

CSPC Pharmaceutical (1093 HK)

The King is back

CSPC announced 1H19 results. Total revenue/ net profit was up 27.6% / 24.8% YoY in 1H19, reaching our full-year estimates of 49.5%/ 48.3% and results are in line. We raise FY19/20 revenue forecasts by 5.8%/ 2.0% to reflect strong innovative drug sales. Maintain BUY with new 12-month target price of HK\$20.62.

- **1H19 results in line.** 1H19/ 2Q19 revenue was up 27.6%/ 29.6% YoY. 1H19 innovative drugs/ generics/ bulk medicines grew at 55.4%/ 6.8%/ 2.5% YoY. 1H19 GPM improved by 6ppts to 69.9% due to fast growing innovative drugs with over 80% GPM. R&D cost was up 68% YoY to RMB942mn in 1H19. Net profit was up 24.8% YoY to RMB1,878mn. 1H19 revenue and net profit reached 49.5%/ 48.3% of our full year estimate and 48.6%/ 46% of consensus estimate.
- **Strong innovative drug sales.** Innovative drugs grew 55.4% YoY in 1H19 and 56.3% YoY in 2Q19, of which NBP grew strongly by 35.9% YoY in 1H19 and is forecasted to maintain ~30% growth in FY19E driven by penetration into country-level hospitals. Oncology drugs surged 194.2% YoY in 1H19, among which Duomeisu and Jinyouli both grew over 100% YoY, Ke'ailli recorded ~RMB630mn sales given successful academic marketing activities.
- **Better-than-expected bulk procurement policies.** Policies on bulk procurement has eased which allows each drug tender to be won by three players, indicating moderate price competition.
- **Pipeline drugs progressed significantly in 1H19.** CSPC submitted 9 INDs in 1H19 and targets to file 15 INDs in 2019E. 10 pipeline candidates target to enter phase 3 trials by end 2020E. Anti-CD20 mAb completed phase 3 trial and will file NDA soon. Duvelisib (PI3K inhibitor) is in phase 3 trial and targets to file to NMPA in 2020E. Amphotericin B cholesteryl sulfate complex for injection could be launched in 2020E with expected peak sales of over RMB1bn. FY19E R&D cost is estimated to be ~RMB2.0bn.
- **Attractive valuation and maintain BUY with new TP of HK\$20.62.** We are bullish on innovative drug growth and raised FY19/20 revenue forecasts by 5.8%/ 2%. We also raised selling expenses and R&D cost ratio forecasts. We lift FY19/20 net profit forecasts by 4.1%/ 1.4%. We expect revenue to grow 26.6%/ 18.2% YoY and net profit to grow 23%/ 20.6% YoY in FY19/20E. CSPC trades at 17.9x FY19E P/E, vs. peers' average 19.6x P/E. Valuation is attractive. **Catalysts:** 1) drugs' inclusion into NRDL, 2) earlier-than-expected launch of new products, 3) stronger-than-expected product sales.

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	13,409	18,865	23,878	28,216	32,465
YoY growth (%)	8	41	27	18	15
Net income (RMB mn)	2,416	3,293	4,051	4,887	6,048
EPS (RMB)	0.39	0.53	0.65	0.78	0.97
YoY growth (%)	9.8	36.3	23.0	20.6	23.8
P/E (x)	30.0	22.0	17.9	14.8	12.0
P/B (x)	5.5	4.7	3.9	3.3	2.7
Yield (%)	1.1	1.5	1.9	2.3	2.8
ROE (%)	18.1	21.4	21.8	22.1	22.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates; Note: Exchange rate of HK\$ against RMB at 0.897.

BUY (Maintain)

Target Price	HK\$20.62
(Previous TP)	HK\$20.80
Up/Downside	+59.1%
Current Price	HK\$12.96

China Healthcare Sector

Amy Ge
 (852) 3761 8778
 amyge@cmbi.com.hk

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

Stock Data

Mkt Cap (HK\$ mn)	80,823
Avg 3 mths t/o (HK\$ mn)	400.5
52w High/Low (HK\$)	21.20/ 9.90
Total Issued Shares (mn)	6,236.3

Source: Bloomberg

Shareholding Structure

Management	29.94%
Citigroup Inc	5.87%
BlackRock	4.75%
Free float	59.44%

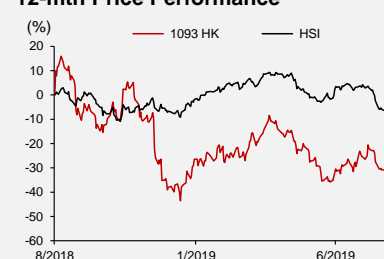
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.7%	3.1%
3-mth	-11.4%	-3.8%
6-mth	-11.5%	-2.5%

Source: Bloomberg

12-mth Price Performance

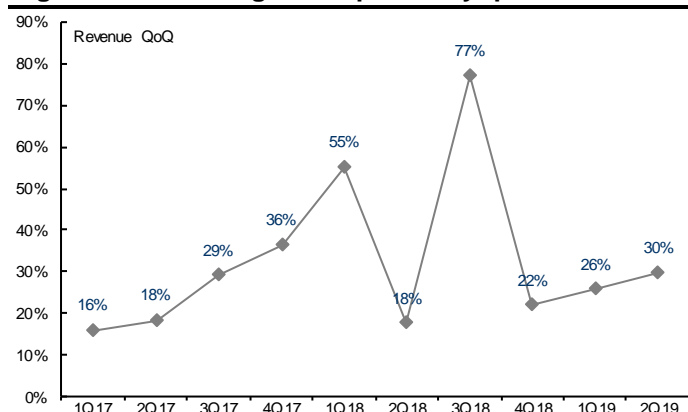


Source: Bloomberg

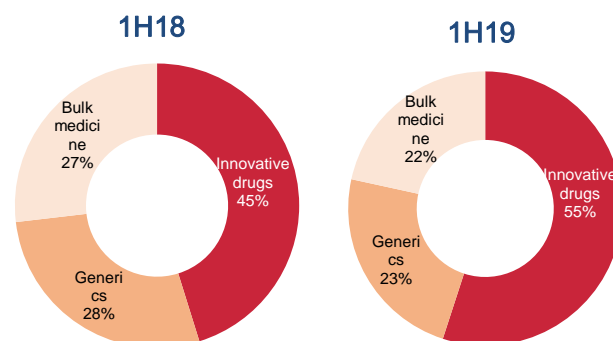
Auditor: Deloitte

Related Reports

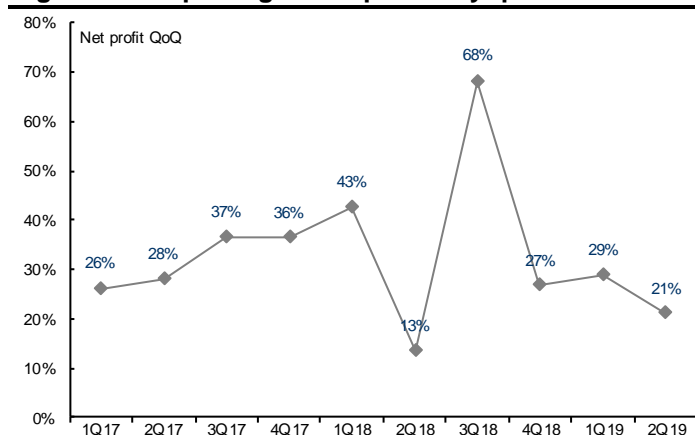
1. Growth prospects intact with encouraging margin performance- 22 May 19;
2. Results in-line; strong innovative drugs and intact generics -19 Mar 2019;
3. Limited near-term impact, hitting 3-year historical low - 9 Jan 2019

Figure 1: Revenue growth quarter by quarter

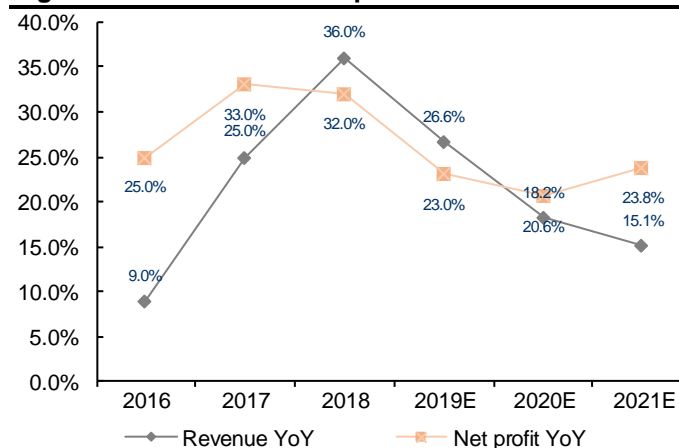
Source: Company data

Figure 2: 1H19 vs. 1H18 revenue breakdown

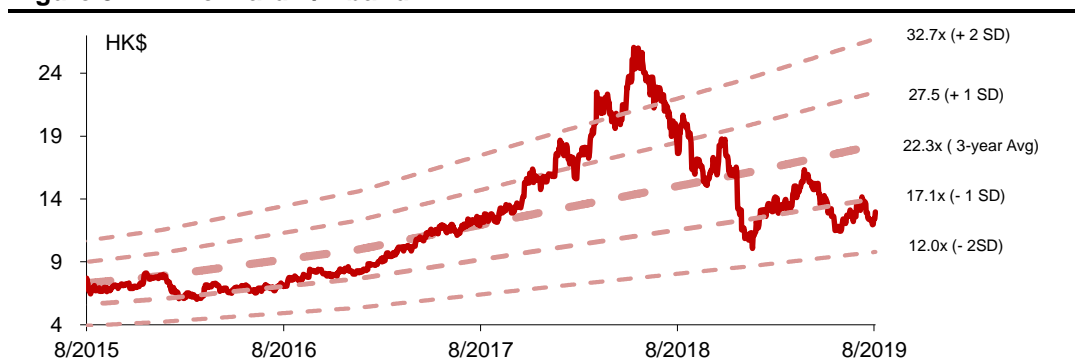
Source: Company data, CMBIS estimates

Figure 3: Net profit growth quarter by quarter

Source: Company data

Figure 4: Revenue and net profit forecasts

Source: Company data, CMBIS estimates

Figure 5: 12M forward P/E band

Source: Company data, CMBIS estimates

Figure 6: 1H19 results changes

	1Q18	1Q19	YoY	2Q18	2Q19	YoY	1H18	1H19	YoY
	RMB	RMB	Change	RMB	RMB	Change	RMB	RMB	Change
	mn	mn		mn	mn		mn	mn	
Innovative drugs	1,914	2,954	54.3%	2,044	3,195	56.3%	3,958	6,149	55.4%
Generics	1,261	1,291	2.4%	1,190	1,326	11.5%	2,450	2,617	6.8%
Antibiotics	321	347	8.1%	306	184	-39.7%	627	531	-15.2%
Vitamin C	548	524	-4.5%	503	634	26.1%	1,051	1,158	10.1%
Caffeine and Others	330	378	14.3%	343	345	0.5%	674	723	7.2%
Bulk medicine	1,200	1,248	4.1%	1,152	1,164	1.0%	2,352	2,412	2.5%
Total revenue	4,375	5,493	25.6%	4,385	5,685	29.6%	8,759	11,178	27.6%
COGS	(1,563)	(1,652)	5.7%	(1,601)	(1,714)	7.0%	(3,164)	(3,365)	6.4%
Gross profit	2,812	3,841	36.6%	2,784	3,971	42.6%	5,596	7,813	39.6%
Other income and gains	39	32	-20.1%	71	68	-4.9%	110	99	-10.3%
Distribution expenses	(1,477)	(2,064)	39.7%	(1,444)	(2,163)	49.8%	(2,921)	(4,227)	44.7%
Administrative expenses	(178)	(176)	-1.1%	(151)	(207)	37.7%	(328)	(383)	16.7%
Other expenses	(273)	(477)	74.6%	(296)	(484)	63.4%	(570)	(961)	68.8%
Operating profit	922	1,156	25.3%	964	1,184	22.8%	1,886	2,340	24.0%
Net finance costs	(9)	(14)	61.7%	(21)	(13)	-38.4%	(29)	(27)	-8.3%
Share of results of associates	8	16	92.5%	11	9	-19.7%	19	25	28.2%
Profit before tax	922	1,158	25.6%	954	1,180	23.6%	1,876	2,338	24.6%
Income tax	(181)	(210)	16.0%	(199)	(239)	19.8%	(381)	(449)	18.0%
Minority interest	(2)	5	N/A	11	(15)	N/A	9	(10)	N/A
Net profit	739	952	28.8%	766	926	21.0%	1,505	1,878	24.8%
Gross margin	64.3%	69.9%	5.7ppt	63.5%	69.9%	6.4ppt	63.9%	69.9%	6.0ppt
Operating margin	21.1%	21.0%	-0.04ppt	22.0%	20.8%	-1.2ppt	21.5%	20.9%	-0.6ppt
Net margin	16.9%	17.3%	0.4ppt	17.5%	16.3%	-1.2ppt	17.2%	16.8%	-0.4ppt

Source: Company data

Figure 7: CMBIS estimates changes

	2019			2020		
	Old RMB mn	New RMB mn	Change	Old RMB mn	New RMB mn	Change
NBP	5,303	5,658	6.7%	6,618	7,074	6.9%
Oulaining	1,884	1,901	0.9%	2,186	1,996	-8.7%
Xuanning	1,465	1,123	-23.3%	2,072	1,235	-40.4%
Oncology drugs	2,732	3,806	39.3%	4,331	5,247	21.2%
Innovative drugs	12,359	13,563	9.7%	16,528	17,145	3.7%
Generics	6,193	6,127	-1.1%	6,992	6,740	-3.6%
Antibiotics	1,172	1,223	4.3%	1,196	1,247	4.3%
Vitamin C	1,925	2,008	4.3%	2,021	2,108	4.3%
Caffeine and Others	918	957	4.3%	936	976	4.3%
Bulk medicine	4,014	4,188	4.3%	4,152	4,332	4.3%
Total revenue	22,567	23,878	5.8%	27,673	28,216	2.0%
COGS	(8,117)	(7,980)	-1.7%	(9,795)	(9,820)	0.3%
Gross profit	14,450	15,898	10.0%	17,878	18,396	2.9%
Other income and gains	120	149	23.7%	147	172	16.8%
Distribution expenses	(6,898)	(8,262)	19.8%	(8,290)	(9,232)	11.4%
Administrative expenses	(1,052)	(699)	-33.6%	(1,365)	(971)	-28.9%
Other expenses	(1,730)	(2,035)	17.6%	(2,314)	(2,229)	-3.7%
Operating profit	4,890	5,051	3.3%	6,056	6,136	1.3%
Non-operating items	0	1	N/A	0	1	N/A
Finance costs	(25)	(26)	4.3%	(26)	(27)	3.6%
Share of results of associates/JV	32	33	4.3%	35	37	4.3%
Profit before tax	4,897	5,059	3.3%	6,065	6,145	1.3%
Income tax	(979)	(981)	0.2%	(1,213)	(1,229)	1.3%
Minority interest	(27)	(27)	-1.1%	(30)	(29)	-3.6%
Core net profit	3,891	4,051	4.1%	4,821	4,887	1.4%
Gross margin	64.0%	66.6%	2.5 ppt	64.6%	65.2%	0.6ppt
Operating margin	21.7%	21.2%	-0.5 ppt	21.9%	21.7%	-0.1ppt
Core net margin	17.2%	17.0%	-0.3 ppt	17.4%	17.3%	-0.1 ppt

Source: Company data, CMBIS estimates

Figure 8: DCF valuation

	2019E	2020E	2021E	2022E	2023E
	RMB mn	RMB mn	RMB mn	RMB mn	RMB mn
Net profit	4,051	4,887	6,048	7,129	8,468
Depreciation and amortisation	970	1,040	1,111	1,184	1,262
Net interest after tax	(14)	(35)	(63)	(96)	(129)
CAPEX	(889)	(917)	(938)	(954)	(1,025)
Change in working capital	(2,237)	(332)	(93)	(232)	(387)
FCF	1,882	4,644	6,066	7,031	8,189
Terminal value					126,817
	1,882	4,644	6,066	7,031	135,005
Discount factor	1.00	0.91	0.83	0.76	0.69
PV of FCF		4,235	5,045	5,333	93,390
Corporate value	108,004				
Debt & Preferred Stock	731				
Bank deposit and pledged cash	8,285				
Equity Value	115,558				
Number of shares	6,236				
Value per share (RMB)	18.50				
Value per share (HK\$)	20.62				
Risk free rate	3.0%				
Beta	0.9				
Risk premium	9.7%				
Cost of equity	11.7%				
Cost of debt	6.0%				
WACC	9.7%				
Terminal growth rate	3.0%				

Source: Company data, CMBIS estimates

Figure 9: Sensitivity analysis

Terminal growth / WACC	8.2%	8.7%	9.2%	9.7%	10.2%	10.7%	11.2%
2.5%	24.53	22.52	20.96	19.51	18.28	17.17	16.16
3.5%	28.87	26.20	23.86	21.96	20.40	19.06	17.84
3.0%	26.53	24.19	22.30	20.62	19.29	18.06	16.95
4.5%	35.79	31.55	28.21	25.53	23.30	21.52	19.96
5.0%	40.80	35.23	31.10	27.87	25.20	23.08	21.18
5.5%	47.71	40.25	34.78	30.66	27.54	24.86	22.74

Source: Company data, CMBIS estimates

Figure 10: Peers' valuation

Company	Ticker	Price HK\$	Mkt cap HK\$mn	PER(x)			PBR(x)			EV/EBITDA (x)			ROE %		
				FY18A	FY19E	FY20E	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E
CSPC	1093	12.96	80,823	22.0	17.9	14.8	4.1	4.1	3.5	12.4	11.7	9.2	22.5	23.9	25.1
Fosun Pharm	2196	22.30	71,706	21.7	16.5	13.5	2.1	1.6	1.5	18.7	24.6	20.3	10.2	10.1	11.6
Sino Biopharm	1177	9.93	125,002	6.2	34.9	30.6	2.0	3.9	3.2	4.9	18.4	15.8	47.1	11.8	11.7
Baiyunshan	874	30.70	64,731	11.6	14.0	12.0	1.8	1.8	1.6	12.5	13.1	9.7	17.0	14.2	14.1
Livzon	1513	18.70	24,151	16.7	13.1	11.5	1.7	1.4	1.3	8.9	9.3	7.9	10.1	11.0	11.8
3SBio	1530	12.38	31,383	17.6	20.0	16.5	2.6	2.8	2.4	13.3	13.9	11.2	16.0	15.1	15.7
Luye	2186	5.66	18,502	11.8	10.5	9.5	2.0	1.7	1.5	9.2	8.6	7.4	17.9	17.4	16.6
Fudan	1349	5.81	5,363	21.0	28.2	24.3	3.2	N/A	N/A	13.4	N/A	N/A	16.3	N/A	N/A
Zhangjiang															
Average				15.2	19.6	16.8	2.2	2.2	1.9	11.6	14.6	12.1	19.2	13.3	13.6

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E	YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	13,409	18,865	23,878	28,216	32,465	EBIT	3,019	4,071	5,051	6,136	7,588
Innovative drugs	5,708	9,280	13,563	17,145	20,582	D&A	621	669	970	1,040	1,111
Generics	4,156	5,570	6,127	6,740	7,414	Change in working capital	(504)	2,611	(4,730)	(701)	(196)
Bulk medicines	3,545	4,015	4,188	4,332	4,469	Income tax paid	(499)	-	-	-	-
Cost of sales	(5,304)	(6,384)	(7,980)	(9,820)	(11,019)	Others	213	(1,494)	2,428	281	(16)
Gross profit	8,105	12,481	15,898	18,396	21,446	Net cash from operating	2,851	5,857	3,720	6,756	8,487
Other income and gains	104	311	149	172	187	Capex	(1,381)	(1,557)	(889)	(917)	(938)
Distribution expenses	(3,794)	(6,574)	(8,262)	(9,232)	(10,445)	Placement of restricted bank	(1,164)	-	-	-	-
Administrative expenses	(591)	(700)	(699)	(971)	(1,130)	Other	(305)	(1,501)	69	115	122
R&D expenses	(707)	(1,420)	(2,035)	(2,229)	(2,470)	Net cash from investing	(2,851)	(3,059)	(820)	(802)	(816)
Other expenses	(98)	(28)	-	-	-	Change of Debts	27	72	50	29	51
Operating profit	3,019	4,071	5,051	6,136	7,588	Dividend paid	(650)	(795)	(840)	(1,296)	(1,564)
Share of profit of Asso. / JV	9	46	33	37	40	Net cash from financing	1,415	(2,221)	966	(1,326)	(1,571)
Finance income / (expenses)	(23)	(79)	(26)	(27)	(29)	Net change in cash	1,41	577	3,86	4,62	6,10
Pre-tax profit	3,005	4,038	5,059	6,145	7,600	Cash at the beginning of the year	2,805	4,699	4,420	8,285	12,913
Profits tax	(594)	(783)	(981)	(1,229)	(1,520)	Exchange difference	257	-	-	-	-
Minority interest	(8)	24	(27)	(29)	(32)	Bank deposits	65	-	-	-	-
Net profit	2,403	3,279	4,051	4,887	6,048	Cash at the end of the year	4,542	5,276	8,285	12,913	19,014

Balance sheet						Key ratios					
YE Dec 31 (RMB mn)	FY17A	FY18A	FY19A	FY20A	FY21A	YE Dec 31	FY17A	FY18A	FY19E	FY20E	FY21E
Non-current assets	6,858	9,596	9,548	9,461	9,327	Sales mix (%)					
Fixed asset	5,778	6,822	6,864	6,863	6,812	Innovative drugs	42.6	49.2	56.8	60.8	63.4
Goodwill	106	143	143	143	143	Generics	31.0	29.5	25.7	23.9	22.8
Intangible assets	89	823	716	611	505	Bulk medicines	26.4	21.3	17.5	15.4	13.8
Other non-current	885	1,808	1,824	1,844	1,867	Total	100.0	100.0	100.0	100.0	100.0
Current assets	11,824	14,072	17,254	23,083	29,928	Profit & loss ratios (%)					
Cash	4,542	4,420	8,285	12,913	19,014	Gross margin	60.4	66.2	66.6	65.2	66.1
Account receivable	3,365	3,982	5,305	5,987	6,480	EBITDA margin	27.2	25.1	25.2	25.4	26.8
Inventories	2,516	3,104	2,881	3,368	3,590	Pre-tax margin	22.4	21.4	21.2	21.8	23.4
Other current assets	1,401	2,566	784	816	845	Net margin	17.9	17.4	17.0	17.3	18.6
Current liabilities	4,995	7,388	6,883	8,581	10,367	Core net margin	18.0	17.5	17.0	17.3	18.6
Borrowings	804	72	731	717	764	Effective tax rate	19.8	19.4	19.4	20.0	20.0
Trade and other payables	3,966	6,314	5,129	5,918	6,518	Balance sheet ratios					
Other current liabilities	225	1,001	1,024	1,945	3,085	Current ratio (x)	2.4	1.9	2.5	2.7	2.9
Non-current liabilities	326	449	851	1,274	1,683	Trade receivables turnover	42	40	37	34	31
Borrowings	52	-	127	190	188	Trade payables turnover	83	87	84	84	88
Other non-current	274	449	723	1,084	1,495	Inventory turnover days	153	172	145	122	122
Total net assets	13,361	15,831	19,069	22,689	27,205	Net debt to total equity ratio	Net	Net	Net	Net	Net
Minority interest	74	487	513	542	574	Returns (%)					
Shareholders' equity	13,288	15,345	18,556	22,147	26,631	ROE	18.1	21.4	21.8	22.1	22.7
						ROA	12.9	13.9	15.1	15.0	15.4
						Per share data					
						EPS (RMB)	0.38	0.53	0.65	0.78	0.97
						Core EPS (RMB)	0.39	0.53	0.65	0.78	0.97
						DPS (RMB)	0.13	0.18	0.22	0.26	0.33
						BVPS (RMB)	2.1	2.5	3.0	3.6	4.3

Source: Company data, CMBIS estimates; Note: Exchange rate of HK\$ against RMB at 0.897

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.

CMBIS 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 CMBIS

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 Securities Limited

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

CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS 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 CMBIS.

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 CMBIS.

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

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.