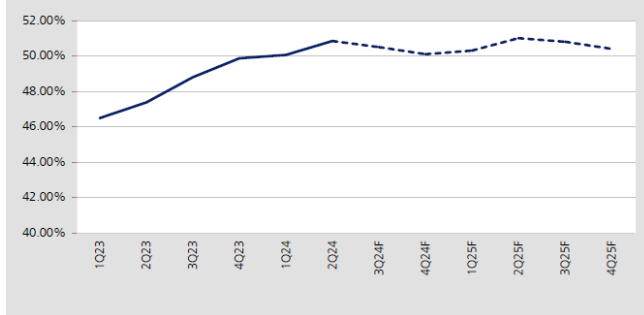
EPS, NT\$



Source: KGI Research

Figure 12: Gross Margin

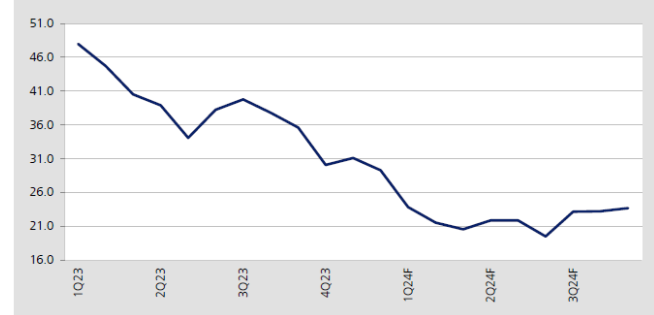
Gross margin, percent



Source: KGI Research

Figure 13: Rolling PE

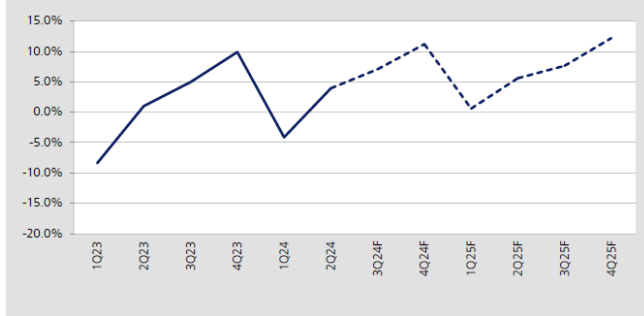
Rolling PE, times



Source: KGI Research

Figure 14: Operating Margin

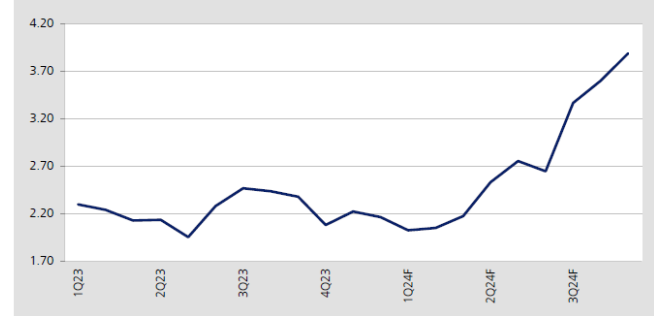
Operating margin, percent



Source: KGI Research

Figure 15: Rolling PB

Rolling PB, times



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24F	Dec-25F	Dec-26F
Income statement (NT\$m)											
Revenue	8,026	10,308	12,197	16,741	9,916	12,270	13,040	18,054	47,272	53,281	57,994
Cost of goods sold	(4,008)	(5,067)	(6,038)	(8,354)	(4,928)	(6,012)	(6,416)	(8,955)	(23,467)	(26,311)	(28,523)
Gross profit	4,018	5,241	6,160	8,387	4,988	6,258	6,625	9,099	23,805	26,969	29,471
Operating expenses	(4,350)	(4,833)	(5,294)	(6,512)	(4,928)	(5,571)	(5,627)	(6,897)	(20,988)	(23,022)	(25,144)
Operating profit	(332)	408	866	1,875	59	687	998	2,203	2,817	3,947	4,328
Depreciation of fixed assets	(380)	(382)	(522)	(804)	(560)	(560)	(560)	(560)	(2,088)	(2,242)	(2,413)
Amortisation of intangible assets	(30)	(16)	(22)	(20)	(22)	(22)	(22)	(22)	(87)	(87)	(87)
EBITDA	78	806	1,410	2,699	642	1,269	1,580	2,785	4,992	6,276	6,828
Interest income	79	86	39	(49)	39	39	39	39	154	156	196
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	24	2	29	27	20	22	21	22	82	85	90
Non-operating income	103	88	68	(22)	59	61	60	61	236	241	286
Interest expense	(80)	(112)	(86)	(65)	(80)	(80)	(80)	(80)	(342)	(320)	(292)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	258	89	(50)	(57)	(41)	(41)	(41)	(41)	240	(162)	(160)
Non-operating expenses	178	(23)	(136)	(122)	(120)	(120)	(120)	(120)	(102)	(482)	(452)
Pre-tax profit	(50)	472	798	1,731	(2)	628	937	2,143	2,951	3,706	4,161
Current taxation	(88)	(180)	(199)	(433)	0	(188)	(234)	(429)	(901)	(851)	(956)
Minorities	0	0	0	(0)	0	0	0	0	1	1	1
Normalised net profit	(138)	292	599	1,298	(1)	440	703	1,715	2,051	2,856	3,206
Extraordinary items	(0)	0	-	(0)	-	-	-	-	-	-	-
Net profit	(138)	292	599	1,298	(1)	440	703	1,715	2,051	2,856	3,206
EPS (NT\$)	(0.46)	0.96	1.98	4.28	(0.00)	1.45	2.32	5.66	6.75	9.41	10.56
Margins (%)											
Gross profit margin	50.1	50.8	50.5	50.1	50.3	51.0	50.8	50.4	50.4	50.6	50.8
Operating margin	(4.1)	4.0	7.1	11.2	0.6	5.6	7.7	12.2	6.0	7.4	7.5
EBITDA margin	1.0	7.8	11.6	16.1	6.5	10.3	12.1	15.4	10.6	11.8	11.8
Pretax profit margin	(0.6)	4.6	6.5	10.3	(0.0)	5.1	7.2	11.9	6.2	7.0	7.2
Net profit margin	(1.7)	2.8	4.9	7.8	(0.0)	3.6	5.4	9.5	4.3	5.4	5.5
Sequential growth (%)											
Revenue growth	(36.9)	28.4	18.3	37.3	(40.8)	23.7	6.3	38.4			
Gross profit growth	(36.7)	30.4	17.5	36.2	(40.5)	25.5	5.9	37.4			
Operating profit growth	(126.3)		112.4	116.5	(96.8)	1054.9	45.2	120.8			
EBITDA growth	(95.2)	935.2	75.0	91.4	(76.2)	97.8	24.5	76.3			
Pretax profit growth	(105.0)		69.0	116.9	(100.1)		49.3	128.7			
Net profit growth	(121.1)		104.9	116.8	(100.1)		59.9	143.9			
YoY growth (%)											
Revenue growth	14.1	19.4	26.1	31.6	23.5	19.0	6.9	7.8	24.2	12.7	8.8
Gross profit growth	22.9	28.1	30.5	32.2	24.1	19.4	7.5	8.5	29.2	13.3	9.3
Operating profit growth	(43.8)	357.9	80.4	48.4		68.6	15.2	17.5	126.7	40.1	9.6
EBITDA growth		86.8	63.0	66.4	724.5	57.5	12.1	3.2	89.1	25.7	8.8
Pretax profit growth	(93.0)	(2.4)	42.1	72.1	(96.2)	32.9	17.4	23.8	121.1	25.6	12.3
Net profit growth	(78.7)	(12.4)	62.0	98.6	(99.0)	50.5	17.5	32.1	188.9	39.3	12.2

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total assets	38,866	36,422	39,568	41,520	43,095
Current assets	26,419	23,610	28,090	31,283	34,318
Cash & ST securities	3,540	2,372	2,318	2,438	3,522
Inventory	11,808	9,039	11,221	12,903	14,066
Accounts receivable	8,778	10,563	12,916	14,305	15,094
Other current assets	2,293	1,636	1,636	1,636	1,636
Non-current assets	12,447	12,812	11,478	10,238	8,777
LT investments	46	44	44	44	44
Net fixed assets	4,494	4,581	3,246	2,006	546
Other assets	7,907	8,187	8,187	8,187	8,187
Total liabilities	29,384	26,772	28,825	29,253	29,117
Current liabilities	24,800	18,124	21,043	22,182	23,310
Accounts payable	4,758	4,333	6,732	7,785	8,987
Interest bearing ST liabilities	14,151	7,599	7,465	7,177	6,939
Other current liabilities	5,891	6,192	6,845	7,221	7,384
Non-current liabilities	4,584	8,648	7,782	7,070	5,807
Long-term debt	2,447	5,959	5,093	4,382	3,119
Other L-T liabilities	892	780	780	780	780
Total equity	9,482	9,649	10,744	12,268	13,978
Share capital	3,036	3,036	3,036	3,036	3,036
Retained earnings reserve	4,227	5,032	6,127	7,651	9,362
Minority interests	7	7	6	6	5
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Growth					
Revenue growth	9.2%	13.3%	24.2%	12.7%	8.8%
Operating profit growth	(239.4%)		126.7%	40.1%	9.6%
EBITDA growth	(17.0%)	166.3%	89.1%	25.7%	8.8%
Net profit growth	1024.6%	65.5%	188.9%	39.3%	12.2%
EPS growth	1024.5%	65.3%	188.3%	39.3%	12.2%
Profitability					
Gross profit margin	43.5%	48.4%	50.4%	50.6%	50.8%
Operating margin	(0.6%)	3.3%	6.0%	7.4%	7.5%
EBITDA margin	3.0%	6.9%	10.6%	11.8%	11.8%
Net profit margin	1.3%	1.9%	4.3%	5.4%	5.5%
Return on average assets	1.2%	1.9%	5.4%	7.0%	7.6%
Return on average equity	4.8%	7.4%	20.1%	24.8%	24.4%
Stability					
Gross debt to equity	175.0%	140.5%	116.9%	94.2%	72.0%
Net debt to equity	137.8%	116.2%	95.6%	74.6%	47.0%
Interest coverage (x)	2.2	4.5	9.6	12.6	15.2
Interest & ST debt coverage (x)	0.0	0.1	0.3	0.3	0.3
Cash flow interest coverage(x)	1.5	10.2	6.1	9.9	16.9
Cash flow/int. & ST debt (x)	0.0	0.5	0.3	0.4	0.7
Current ratio (x)	1.1	1.3	1.3	1.4	1.5
Quick ratio (x)	0.6	0.8	0.8	0.8	0.9
Net debt (NT\$m)	13,067	11,217	10,271	9,151	6,567
Per share data					
EPS (NT\$)	1.42	2.34	6.75	9.41	10.56
CFPS (NT\$)	1.30	12.68	6.88	10.43	16.32
BVPS (NT\$)	31.21	31.76	35.36	40.39	46.02
Adj BVPS (NT\$)	31.31	31.83	35.36	40.39	46.02
SPS (NT\$)	111.07	125.67	155.70	175.49	191.01
EBITDA/share (NT\$)	3.28	8.72	16.44	20.67	22.49
Cash DPS (NT\$)	0.60	1.00	2.50	3.00	3.00
Activity					
Sales / avg assets	0.91	1.01	1.24	1.31	1.37
Days receivable	95.3	101.3	100.0	98.0	95.0
Days inventory	226.8	168.0	175.0	179.0	180.0
Days payable	91.4	80.5	105.0	108.0	115.0
Cash cycle	230.7	188.7	170.0	169.0	160.0

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue	33,613	38,070	47,272	53,281	57,994
Cost of goods sold	(19,007)	(19,642)	(23,467)	(26,311)	(28,523)
Gross profit	14,606	18,427	23,805	26,969	29,471
Operating expenses	(14,821)	(17,185)	(20,988)	(23,022)	(25,144)
Operating profit	(215)	1,242	2,817	3,947	4,328
Non-operating income	199	234	236	241	286
Interest income	165	194	154	156	196
Investment income	-	-	-	-	-
Other non-op income	34	40	82	85	90
Non-operating expenses	319	(142)	(102)	(482)	(452)
Interest expense	(256)	(377)	(342)	(320)	(292)
Investment loss	-	-	-	-	-
Other non-op expenses	576	235	240	(162)	(160)
Pre-tax profit	304	1,334	2,951	3,706	4,161
Current taxation	(79)	(625)	(901)	(851)	(956)
Minorities	204	0	1	1	1
Extraordinary items	-	(0)	-	-	-
Net profit	429	710	2,051	2,856	3,206
EBITDA	992	2,640	4,992	6,276	6,828
EPS (NT\$)	1.42	2.34	6.75	9.41	10.56

Cash flow

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Operations cash flow	392	3,843	2,090	3,166	4,956
Net profit	429	710	2,051	2,856	3,206
Depreciation & amortisation	1,207	1,398	2,175	2,329	2,500
Decrease in working capital	(1,159)	458	(2,136)	(2,019)	(750)
Other operating cash flow	(85)	1,277	-	-	(0)
Investing cash flow	(668)	(681)	(841)	(1,089)	(1,040)
Sale of ST investment	-	-	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(408)	(650)	(754)	(1,002)	(953)
Others investing cashflow	(260)	(31)	(87)	(87)	(87)
Free cash flow	(601)	1,774	1,156	2,261	4,043
Financing cash flow	847	(3,871)	(1,303)	(1,957)	(2,832)
Increase in short term debt	4,677	(7,187)	-	-	-
Increase in long term loans	273	4,638	(1,000)	(1,000)	(1,500)
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(151)	(182)	(303)	(956)	(1,331)
Other financing cashflow	(3,952)	(1,141)	(1)	(1)	(1)
Forex effects	345	(481)			
Total cash generated	916	(1,190)	(54)	120	1,084

ROIC

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	44.1%	45.1%	44.4%	43.2%	43.4%
= Operating margin	(0.6%)	3.3%	6.0%	7.4%	7.5%
1 / (Working capital/revenue					
+ Net PPE/revenue	0.4	0.3	0.3	0.3	0.2
+ Other assets/revenue)	0.1	0.1	0.1	0.0	0.0
= Capital turnover	1.9	2.4	2.9	3.2	3.7
Operating margin	(0.6%)	3.3%	6.0%	7.4%	7.5%
x Capital turnover	1.9	2.4	2.9	3.2	3.7
x (1 - tax rate)	74.1%	53.2%	69.5%	77.0%	77.0%
= After-tax ROIC	(0.9%)	4.1%	12.0%	18.2%	21.1%

Source: Company data, KGI Research estimates

Johnson Health Tech – Recommendation & target price history



Date	Rating	Target	Price
2024-05-21	Outperform	108.0	93.3
2024-04-26	Outperform	93.3	82.2
2023-07-11	Outperform	104.0	76.2
2023-03-14	Outperform	90.0	64.3
2022-11-10	Outperform	95.0	64.3
2022-09-08	Outperform	95.0	67.1

Source: TEJ, KGI Research

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