

# SANY International (631 HK)

## Positive takeaways from Zhuhai plant visit

We, together with >30 investors, joined SANYI's plant visit tour in Zhuhai's port machinery production base yesterday (25 July). Key positives: (1) SANYI is confident of achieving revenue growth of 100%/50% YoY in overseas port machinery in 2023E/24E; (2) revenue from telescopic forklift will potentially reach RMB1bn in 2023E and double in 2024E; (3) electrification of reach stackers & empty container handlers is on a good track; (4) gross margin of large port machinery is improving. The positive management tone reaffirms our positive stance on the structural growth outlook of SANYI. While share price marked a record high yesterday, we expect the momentum to continue with catalysts coming from positive guidance upon the release of interim results in August. Reiterate **BUY** with unchanged TP of HK\$16.2 (19x 2023E). SANYI remains our sector top pick.

- Huge potential of telescopic forklift.** Telescopic forklift (伸縮臂叉車) is a product widely applied in Europe and the US (80% of global demand), with major downstream applications in industrial (70%) and agricultural sector (30%). The global market size is ~RMB40bn. SANYI has been cooperating with four major leasing companies in the US. Currently, SANYI's telescopic forklifts are produced in India (150 units of monthly capacity), where labour cost is only half of that in China. Despite the use of overseas' components (in order to reduce the risk of tariff in Europe and the US), SANYI is managed to maintain cost advantage (10% below the major competitors such as JLG and JCB). Gross margin is currently ~25%. SANYI plans to build a new factory in Turkey.
- Electrification of small port machinery.** Electric ratios of reach stackers (正面吊) and empty container handlers (堆高機) are 20% and 80% respectively. The price of the electric reach stacker is ~RMB3mn, versus the diesel model of ~RMB2.5mn. The annual operating cost of an electric reach stacker is only ~RMB100k, which is much lower than that of the diesel model (RMB400-500k), making it very attractive to customers. The continuous electrification will help drive ASP going forward.
- Large port machinery: Solid backlog and margin expansion.** With the expansion of large port machinery capacity, SANYI is confident of expanding the market share. SANYI recently received orders for >40 units of gantry cranes from Hutchison. Besides, Maersk, in order to achieve its net-zero targets, has gradually increased the procurement of electric cranes. SANYI's current backlog of large port machinery is >RMB3bn. Most importantly, gross margin has been significantly improved to ~14% (versus single digit last year).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	10,195	15,537	22,695	29,924	35,935
YoY growth (%)	38.4	52.4	46.1	31.9	20.1
Adjusted net profit (RMB mn)	1,086.7	1,664.9	2,434.0	3,226.7	3,874.5
EPS (Adjusted) (RMB)	0.35	0.53	0.77	1.03	1.23
Consensus EPS (RMB)	na	na	0.74	0.97	1.29
P/E (x)	23.8	19.3	13.8	10.4	8.7
P/B (x)	3.5	3.2	2.8	2.4	2.0
Yield (%)	1.3	1.6	2.2	3.0	3.6
ROE (%)	13.2	17.8	22.1	24.5	24.4
Net gearing (%)	(18.3)	(11.8)	16.5	12.9	0.3

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>HK\$16.20</b>
(Previous TP)	HK\$16.20)
<b>Up/Downside</b>	<b>38.0%</b>
<b>Current Price</b>	<b>HK\$11.74</b>

### China Capital Goods

#### Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

#### Katherine NG

(852) 3761 8725

katherineng@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	37,248.7
Avg 3 mths t/o (HK\$ mn)	54.1
52w High/Low (HK\$)	11.74/6.44
Total Issued Shares (mn)	3172.8

Source: FactSet

### Shareholding Structure

Sany Heavy Equipment	66.4%
Investments Company	
Free float	33.9%

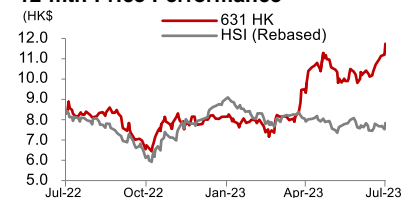
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	19.7%	16.3%
3-mth	25.7%	26.9%
6-mth	43.5%	62.8%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related reports:

SANYI (631 HK, BUY) – Firing on all cylinders – 8 Jun 2023 ([link](#))

SANYI (631 HK, BUY) – Acquisition of oil & gas frac equipment a positive move – 13 Apr 2023 ([link](#))

SANYI (631 HK, BUY) – Core net profit in 2022 +53% YoY in line with expectation; Margin recovery in 4Q – 21 Mar 2023 ([link](#))

SANYI (631 HK, BUY) – Expansion to new energy equipment sector with an ambitious target – 9 Jan 2023 ([link](#))

SANYI (631 HK, BUY) – Key takeaways from post-results call and NDR – 2 Nov 2022 ([link](#))

## SANYI's Zhuhai production base

Figure 1: Electric reach stacker (left); Electric empty container handler (middle); Telescopic forklift (right) in Zhuhai production base



Source: CMBIGM

Figure 2: Welding robots working in Zhuhai production base



Source: CMBIGM

## Operating assumptions

Figure 3: Key operating assumptions

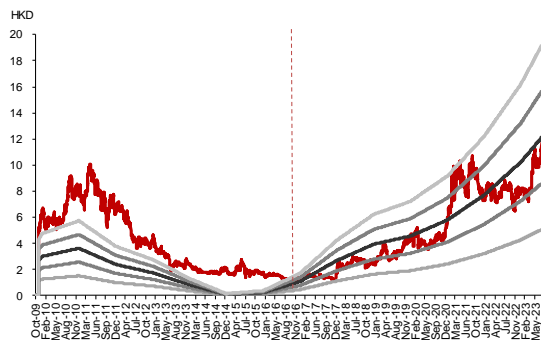
(RMB mn)	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Revenue</b>								
Road header	1,079	1,408	1,249	1,834	2,970	3,321	3,455	3,524
Combined coal mining units (CCMU)	966	1,073	1,640	1,733	2,968	4,007	5,129	6,411
Small-size port machinery	1,305	1,547	1,798	2,459	3,217	3,942	4,651	5,442
Large-size port machinery	551	686	720	840	1,377	2,066	2,685	3,222
Mining trucks	88	388	952	1,512	2,923	5,019	7,144	9,086
After sales service	428	554	603	706	1,136	1,250	1,400	1,567
Robot	-	-	400	1,150	1,060	1,187	1,330	1,489
Lithium battery equipment	-	-	-	-	-	600	1,000	1,500
Oil and gas equipment	-	-	-	-	-	1,304	3,131	3,694
<b>Total</b>	<b>4,417</b>	<b>5,656</b>	<b>7,362</b>	<b>10,234</b>	<b>15,651</b>	<b>22,695</b>	<b>29,924</b>	<b>35,935</b>
<b>Growth (YoY)</b>								
Road header	53.8%	30.5%	-11.3%	46.8%	61.9%	11.8%	4.0%	2.0%
Combined coal mining units (CCMU)	268.0%	11.1%	52.8%	5.7%	71.3%	35.0%	28.0%	25.0%
Small-size port machinery	45.3%	18.5%	16.2%	36.8%	30.8%	22.5%	18.0%	17.0%
Large-size port machinery	61.3%	24.5%	5.0%	16.7%	63.9%	50.0%	30.0%	20.2%
Mining trucks	285.1%	340.9%	145.4%	58.8%	93.3%	71.7%	42.3%	27.2%
After sales service	67.9%	29.4%	8.8%	17.1%	60.9%	10.0%	12.0%	12.0%
Robot	-	-	-	187.5%	-7.8%	12.0%	12.0%	12.0%
Lithium battery equipment	-	-	-	-	-	-	66.7%	50.0%
Oil and gas equipment	-	-	-	-	-	-	140.0%	18.0%
<b>Total</b>	<b>78.0%</b>	<b>28.1%</b>	<b>30.2%</b>	<b>39.0%</b>	<b>52.9%</b>	<b>45.0%</b>	<b>31.9%</b>	<b>20.1%</b>
<b>Gross margin</b>								
Road header	39.9%	40.6%	41.6%	43.1%	41.5%	42.0%	41.0%	41.0%
Combined coal mining units (CCMU)	14.7%	25.1%	23.4%	16.4%	16.2%	17.5%	17.8%	18.0%
Small-size port machinery	32.1%	33.0%	33.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Large-size port machinery	15.0%	9.0%	9.0%	5.0%	5.0%	11.5%	12.2%	12.7%
Mining trucks	10.0%	12.0%	14.0%	13.3%	15.4%	16.5%	17.0%	17.0%
After sales service	45.0%	38.0%	43.0%	37.0%	41.9%	38.0%	38.0%	38.0%
Robot	-	-	20.0%	20.0%	20.0%	19.0%	20.0%	20.0%
Lithium battery equipment	0.0%	-	-	-	-	20.0%	22.0%	25.0%
Oil and gas equipment	0.0%	-	-	-	-	35.0%	34.5%	34.5%
<b>Blended gross margin</b>	<b>28.9%</b>	<b>29.5%</b>	<b>27.6%</b>	<b>23.7%</b>	<b>23.8%</b>	<b>23.9%</b>	<b>23.8%</b>	<b>23.5%</b>

Source: Company data, CMBIGM

## Valuation

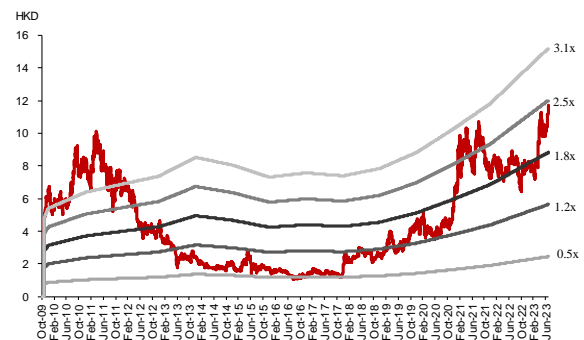
Our TP of HK\$16.2 is based on 19x 2023E P/E, equivalent to high end of the trading range since the upcycle starting in 2017. We believe our target multiple is justified, given the 33% estimated earnings CAGR in 2023E-25E.

Figure 4: SANYI's P/E band



Source: Bloomberg, Company data, CMBIGM estimates

Figure 5: SANYI's P/B band



Source: Bloomberg, Company data, CMBIGM estimates

**Major risk factors:** (1) weakness in mining activities; (2) development of new products below expectation; and (3) rebound of raw material costs.

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
Revenue	7,364	10,195	15,537	22,695	29,924	35,935
Cost of goods sold	(5,403)	(7,805)	(11,908)	(17,271)	(22,792)	(27,479)
<b>Gross profit</b>	<b>1,961</b>	<b>2,390</b>	<b>3,628</b>	<b>5,424</b>	<b>7,132</b>	<b>8,456</b>
Selling expense	(430)	(567)	(933)	(1,362)	(1,795)	(2,156)
Admin expense	(707)	(1,053)	(1,177)	(2,088)	(2,723)	(3,198)
Other income	237	391	447	658	868	1,042
Other expense	(31)	(1)	(25)	(68)	(90)	(108)
Other gains/(losses)	257	347	54	454	598	719
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
<b>EBITDA</b>	<b>1,535</b>	<b>1,756</b>	<b>2,287</b>	<b>3,396</b>	<b>4,452</b>	<b>5,307</b>
Depreciation	249	249	293	378	462	553
<b>EBIT</b>	<b>1,286</b>	<b>1,507</b>	<b>1,994</b>	<b>3,018</b>	<b>3,990</b>	<b>4,755</b>
Interest income	36	51	59	43	34	43
Interest expense	(132)	(120)	(132)	(162)	(181)	(183)
<b>Net Interest income/(expense)</b>	<b>(96)</b>	<b>(69)</b>	<b>(73)</b>	<b>(119)</b>	<b>(147)</b>	<b>(140)</b>
<b>Pre-tax profit</b>	<b>1,190</b>	<b>1,438</b>	<b>1,921</b>	<b>2,899</b>	<b>3,843</b>	<b>4,615</b>
Income tax	(139)	(129)	(252)	(377)	(500)	(600)
<b>After tax profit</b>	<b>1,052</b>	<b>1,309</b>	<b>1,669</b>	<b>2,522</b>	<b>3,344</b>	<b>4,015</b>
Minority interest	(6)	(50)	(4)	(88)	(117)	(141)
<b>Net profit</b>	<b>1,045</b>	<b>1,259</b>	<b>1,665</b>	<b>2,434</b>	<b>3,227</b>	<b>3,875</b>
<b>Adjusted net profit</b>	<b>1,045</b>	<b>1,087</b>	<b>1,665</b>	<b>2,434</b>	<b>3,227</b>	<b>3,875</b>
Gross dividends	408	385	524	755	1,000	1,201
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>12,016</b>	<b>14,217</b>	<b>17,191</b>	<b>19,532</b>	<b>23,880</b>	<b>28,017</b>
Cash & equivalents	941	1,349	2,690	1,590	1,843	3,506
Account receivables	3,288	4,272	6,416	8,631	11,373	12,256
Inventories	1,821	2,529	3,283	5,046	6,069	7,331
Prepayment	359	585	700	700	700	700
ST bank deposits	0	21	50	50	50	50
Financial assets at FVTPL	4,024	3,680	2,088	1,088	1,088	1,088
Other current assets	1,583	1,782	1,964	2,427	2,756	3,086
<b>Non-current assets</b>	<b>5,448</b>	<b>6,568</b>	<b>7,763</b>	<b>11,265</b>	<b>12,003</b>	<b>12,750</b>
PP&E	2,591	3,314	4,066	4,928	5,698	6,477
Deferred income tax	296	287	298	298	298	298
Goodwill	1,130	1,130	1,130	3,802	3,802	3,802
Other non-current assets	1,432	1,838	2,269	2,238	2,206	2,174
<b>Total assets</b>	<b>17,464</b>	<b>20,785</b>	<b>24,953</b>	<b>30,797</b>	<b>35,883</b>	<b>40,767</b>
<b>Current liabilities</b>	<b>7,938</b>	<b>9,170</b>	<b>10,836</b>	<b>13,731</b>	<b>15,928</b>	<b>17,798</b>
Short-term borrowings	2,645	1,687	954	1,054	904	754
Account payables	2,893	4,422	6,646	9,442	11,789	13,808
Tax payable	197	185	155	155	155	155
Other current liabilities	2,205	2,875	3,080	3,080	3,080	3,080
<b>Non-current liabilities</b>	<b>1,667</b>	<b>2,832</b>	<b>4,014</b>	<b>4,964</b>	<b>5,264</b>	<b>5,264</b>
Long-term borrowings	493	1,767	2,691	3,641	3,941	3,941
Other non-current liabilities	1,174	1,065	1,323	1,323	1,323	1,323
<b>Total liabilities</b>	<b>9,605</b>	<b>12,002</b>	<b>14,849</b>	<b>18,695</b>	<b>21,192</b>	<b>23,061</b>
<b>Total shareholders equity</b>	<b>7,839</b>	<b>8,701</b>	<b>10,040</b>	<b>11,950</b>	<b>14,422</b>	<b>17,296</b>
Minority interest	20	82	64	152	269	410
<b>Total equity and liabilities</b>	<b>17,464</b>	<b>20,785</b>	<b>24,953</b>	<b>30,797</b>	<b>35,883</b>	<b>40,767</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,190	1,438	1,921	2,899	3,843	4,615
Depreciation & amortization	249	249	293	378	462	553
Tax paid	(108)	(185)	(145)	(377)	(500)	(600)
Change in working capital	105	51	(808)	(1,646)	(1,748)	(455)
Others	(366)	(630)	(177)	119	147	140
<b>Net cash from operations</b>	<b>1,070</b>	<b>923</b>	<b>1,084</b>	<b>1,374</b>	<b>2,205</b>	<b>4,252</b>
<b>Investing</b>						
Capital expenditure	(334)	(885)	(889)	(900)	(1,200)	(1,300)
Others	(313)	589	1,529	(1,937)	34	43
<b>Net cash from investing</b>	<b>(647)</b>	<b>(296)</b>	<b>639</b>	<b>(2,837)</b>	<b>(1,166)</b>	<b>(1,257)</b>
<b>Financing</b>						
Dividend paid	(394)	(451)	(466)	(524)	(755)	(1,000)
Net borrowings	(132)	(120)	0	(162)	(181)	(183)
Proceeds from share issues	30	26	8	0	0	0
Others	(105)	317	81	1,050	150	(150)
<b>Net cash from financing</b>	<b>(602)</b>	<b>(227)</b>	<b>(377)</b>	<b>364</b>	<b>(786)</b>	<b>(1,333)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,103	941	1,349	2,690	1,590	1,843
Exchange difference	17	8	(6)	0	0	0
<b>Cash at the end of the year</b>	<b>941</b>	<b>1,349</b>	<b>2,690</b>	<b>1,590</b>	<b>1,843</b>	<b>3,506</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	30.2%	38.4%	52.4%	46.1%	31.9%	20.1%
Gross profit	17.5%	21.9%	51.8%	49.5%	31.5%	18.6%
EBITDA	14.0%	14.4%	30.2%	48.5%	31.1%	19.2%
EBIT	17.3%	17.2%	32.3%	51.4%	32.2%	19.2%
Net profit	13.6%	20.5%	32.2%	46.2%	32.6%	20.1%
Adj. net profit	20.8%	4.0%	53.2%	46.2%	32.6%	20.1%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	26.6%	23.4%	23.4%	23.9%	23.8%	23.5%
EBITDA margin	20.9%	17.2%	14.7%	15.0%	14.9%	14.8%
Adj. net profit margin	14.2%	10.7%	10.7%	10.7%	10.8%	10.8%
Return on equity (ROE)	14.0%	15.2%	17.8%	22.1%	24.5%	24.4%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.2)	(0.2)	(0.1)	0.2	0.1	0.0
Current ratio (x)	1.5	1.6	1.6	1.4	1.5	1.6
Receivable turnover days	146.8	135.3	125.5	121.0	122.0	120.0
Inventory turnover days	110.1	101.7	89.1	88.0	89.0	89.0
Payable turnover days	159.6	171.0	169.6	170.0	170.0	170.0
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	23.8	19.3	12.8	13.8	10.4	8.7
P/B	3.5	3.2	2.1	2.8	2.4	2.0
Div yield (%)	1.3	1.6	2.5	2.2	3.0	3.6

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

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM
<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: 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 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 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.