

SANY Heavy (600031 CH)

2Q23 net profit +81% but largely due to low base & FX gain; Staying cautious on export

SANY's net profit in 2Q23 surged 81% YoY to RMB1.9bn but largely helped by a low base effect as well as an increase in FX gain of RMB487mn. While export growth of 36% is impressive and took the overseas revenue ratio to 58% in 1H23, we are concerned about a peak of export, given the weak industry excavator export volume in Jun/Jul (-1%/-14% YoY, according to CCMA). We revise down our 2023E/24E earnings forecast by 9%/3% after resetting our volume and expense assumptions. Our estimates are 22%/30% below consensus. Our TP is revised down to RMB14.2, based on 22x 2023E (equivalent to 0.5SD above the average of 18x since 2017). Maintain **HOLD**.

■ **Key highlights in 2Q23 results.** Revenue grew 10% YoY to RMB22bn. Gross margin expanded 5.8ppt YoY and 1.1ppt QoQ to 28.9%. Administrative expense ratio dropped 0.3ppt YoY to 2.6%, while R&D expense ratio also dropped 0.9ppt YoY to 6.7%. Net finance income increased 50% YoY to RMB896mn, helped by FX gain as a result of depreciation of RMB. All these boosted the net profit by 81% YoY to RMB1.9bn. Operating cash inflow grew 99% YoY to RMB1.97bn. In 1H23, revenue / net profit was -0.4%/+49% YoY to RMB40bn/ RMB3.4bn.

■ **Overseas accounted for 58% of total revenue in 1H23.** Overseas revenue in 1H23 grew 36% YoY to RMB22bn. Excavators accounted for 44% of total overseas revenue (+32% YoY). Crane / piling machinery accounted for 17%/19% of overseas revenue. In terms of region, Europe reported impressive growth of 72% YoY (RMB8.1bn, 36% of overseas revenue). Asia Pacific (ex-China) grew 22% to RMB8.9bn, 40% of overseas revenue.

■ **Upside risk:** (1) stabilization of property investment; **Downside risks:** (1) further weakness in construction activities; (2) slowdown of overseas demand.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	106,874	80,822	77,364	80,579	82,785
YoY growth (%)	6.8	(24.4)	(4.3)	4.2	2.7
Net profit (RMB mn)	12,326.3	4,404.6	5,482.3	6,419.6	6,703.0
EPS (Reported) (RMB)	1.42	0.50	0.63	0.74	0.77
YoY growth (%)	(22.3)	(64.5)	25.2	17.1	4.4
Consensus EPS (RMB)	na	0.00	0.81	1.05	1.29
P/E (x)	21.3	34.6	24.6	21.0	20.1
P/B (x)	4.0	2.3	1.9	1.8	1.7
Yield (%)	1.5	0.9	1.3	1.5	1.6
ROE (%)	20.5	6.8	8.2	9.0	8.8
Net gearing (%)	(18.4)	(5.3)	(7.3)	(10.0)	(16.2)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB14.20

(Previous TP RMB14.70)

Up/Downside (8.2%)

Current Price RMB15.47

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 (RMB mn)	131,391.2
Avg 3 mths t/o (RMB mn)	866.8
52w High/Low (RMB)	19.56/13.50
Total Issued Shares (mn)	8493.3

Source: FactSet

Shareholding Structure

SANY Group	29.2%
Liang Wengen	2.8%

Source: SSE

Share Performance

	Absolute	Relative
1-mth	-11.9%	-7.2%
3-mth	2.8%	4.1%
6-mth	-17.4%	-11.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

- China Construction Machinery – Export of excavator running out of steam; negative to SANY Heavy-A – 24 Jul 2023 ([link](#))
- China Construction Machinery – Near-term recovery more seasonal than structural; Pair trade opportunities – 27 Feb 2023 ([link](#))
- SANY Heavy Industry (600031 CH) - Another weak quarter; Still challenging – 31 Oct 2022 ([link](#))

Figure 1: SANY Heavy's 2Q23 financials

(RMB mn)	1Q22	1Q23	Chg YoY	2Q22	2Q23	Chg YoY
Total revenue	20,278	17,997	-11.3%	19,794	21,918	10.7%
Cost of sales	-15,716	-12,985	-17.4%	-15,210	-15,574	2.4%
Gross profit	4,562	5,011	9.8%	4,584	6,344	38.4%
Other income	-88	-90	1.7%	-96	-132	37.3%
S&D expenses	-1,356	-1,301	-4.1%	-1,504	-1,685	12.1%
Administrative expenses	-660	-721	9.4%	-589	-580	-1.6%
R&D expense	-1,424	-1,407	-1.2%	-1,512	-1,468	-3.0%
Fair value change	-159	-92	-41.7%	-218	-905	314.8%
Asset impairment	-11	-99	819.3%	-106	-541	410.7%
EBIT	865	1,300	50.2%	558	1,033	85.0%
Net finance income/(expense)	75	93	23.9%	597	896	49.9%
Other gains/(losses)	839	322	-61.6%	194	333	71.5%
Share of profit of JV & associates	14	9	-38.9%	15	4	-76.0%
Pretax profit	1,794	1,724	-3.9%	1,365	2,265	66.0%
Income tax	-153	-163	6.5%	-275	-329	19.7%
After tax profit	1,641	1,562	-4.9%	1,090	1,936	77.6%
MI	-52	-50	-3.2%	-45	-47	3.6%
Net profit	1,590	1,512	-4.9%	1,044	1,889	80.8%
Key ratios:			<i>ppt</i>			<i>ppt</i>
Gross margin	22.5%	27.8%	5.3	23.2%	28.9%	5.8
S&D expense ratio	6.7%	7.2%	0.5	7.6%	7.7%	0.1
Administrative expense ratio	3.3%	4.0%	0.8	3.0%	2.6%	-0.3
R&D expense ratio	7.0%	7.8%	0.8	7.6%	6.7%	-0.9
Net profit margin	8.1%	8.7%	0.6	5.5%	8.8%	3.3
Effective tax rate	8.5%	9.4%	0.9	20.1%	14.5%	-5.6

Source: Company data, CMBIGM estimates

Figure 2: SANY Heavy's overseas revenue breakdown

Overseas revenue breakdown by region				
(RMB mn)	1H22	1H23	Chg YoY	% of total
Asia Pacific (ex-China)	7,320	8,938	22%	40%
Europe	4,770	8,182	72%	36%
America	3,230	3,958	23%	18%
Africa	1,220	1,388	14%	6%
Total	16,540	22,466	36%	100%

Overseas revenue breakdown by product				
(RMB mn)	1H22	1H23	Chg YoY	% of total
Excavator	7,556	9,957	32%	44%
Concrete machinery	3,963	4,508	14%	20%
Crane	2,386	3,763	58%	17%
Piling machinery	2,629	4,238	61%	19%
Total	16,540	22,466	36%	100%

Source: Company data, CMBIGM estimates

Figure 3: SANY Heavy's 1H23 revenue and gross margin breakdown

(RMB mn)	1H22	1H23	Change (YoY)
Revenue			
Concrete machinery	8,355	8,395	0.5%
Excavator	16,738	15,150	-9.5%
Crane machinery	7,146	7,364	3.0%
Piling machinery	1,665	1,254	-24.7%
Earth moving machinery	1,351	1,363	0.9%
Other machinery	3,522	5,107	45.0%
Revenue (construction machinery)	38,777	38,633	-0.4%
Interest income from financing	399	418	4.7%
Other business	896	864	-3.6%
Total revenue	40,072	39,915	-0.4%
Gross margin			Change (ppt)
Concrete machinery	20.9%	22.1%	1.2
Excavator	25.1%	34.3%	9.2
Crane machinery	15.7%	25.0%	9.3
Piling machinery	36.8%	32.7%	(4.1)
Earth moving machinery	27.6%	28.9%	1.3
Other machinery	18.8%	23.9%	5.1
Gross margin (construction machinery)	22.5%	28.2%	5.8
Interest income from financing	55.4%	50.7%	(4.8)
Other business	23.3%	26.7%	3.4
Blended gross margin	22.8%	28.4%	5.6

Source: Company data, CMBIGM

Figure 4: SANY Heavy's 1H23 financials

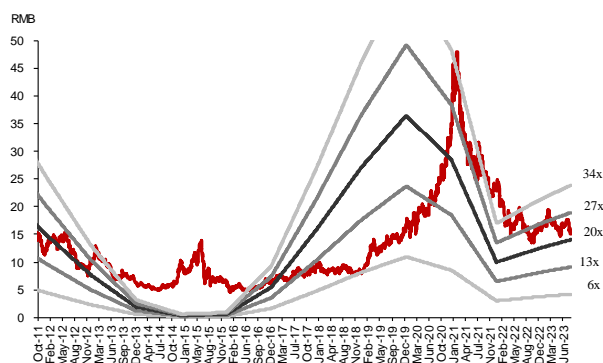
YE Dec 31(RMB mn)	1H22	1H23	Change (YoY)
Total revenue	40,072	39,915	-0.4%
Cost of sales	-30,925	-28,559	-7.7%
Gross profit	9,147	11,356	24.1%
Surcharge	-185	-222	20.3%
S&D expenses	-2,860	-2,986	4.4%
Administrative expenses	-1,249	-1,301	4.2%
R&D expense	-2,936	-2,875	-2.1%
Fair value change	-377	-998	n/a
Asset impairment	-117	-641	448.6%
EBIT	1,424	2,333	63.9%
Net finance income/(cost)	673	989	47.0%
Finance income	911	1,539	69.0%
Finance expenses	-238	-550	131.0%
Other gains/(losses)	1,033	654	-36.6%
Share of profit of JV and associates	30	12	-57.8%
Pretax profit	3,159	3,989	26.3%
Income tax	-428	-492	15.0%
After tax profit	2,731	3,497	28.0%
MI	-97	-97	-0.1%
Net profit	2,634	3,400	29.1%
Recurring net profit	2,634	3,400	29.1%
D&A	1,159	1,512	30.5%
EBITDA	2,582	3,845	48.9%
Key ratios			
Gross margin	22.8%	28.4%	5.6
S&D expense ratio	7.1%	7.5%	0.3
Administrative expense ratio	3.1%	3.3%	0.1
R&D expense ratio	7.3%	7.2%	-0.1
Net profit margin	6.8%	8.8%	1.9
Effective tax rate	13.5%	12.3%	-1.2

Source: Company data, CMBIGM

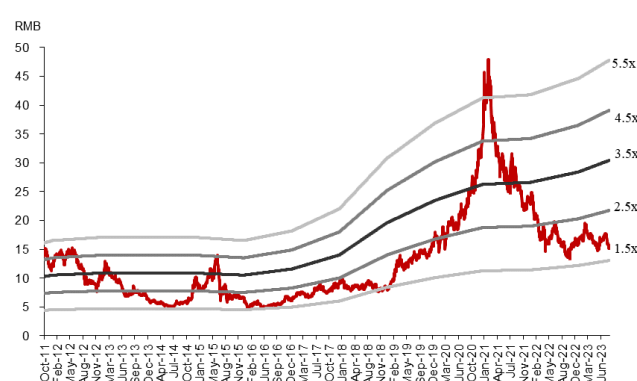
Figure 5: Change in key assumptions for SANY Heavy

(RMB mn)	Old			New			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue									
Concrete machinery	15,930	16,726	-	15,241	15,652	15,893	-4.3%	-6.4%	-
Excavator	41,201	43,261	-	31,473	33,104	33,766	-23.6%	-23.5%	-
Crane machinery	10,413	11,455	-	12,760	13,291	13,832	22.5%	16.0%	-
Piling machinery	3,716	3,902	-	2,346	2,463	2,586	-36.9%	-36.9%	-
Earth moving machinery	1,742	1,794	-	3,148	3,190	3,285	80.7%	77.8%	-
Other machinery	5,392	5,661	-	9,716	10,104	10,509	80.2%	78.5%	-
Revenue (construction machinery)	78,394	82,799	-	74,684	77,803	79,871	-4.7%	-6.0%	-
Interest income from financing	744	781	-	744	781	820	0.0%	0.0%	-
Other business	2,656	2,709	-	1,937	1,995	2,095	-27.1%	-26.4%	-
Total revenue	81,793	86,289	-	77,364	80,579	82,785	-5.4%	-6.6%	-
Gross margin									
Concrete machinery	22.5%	22.5%	-	22.4%	22.4%	22.3%	(0.1)	(0.1)	-
Excavator	24.5%	25.0%	-	33.1%	33.1%	33.0%	8.6	8.1	-
Crane machinery	17.0%	18.0%	-	21.5%	21.5%	21.5%	4.5	3.5	-
Piling machinery	36.0%	36.0%	-	34.0%	33.7%	33.5%	(2.0)	(2.3)	-
Earth moving machinery	26.5%	26.5%	-	23.0%	23.0%	23.0%	(3.5)	(3.5)	-
Other machinery	22.0%	22.0%	-	22.0%	22.0%	22.0%	0.0	0.0	-
Gross margin (construction machinery)	23.5%	23.9%	-	27.1%	27.1%	27.0%	3.6	3.3	-
Interest income from financing	57.0%	57.0%	-	52.0%	52.0%	52.0%	(5.0)	(5.0)	-
Other business	15.7%	15.7%	-	26.0%	26.0%	26.0%	10.3	10.3	-
Blended gross margin	23.6%	23.9%	-	27.3%	27.3%	27.3%	3.7	3.4	-
S&D expense ratio	7.5%	7.5%	-	8.0%	8.0%	8.0%	0.5	0.5	-
Administrative expense ratio	3.2%	3.2%	-	3.3%	3.2%	3.2%	0.1	0.0	-
R&D expense ratio	6.0%	6.0%	-	8.0%	7.7%	7.6%	2.0	1.7	-
Net profit	5,859	6,426	-	5,351	6,265	6,542	-8.7%	-2.5%	-

Source: Company data, CMBIGM estimates

Figure 6: SANY's P/E band

Source: Company data, Bloomberg, CMBIGM estimates

Figure 7: SANY's P/B band

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	100,054	106,874	80,822	77,364	80,579	82,785
Cost of goods sold	(70,034)	(78,978)	(61,164)	(56,240)	(58,547)	(60,220)
Gross profit	30,021	27,896	19,658	21,124	22,032	22,565
Operating expenses	(13,177)	(17,057)	(17,147)	(16,814)	(15,985)	(16,341)
Selling expense	(5,332)	(6,699)	(6,302)	(6,150)	(6,446)	(6,623)
Admin expense	(2,201)	(2,771)	(2,639)	(2,514)	(2,579)	(2,649)
R&D expense	(4,992)	(6,509)	(6,923)	(6,189)	(6,205)	(6,292)
Others	(652)	(1,079)	(1,283)	(1,960)	(756)	(778)
Operating profit	16,844	10,839	2,512	4,310	6,047	6,223
Share of (losses)/profits of associates/JV	29	(17)	27	46	95	99
EBITDA	18,738	12,861	4,906	7,203	9,394	9,821
Depreciation	1,894	2,022	2,394	2,893	3,347	3,597
Interest income	515	664	696	1,559	928	1,076
Interest expense	(797)	(539)	(403)	(985)	(991)	(994)
Net Interest income/(expense)	(282)	125	294	574	(63)	82
Others	1,941	2,910	2,000	1,300	1,300	1,300
Pre-tax profit	18,531	13,857	4,832	6,230	7,379	7,705
Income tax	(2,671)	(1,530)	(428)	(748)	(959)	(1,002)
Minority interest	(429)	(292)	(132)	(132)	(154)	(161)
Net profit	15,861	12,326	4,405	5,482	6,420	6,703

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	91,428	93,719	105,762	107,578	112,795	117,658
Cash & equivalents	12,596	14,812	21,343	23,210	25,617	31,033
Account receivables	21,512	19,655	25,022	25,848	27,135	27,299
Inventories	19,198	18,463	19,738	18,474	20,343	19,254
Other current assets	38,122	40,789	39,659	40,045	39,699	40,073
Non-current assets	34,827	44,838	52,993	50,173	57,339	51,257
PP&E	10,841	13,340	19,681	21,669	23,207	22,495
Deferred income tax	1,441	1,599	2,499	2,499	2,499	2,499
Investment in JVs & assos	3,420	2,333	2,239	2,335	2,430	2,529
Intangibles	3,228	3,960	4,519	4,318	3,933	3,547
Goodwill	50	46	48	48	48	48
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	15,847	23,559	24,007	19,304	25,222	20,138
Total assets	126,255	138,557	158,755	157,751	170,134	168,915
Current liabilities	62,049	61,432	67,630	62,003	69,679	63,762
Short-term borrowings	8,466	8,244	11,064	10,864	10,964	11,064
Account payables	32,207	28,560	28,908	23,480	31,056	25,039
Tax payable	2,030	1,081	1,191	1,191	1,191	1,191
Other current liabilities	19,346	23,547	26,467	26,467	26,467	26,467
Non-current liabilities	6,018	12,029	25,116	25,616	25,616	25,616
Long-term borrowings	4,532	9,603	21,625	22,125	22,125	22,125
Other non-current liabilities	1,486	2,426	3,491	3,491	3,491	3,491
Total liabilities	68,067	73,461	92,746	87,619	95,295	89,378
Total shareholders equity	56,562	63,691	64,966	68,957	73,511	78,048
Minority interest	1,625	1,404	1,043	1,175	1,329	1,490
Total equity and liabilities	126,255	138,557	158,755	157,751	170,134	168,915

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	18,531	13,857	4,832	6,230	7,379	7,705
Depreciation & amortization	1,894	2,022	2,394	2,893	3,347	3,597
Tax paid	(2,671)	(1,530)	(428)	(748)	(959)	(1,002)
Change in working capital	(3,531)	(1,222)	(2,264)	(673)	(1,152)	(381)
Others	(861)	(1,222)	(436)	(620)	(32)	(181)
Net cash from operations	13,363	11,904	4,099	7,082	8,583	9,738
Investing						
Capital expenditure	(4,133)	(9,977)	(5,538)	(4,500)	(4,500)	(2,500)
Acquisition of subsidiaries/ investments	(43)	812	(20)	(50)	0	0
Others	(7,073)	(124)	3,720	1,379	928	1,076
Net cash from investing	(11,250)	(9,288)	(1,838)	(3,171)	(3,572)	(1,424)
Financing						
Dividend paid	(3,516)	(5,057)	(3,822)	(1,359)	(1,712)	(2,005)
Net borrowings	3,020	4,180	7,779	300	100	100
Proceeds from share issues	0	0	0	0	0	0
Others	(1,956)	(438)	870	(985)	(991)	(994)
Net cash from financing	(2,452)	(1,315)	4,826	(2,044)	(2,603)	(2,899)
Net change in cash						
Cash at the beginning of the year	12,157	12,596	14,812	21,343	23,210	25,617
Exchange difference	778	915	(556)	0	0	0
Cash at the end of the year	12,596	14,812	21,343	23,210	25,617	31,033
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	31.2%	6.8%	(24.4%)	(4.3%)	4.2%	2.7%
Gross profit	19.9%	(7.1%)	(29.5%)	7.5%	4.3%	2.4%
Operating profit	36.1%	(35.7%)	(76.8%)	71.6%	40.3%	2.9%
EBITDA	30.1%	(31.4%)	(61.9%)	46.8%	30.4%	4.5%
Net profit	36.5%	(22.3%)	(64.3%)	24.5%	17.1%	4.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	30.0%	26.1%	24.3%	27.3%	27.3%	27.3%
Operating margin	16.8%	10.1%	3.1%	5.6%	7.5%	7.5%
EBITDA margin	18.7%	12.0%	6.1%	9.3%	11.7%	11.9%
Return on equity (ROE)	30.6%	20.5%	6.8%	8.2%	9.0%	8.8%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Current ratio (x)	1.5	1.5	1.6	1.7	1.6	1.8
Receivable turnover days	91.4	93.4	145.7	165.0	165.0	165.0
Inventory turnover days	87.2	87.0	114.0	124.0	121.0	120.0
Payable turnover days	136.8	140.4	171.5	170.0	170.0	170.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	12.0	21.3	34.6	24.6	21.0	20.1
P/B	3.3	4.0	2.3	1.9	1.8	1.7
Div yield (%)	2.7	1.5	0.9	1.3	1.5	1.6

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

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 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.