

Hansoh Pharma (3692 HK)

Oral GLP-1 candidate accomplished transaction with MSD

- Hansoh out-licensed oral GLP-1 drug to MSD.** Hansoh has granted MSD a global exclusive license for HS-10535, a preclinical stage oral small molecule GLP-1R agonist. Under the agreement, Hansoh will receive an upfront payment of US\$112mn, with potential milestone payments up to US\$1.9bn, plus future sales royalties. Under specific conditions, Hansoh may co-promote or exclusively commercialize HS-10535 within Greater China. Merck will evaluate the potential of HS-10535, particularly its potential in providing additional cardiometabolic benefits beyond weight reduction. We believe the substantial total deal value reflects MSD's high commitment for developing this drug candidate.
- Hansoh has built extensive GLP-1 pipelines.** Fulaimei (PEGylated loxenate, GLP-1) was approved for diabetes treatment in 2019. Following closely behind industry leaders like Eli Lilly's tirzepatide, Hengrui's HRS9531, and BrightGene's BGM0504, Hansoh's HS-20094, a GLP-1/GIP dual agonist, has initiated a Ph3 obesity study in China as of Oct 2024 (CTR20243973). Results from the Ph2 trial of HS-20094 in overweight participants are expected next year. Another oral GLP-1 drug, HS-10501, is currently undergoing Ph1 trials. The out-licensing of HS-10535 further underscores Hansoh's commitment to developing its GLP-1 drug portfolio.
- The global race of oral GLP-1 drug development.** The development of oral GLP-1 drugs continues to attract significant attention globally. These drugs are favored for their ease of use and scalability in production, drawing interest from major pharmaceutical companies and biotech firms. Several oral GLP-1 small molecules are at Ph3 clinical stage, including Eli Lilly's orforglipron, Hengrui's HRS-7535, and Vincentage's VCT220, among over a dozen others in Ph2. Among the oral GLP-1 candidates, Orforglipron, TERN-601, GSBP-1290, CT-996, and VK2735 Oral have released promising data in weight loss, in our view (see Figure 1 below).
- Safety profile is a key differentiating factor for oral GLP-1 drugs, in our view.** LLY's Orforglipron (45mg) demonstrated 12.4% placebo-adjusted weight loss at week 36, which was satisfying compared to semaglutide's 12.4% at week 68 in STEP1 trial, while the 15% rate of Orforglipron related discontinuation raised safety concerns. Multiple Ph3 trials of Orforglipron are ongoing with the earliest Ph3 obesity data expected in 2H25. Pfizer has discontinued the twice-daily danuglipron mainly due to safety concerns, continuing with a once-daily formulation expected to release data in 1Q25. Roche's CT-996 achieved 6.1% placebo-adjusted weight loss at week 4, compared to TERN-601's 4.9% and GSBP-1290 tablet's 5.5%, although comparisons are difficult at this early stage due to small sample sizes and short follow-up periods. The zero discontinuation rate of TERN-601 highlighted its safety advantage, in our view. Notably, Viking's oral GLP-1/GIP drug VK2735 delivered a 6.8% weight loss at week 7, with a seemingly superior safety profile. Overall, besides the weight loss efficacy, we think the safety profile of small-molecule GLP-1 drugs is a critical differentiating factor.
- Maintain BUY.** We believe that Hansoh has successfully developed a robust pipeline of GLP-1 assets. The collaboration with MSD will accelerate the development of HS-10535 and unlock its global potential. We raise our DCF-based TP to HK\$25.24 from HK\$24.11 (WACC: 8.52%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	9,382	10,104	12,301	13,312	14,445
YoY growth (%)	(5.6)	7.7	21.7	8.2	8.5
Net profit (RMB mn)	2,583.7	3,277.5	4,382.9	4,014.8	3,944.1
YoY growth (%)	(4.8)	26.9	33.7	(8.4)	(1.8)
EPS (Reported) (RMB)	0.44	0.55	0.74	0.68	0.66
P/E (x)	39.4	31.1	23.3	25.4	25.9
R&D expenses (RMB mn)	(1,693)	(2,097)	(2,542)	(2,879)	(3,189)
Admin expenses (RMB mn)	(597)	(710)	(757)	(876)	(978)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$25.24
(Previous TP)	HK\$24.11)
Up/Downside	37.6%
Current Price	HK\$18.34

China Healthcare

Jill WU, CFA
 (852) 3900 0842
 jillwu@cmbi.com.hk

Andy WANG
 (852) 3657 6288
 andywang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	108,859.8
Avg 3 mths t/o (HK\$ mn)	178.5
52w High/Low (HK\$)	22.05/11.38
Total Issued Shares (mn)	5935.7

Source: FactSet

Shareholding Structure

Sunrise Trust Trustee	65.7%
JQC International Limited	16.0%

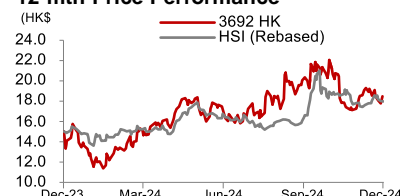
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.9%	6.4%
3-mth	-8.8%	-16.8%
6-mth	5.9%	-1.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

Initiation - Leading innovative biopharma company – 2024.08.26 ([link](#))

Strong sales growth of innovative drugs – 2024.08.29 ([link](#))

Figure 1: Data comparison of major global GLP-1 oral drugs

Drug	Orforglipron	Danuglipron	GSBR-1290	CT-996	TERN-601	HDM1002	AZD5004	HRS-7535	VK2735 Oral
MOA	GLP-1	GLP-1	GLP-1	GLP-1	GLP-1	GLP-1	GLP-1	GLP-1	GLP-1/GIP oral
Modality	Small molecule	Small molecule	Small molecule	Small molecule	Small molecule	Small molecule	Small molecule	Small molecule	Dual target oral drug
Company	Eli Lilly	Pfizer	GPCR Therapeutics	Roche	Terns Pharmaceuticals	Huadong	AstraZenca	Hengrui/Hercules	Viking
Admin	QD	BID discontinued, QD ongoing	QD	QD	QD	QD	QD	QD	QD
Trial	NCT05051579 (Ph2) 272 pts in total	NCT04707313 (Ph2b)	NCT05762471 (Ph2a)	NCT05814107 (Ph1)	Not listed on ct.gov (Ph1)	CTR20233390 (Ph1b)	NCT05654831 (Ph1)	NCT05347758 (Ph1)	NCT05203237 (Ph1)
Patients	Obesity without type 2 diabetes	Obesity without type 2 diabetes	Obesity without type 2 diabetes	Obesity without type 2 diabetes	Obesity without type 2 diabetes	Obesity	Healthy and diabetic participants	Healthy adults	Healthy adults
BMI (kg/m ²)	37.9		31.5		29.7-31.2			19-28	
Weight	108.7 kg		90.2 kg		90.9-95.0 kg			at least 50 kg for male, and 45 kg for female	
T2D	No	No	No	No	No	Yes	Yes	No	No
Dosage	12mg, 24mg, 36mg or 45mg vs placebo; below were results for 45mg (n=57) vs placebo (n=48)	multiple doses; below were results for 200mg Twice-daily BID vs placebo	120mg capsule vs placebo (n=37 vs 27)	CT-966 (120mg) vs placebo (n=6 vs 6)	240mg, 500mg, 740mg vs placebo; below results were 740mg vs placebo (n=9 vs 9)	100+mg dose vs placebo	5mg, 10mg, 30mg, 50mg vs placebo; below were results for 50mg vs placebo	multiple dose vs placebo	various dose cohorts; below results were 100mg vs placebo (n=9 vs 18)
Efficacy	Week 4: -3%; Week 8: -6%; Week 12: -8%; Week 26: -12.6%; Week 36: -14.7% vs -2.3% in placebo	Week 26: -9.4% vs +0.17%; Week 32: -11.7% vs +1.4%	Week 4: -3.5% vs 0%; Week 8: -5.9% vs -0.4%; Week 12: -6.2% vs 0%; In the tablet study: Week 4: -5% vs +0.5%; Week 8: -6.2% vs +1.0%; Week 12: -6.4% vs +0.5%	Week 4: -7.3% vs -1.2%	Week 4: -5.5% vs -0.6%	Week 4: weight loss up to -6.8%	weight loss in diabetes trial: Week 4: -5.8% vs -3.4% (50mg vs placebo)	Week 4: -6.63% vs -1.18%	Week 7: -8.2% vs -1.4%
Patient No. in safety analysis	61 vs 50 (45mg vs placebo)		37 vs 27 (120mg vs placebo)	19 vs 6 (all dose vs placebo)	28 vs 9 (all dose vs placebo)		10 vs 13 (50mg vs placebo)		73 vs 19 (all dose vs placebo)
Any SAE	3% vs 0		0 vs 0	0 vs 0	0% vs 0%				
Drug discontinuation	14.8% vs 4%	50%+ vs 40%	5.4% vs 0% (Capsule) 11% (tablet)	11% vs 0%	0% vs 0%		10% vs 0		
Nausea	39% vs 10%	73%	89% vs 11%	84% vs 17%	54% vs 22%		60% vs 8%		32% vs 11%
Vomiting	29% vs 6%	47%	62% vs 4%	42% vs 17%	39% vs 0%		20% vs 0		4% vs 0%
Diarrhea	25% vs 10%	25%		32% vs 17%	14% vs 0%		20% vs 23%		7% vs 21%
Constipation	16% vs 24%		43% vs 15%	47% vs 17%	25% vs 0		20% vs 23%		14% vs 16%

Latest update	Multiple Ph3 trials in obesity, diabetes, and OSA ongoing; three dose cohorts in Ph3 trials; Ph3 trials to have primary completion in as early as Jun 2025	Twice-daily formulation will not advance into Ph3 studies; continue to explore the once-daily formulation; Expected 1Q25 update will inform registration enabling studies	AE-related discontinuations ranged from 5% in the Ph2a obesity study to 11% in the capsule to tablet PK study; Ph2b using the tablet formulation (36 weeks) started in Nov 2024	To initiate Ph2 studies in 2025	To initiate Ph2 in 2025	Ph1 trials ongoing	Started Ph2b trial in obesity and diabetes in Oct 2024	Out-licensed to NewCo Hercules in May 2024	Ph2 obesity trial for oral drug planned for 4Q24; Ph3 obesity for subcutaneous in planning
Source	Link	Link	Link	Link	Link	Link	Link	Link	Link

Source: CMBIGM estimates

Figure 2: Global development of small-molecule GLP-1 drugs in clinical stage

Drug name	MoA	Company	Overseas latest stage	China latest stage
orforglipron	GLP-1R agonist	Eli Lilly	Ph3	Ph3
HRS-7535	GLP-1R agonist	Kailera;Hengrui		Ph3
VCT220	GLP-1R agonist	Vincentage		Ph3
NA-931	IGF-1R agonist; GLP-1R agonist; GIPR agonist	Biomed Industries	Ph2	
TTP054	GLP-1R agonist	vTv Therapeutics	Ph2	
pegapamodutide	OXM;GLP-1R agonist; GCGR agonist	PT Leadermed; Opko Health; Leadermed	Ph2	
TTP273	GLP-1R agonist	vTv Therapeutics	Ph2	Ph2
danuglipron	GLP-1R agonist	Pfizer	Ph2	Ph1
RGT-075	GLP-1R agonist	Regor Therapeutics	Ph2	
HDM1002	GLP-1R agonist	Huadong		Ph2
SAL0112	GLP-1R agonist	Salubris		Ph2
ECC5004	GLP-1R agonist	AstraZeneca; Eccogene	Ph2	IND
MDR-001	GLP-1R agonist	MindRank		Ph2
GGBR-1290	GLP-1R agonist	Structure Therapeutics	Ph2	
semaglutide+ dapagliflozin	SGLT2 inhibitor; GLP-1R agonist	Novo Nordisk	Ph1(Germany)	
XW014	GLP-1R agonist	Sciwind Biosciences	Ph1	
AZD0186	GLP-1R agonist	AstraZeneca	Ph1	
CT-996	GLP-1R agonist	Carmot Therapeutics(Roche)	Ph1(Australia)	
HSK34890	GLP-1R agonist	Haisco		Ph1
PF-06954522	GLP-1R agonist	Pfizer	Ph1	
ID110521156	GLP-1R agonist	Ildong Pharmaceutical		
BPYT-01	GLP-1 secretagogue	Baiji Youtang		Ph1
TERN-601	GLP-1R agonist	Terns Pharmaceuticals		
THDBH110	GLP-1R agonist	WuXi AppTec; Tonghua Dongbao		Ph1
APH01727	GLP-1R agonist	ApicHope Pharma		Ph1
GS-4571	GLP-1R agonist	Gilead Sciences	Ph1	
ASC30	GLP-1R agonist	Ascltis	Ph1	

Source: PharmCube; CMBIGM. Note: data as of Dec 2024

Figure 3: DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	4,012	3,970	5,285	6,087	7,059	8,275	9,270	9,912	10,293	10,556	10,555
Tax rate	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
EBIT*(1-tax rate)	3,492	3,455	4,600	5,297	6,143	7,202	8,067	8,626	8,957	9,187	9,185
+ D&A	367	353	341	330	321	312	304	296	290	284	279
- Change in working capital	-312	-346	-909	-655	-682	-708	-298	68	190	212	253
- Capex	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	3,346	3,263	3,832	4,772	5,581	6,605	7,873	8,790	9,237	9,482	9,517
Terminal value											177,704
Terminal growth rate		3.0%									
WACC		8.52%									
Cost of Equity		11.5%									
Cost of Debt		3.5%									
Equity Beta		0.90									
Risk Free Rate		2.5%									
Market Risk Premium		10.0%									
Target Debt to Asset ratio		35.0%									
Effective Corporate Tax Rate		15.0%									
Present value of enterprise (RMB mn)	113,869										
Net debt (RMB mn)	-22,466										
Equity value (RMB mn)	136,336										
No. of shares (mn)	5,936										
DCF per shares (RMB)	22.97										
DCF per share (HK\$)	25.24										

Source: CMBIGM estimates

Figure 4: Sensitivity analysis

		WACC				
		7.52%	8.02%	8.52%	9.02%	9.52%
Terminal growth	4.0%	35.81	31.62	28.36	25.76	23.64
	3.5%	32.78	29.37	26.65	24.42	22.57
	3.0%	30.43	27.57	25.24	23.30	21.66
	2.5%	28.55	26.10	24.07	22.35	20.89
	2.0%	27.01	24.87	23.08	21.54	20.21

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimate New vs Old

RMB mn	NEW			OLD			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	12,301	13,312	14,445	12,229	12,266	13,920	1%	9%	4%
Gross profit	11,090	11,935	12,886	11,025	10,917	12,389	1%	9%	4%
Operating profit	5,036	4,613	4,532	5,019	3,759	4,196	0%	23%	8%
Attributable net profit	4,383	4,015	3,944	4,368	3,271	3,652	0%	23%	8%
EPS (RMB)	0.74	0.68	0.66	0.74	0.55	0.62	0%	23%	8%
Gross margin	90.15%	89.66%	89.21%	90.16%	89.00%	89.00%	-0.01 ppt	+0.66 ppt	+0.21 ppt
Operating margin	40.94%	34.66%	31.38%	41.04%	30.64%	30.14%	-0.10 ppt	+4.01 ppt	+1.23 ppt
Net margin	35.63%	30.16%	27.30%	35.71%	26.67%	26.23%	-0.09 ppt	+3.49 ppt	+1.07 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 6: CMBIGM vs Consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	12,301	13,312	14,445	12,855	13,195	14,827	-4%	1%	-3%
Gross profit	11,090	11,935	12,886	11,603	11,874	13,343	-4%	1%	-3%
Operating profit	5,036	4,613	4,532	4,411	4,111	4,697	14%	12%	-4%
Attributable net profit	4,383	4,015	3,944	4,376	4,088	4,602	0%	-2%	-14%
EPS (RMB)	0.74	0.68	0.66	0.75	0.70	0.78	-1%	-3%	-15%
Gross margin	90.15%	89.66%	89.21%	90.26%	89.99%	89.99%	-0.11 ppt	-0.33 ppt	-0.78 ppt
Operating margin	40.94%	34.66%	31.38%	34.31%	31.16%	31.68%	+6.63 ppt	+3.50 ppt	-0.30 ppt
Net margin	35.63%	30.16%	27.30%	34.04%	30.98%	31.04%	+1.59 ppt	-0.82 ppt	-3.73 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	9,935	9,382	10,104	12,301	13,312	14,445
Cost of goods sold	(870)	(867)	(1,031)	(1,212)	(1,377)	(1,559)
Gross profit	9,065	8,515	9,073	11,090	11,935	12,886
Selling expense	(3,428)	(3,550)	(3,531)	(3,678)	(4,381)	(4,961)
Admin expense	(943)	(597)	(710)	(757)	(876)	(978)
R&D expense	(1,797)	(1,693)	(2,097)	(2,542)	(2,879)	(3,189)
Other income	393	449	1,125	998	817	778
Other gains/(losses)	63	(117)	(27)	(40)	0	0
Net Interest income/(expense)	(53)	(58)	(67)	(34)	(2)	(2)
Pre-tax profit	3,300	2,948	3,766	5,036	4,613	4,532
Income tax	(587)	(365)	(489)	(653)	(599)	(588)
After tax profit	2,713	2,584	3,278	4,383	4,015	3,944
Net profit	2,713	2,584	3,278	4,383	4,015	3,944
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	23,179	25,832	28,883	27,450	30,258	33,009
Cash & equivalents	14,702	17,615	22,435	20,122	22,587	24,958
Account receivables	3,676	3,578	3,214	4,068	4,329	4,618
Inventories	410	448	576	602	684	774
Prepayment	160	182	236	236	236	236
Financial assets at FVTPL	2,357	2,544	512	512	512	512
Other current assets	1,874	1,464	1,910	1,910	1,910	1,910
Non-current assets	3,981	4,170	4,156	4,274	4,107	3,953
PP&E	3,225	3,196	3,045	3,194	3,058	2,935
Right-of-use assets	251	254	235	214	193	172
Intangibles	17	33	177	167	157	147
Other non-current assets	488	687	699	699	699	699
Total assets	27,160	30,002	33,039	31,724	34,365	36,962
Current liabilities	3,024	2,620	6,863	2,743	2,774	2,808
Short-term borrowings	0	0	0	0	0	0
Account payables	248	222	164	227	258	292
Other current liabilities	134	91	4,269	86	86	86
Lease liabilities	10	16	16	16	16	16
Contract liabilities	22	25	38	38	38	38
Accrued expenses	2,609	2,266	2,376	2,376	2,376	2,376
Non-current liabilities	4,108	4,735	381	381	381	381
Convertible bonds	3,743	4,283	40	40	40	40
Deferred income	267	351	255	255	255	255
Other non-current liabilities	98	102	87	87	87	87
Total liabilities	7,131	7,355	7,244	3,124	3,155	3,189
Share capital	0	0	0	0	0	0
Other reserves	20,029	22,647	25,795	28,600	31,209	33,773
Total shareholders equity	20,029	22,647	25,795	28,600	31,209	33,773
Total equity and liabilities	27,160	30,002	33,039	31,724	34,365	36,962

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,300	2,948	3,766	5,036	4,613	4,532
Depreciation & amortization	257	316	335	351	336	323
Tax paid	(319)	(324)	(590)	(653)	(599)	(588)
Change in working capital	(428)	(306)	257	(816)	(312)	(346)
Others	(232)	107	(652)	(620)	(471)	(432)
Net cash from operations	2,577	2,741	3,116	3,298	3,568	3,490
Investing						
Capital expenditure	(460)	(273)	(220)	(500)	(200)	(200)
Acquisition of subsidiaries/ investments	(357)	(186)	(239)	0	0	0
Net proceeds from disposal of short-term investments	(1,481)	(5,411)	1,418	685	504	465
Others	40	(65)	114	0	0	0
Net cash from investing	(2,259)	(5,935)	1,074	185	304	265
Financing						
Dividend paid	(381)	(712)	(652)	(1,578)	(1,405)	(1,380)
Net borrowings	15	0	0	0	0	0
Proceeds from share issues	(58)	(77)	(115)	0	0	0
Others	3,841	(29)	13	(4,217)	(2)	(2)
Net cash from financing	3,417	(818)	(754)	(5,795)	(1,408)	(1,383)
Net change in cash						
Cash at the beginning of the year	3,063	6,719	2,666	5,981	3,668	6,133
Exchange difference	(79)	(41)	(122)	0	0	0
Cash at the end of the year	6,719	2,666	5,981	3,668	6,133	8,504
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	14.3%	(5.6%)	7.7%	21.7%	8.2%	8.5%
Gross profit	14.9%	(6.1%)	6.5%	22.2%	7.6%	8.0%
Net profit	5.6%	(4.8%)	26.9%	33.7%	(8.4%)	(1.8%)
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	91.2%	90.8%	89.8%	90.2%	89.7%	89.2%
Return on equity (ROE)	na	12.1%	13.5%	16.1%	13.4%	12.1%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	7.7	9.9	4.2	10.0	10.9	11.8
Receivable turnover days	0.0	141.1	122.7	120.7	118.7	116.7
Inventory turnover days	172.1	180.6	181.2	181.2	181.2	181.2
Payable turnover days	104.2	99.1	68.3	68.3	68.3	68.3
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	37.5	39.4	31.1	23.3	25.4	25.9
P/E (diluted)	38.0	39.5	31.6	23.3	25.4	25.9
P/B	5.1	4.5	3.9	3.6	3.3	3.0

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.