Deutsche Bank
Markets Research

Rating
Buy

Asia
China

Health Care
Health Care

Company
Sino Biopharmaceutical

Reuters	Bloomberg	Exchange	Ticker
1177.HK	1177 HK	HSI	1177

Date
2 November 2016

Company Update

Price at 1 Nov 2016 (HKD)	5.51
Price target - 12mth (HKD)	6.20
52-week range (HKD)	7.71 - 4.79
HANG SENG INDEX	23,147

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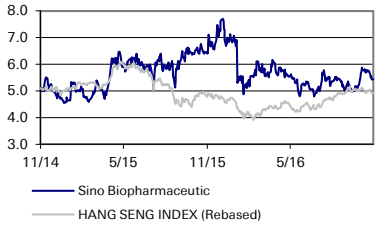
Price/price relative



Performance (%)	1m	3m	12m
Absolute	5.8	2.8	-14.7
HANG SENG INDEX	-0.6	4.6	2.2

Source: Deutsche Bank

Take-aways from an expert call on NSCLC

Key take-aways on anlotinib

We hosted a teleconference with Dr. Baohui Han, the principal investigator of phase 3 study for anlotinib in 3L NSCLC on Oct 18. Key takeaways include 1) the P3 study completed patient enrollment in May, with 450 patients randomised at a 2:1 ratio for anlotinib vs placebo, 2) Dr. Han expects data publication in ASCO 2017, 3) he believes market opportunity is substantial for anlotinib as no targeted therapeutics had been approved for 2L and 3L treatments of NSCLC in China, 4) he is also optimistic on the risk/benefit profile due to P2 study data, with mPFS of 4.8m vs. 1.2m for anlotinib/placebo group (HR=0.32), and mOS of 10.3m vs. 6.3m for anlotinib/placebo group (HR=0.71).

Other take-aways

Dr. Han believes anlotinib has the potential to be used in 1L, however further study (anlotinib/chemo vs. chemo) would be required. Despite no direct comparison could be made between anlotinib and apatinib, Dr. Han commented that a previous P3 study on 3L NSCLC for apatinib was terminated due to safety concerns, while the current ongoing study might have different inclusion/exclusion criteria. We highlight that the P2 NSCLC study for apatinib had an mPFS of 4.7m vs. 1.9m (HR=0.27); however no OS data were reported.

NSCLC treatment algorithm in China

According to the expert, NSCLC accounted for 87% of the total incidence of lung cancer in China. Among patients with NSCLC, 40% of them are squamous cell carcinoma and 60% are non-squamous with the majority being adenocarcinoma. In China, the incidence of NSCLC was approximately 500k per year. On treatment algorithm, stage 1-3 patients usually undergo surgeries. For stage 4 patents, EGFR profiling would be conducted. EGFR positive patients would receive targeted therapeutics including Tarceva (Erlotinib), Iressa (Gefitinib) and Conmana (Icotinib), while 2L treatment involves chemotherapy as afatinib and osimertinib are not available in China. For stage 4 EGFR negative patients, 1L treatment involves gemcitabine plus platinum chemotherapy for squamous cell carcinoma, and pemetrexed plus platinum chemotherapy for adenocarcinoma. For 2L treatment, pemetrexed and docetaxel are commonly used. However, there is no approved therapy in 3L for both types of patients. Avastin was barely used in NSCLC due to high cost.

Maintain price target of HKD6.2; risks

We base our target price on 20x 2017E EPS, which we believe is justified as its peers are trading at 15x with 16% growth in 2017E (vs. 14% for SBP). We believe SBP deserves a premium for the superior therapeutic value of its existing products, strong pipeline, and imminent entry to the global market. Downside risks are price cuts and slow product ramp-up.

Model updated:26 September 2016

Running the numbers

Asia

Hong Kong

Health Care

Sino Biopharmaceutical

Reuters: 1177.HK Bloomberg: 1177 HK

Buy

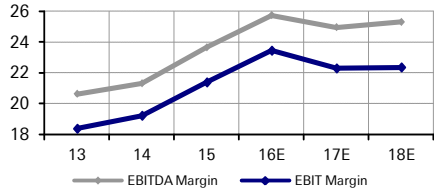
Price (1 Nov 16)	HKD 5.51
Target Price	HKD 6.20
52 Week range	HKD 4.79 - 7.71
Market Cap (m)	HKDm 40,841
	USDm 5,266

Company Profile

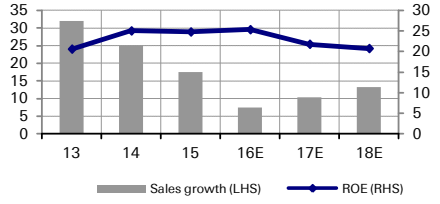
Sino Biopharmaceutical, as a holding company and through its subsidiaries, is engaged in the R&D and production of hepatitis B and cardio-cerebral vascular (CCV) drugs in China. The company's products are in the chemical and modern Chinese medicine format. Additionally, its product portfolio serves other therapeutics such as analgesic, orthopedic, anti-infective and oncology.

Price Performance

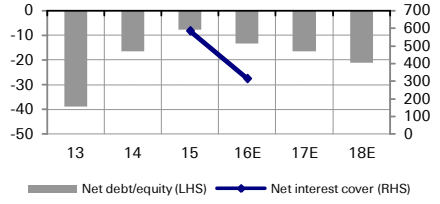
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec	2013	2014	2015	2016E	2017E	2018E
Financial Summary						
DB EPS (HKD)	0.14	0.20	0.24	0.27	0.31	0.35
Reported EPS (HKD)	0.14	0.20	0.24	0.30	0.31	0.35
DPS (HKD)	0.03	0.04	0.04	0.05	0.06	0.07
BVPS (HKD)	0.7	0.9	1.0	1.3	1.5	1.8
Weighted average shares (m)	7,412	7,412	7,412	7,412	7,412	7,412
Average market cap (HKDm)	24,927	34,176	44,223	40,841	40,841	40,841
Enterprise value (HKDm)	23,476	32,684	42,677	38,879	38,575	37,953
Valuation Metrics						
P/E (DB) (x)	23.4	23.1	24.9	20.4	17.9	15.8
P/E (Reported) (x)	24.0	22.6	24.9	18.6	17.9	15.8
P/BV (x)	5.46	5.23	6.75	4.26	3.58	3.02
FCF Yield (%)	4.3	4.9	3.4	4.7	4.7	5.9
Dividend Yield (%)	1.0	0.9	0.7	0.9	1.2	1.2
EV/Sales (x)	2.4	2.6	2.9	2.5	2.2	1.9
EV/EBITDA (x)	11.5	12.4	12.4	9.7	9.0	7.7
EV/EBIT (x)	12.9	13.7	13.7	10.6	10.0	8.7
Income Statement (HKDm)						
Sales revenue	9,901	12,378	14,550	15,628	17,248	19,543
Gross profit	7,673	9,458	11,301	12,342	13,592	15,381
EBITDA	2,042	2,638	3,441	4,024	4,305	4,944
Depreciation	207	248	318	348	449	563
Amortisation	17	11	12	12	12	12
EBIT	1,818	2,378	3,111	3,664	3,845	4,369
Net interest income(expense)	66	70	-5	-12	11	31
Associates/affiliates	238	337	325	333	339	346
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	14	16	13	13	13	13
Profit before tax	2,137	2,801	3,444	3,998	4,207	4,759
Income tax expense	355	440	533	650	736	833
Minorities	745	848	1,132	1,152	1,184	1,342
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	1,037	1,513	1,779	2,196	2,287	2,584
DB adjustments (including dilution)	29	-36	-6	-194	0	0
DB Net profit	1,065	1,478	1,773	2,002	2,287	2,584
Cash Flow (HKDm)						
Cash flow from operations	1,576	2,300	2,291	3,330	3,488	4,165
Net Capex	-502	-629	-798	-1,407	-1,552	-1,759
Free cash flow	1,074	1,671	1,493	1,924	1,935	2,406
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-247	-321	-296	-378	-471	-485
Net inc/(dec) in borrowings	21	1,637	2	0	0	0
Other investing/financing cash flows	-453	-2,718	-1,878	-661	-650	-648
Net cash flow	396	269	-680	886	815	1,273
Change in working capital	*-115*	*30*	*-445*	*-44*	*-82*	*54*
Balance Sheet (HKDm)						
Cash and other liquid assets	2,890	3,167	2,531	3,417	4,231	5,504
Tangible fixed assets	2,107	2,340	2,656	3,715	4,818	6,013
Goodwill/intangible assets	1,458	1,974	1,902	2,223	2,550	2,885
Associates/investments	372	2,256	3,429	3,449	3,449	3,449
Other assets	3,141	4,426	5,965	5,584	6,112	6,137
Total assets	9,969	14,164	16,483	18,387	21,161	23,988
Interest bearing debt	74	1,724	1,726	1,726	1,726	1,726
Other liabilities	2,670	3,622	4,314	3,889	4,335	4,414
Total liabilities	2,744	5,346	6,040	5,615	6,061	6,140
Shareholders' equity	5,487	6,611	7,756	9,595	11,411	13,510
Minorities	1,738	2,208	2,687	3,177	3,688	4,338
Total shareholders' equity	7,225	8,818	10,443	12,772	15,100	17,848
Net debt	*-2,816*	*-1,443*	*-805*	*-1,690*	*-2,505*	*-3,778*
Key Company Metrics						
Sales growth (%)	32.1	25.0	17.5	7.4	10.4	13.3
DB EPS growth (%)	23.0	38.7	20.0	12.9	14.2	13.0
EBITDA Margin (%)	20.6	21.3	23.6	25.7	25.0	25.3
EBIT Margin (%)	18.4	19.2	21.4	23.4	22.3	22.4
Payout ratio (%)	23.8	21.2	16.7	17.2	20.6	18.8
ROE (%)	20.6	25.0	24.8	25.3	21.8	20.7
Capex/sales (%)	5.3	5.1	5.5	9.0	9.0	9.0
Capex/depreciation (x)	2.3	2.5	2.4	3.9	3.4	3.1
Net debt/equity (%)	-39.0	-16.4	-7.7	-13.2	-16.6	-21.2
Net interest cover (x)	nm	nm	586.0	315.3	nm	nm

Source: Company data, Deutsche Bank estimates

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Detailed transcript

Prepared remarks

Industry expert: Dr. HAN Baohui, chief physician and professor at Shanghai Chest Hospital

Host: Jack Hu, Ph.D., Head of APAC Healthcare, Deutsche Bank

Time & Date: 11:00am, 18 October, 2016

Dr. Han: I work at Shanghai Chest Hospital, the largest specialty hospital with a history of over 60 years of establishment that focuses on lung diseases diagnosis and treatments. Currently, we are the largest hospital by the number of lung cancer operations globally.

We estimate total number of chest surgeries will be more than 10,000 this year in our hospital, and over 8,000 operations on lung cancers. This is quite significant globally for a single centre in terms of operation volume.

Also, we have a fair amount of patients undergoing non-operative treatments due to their physical conditions. They will be treated by internal medicines, targeted therapies, immunotherapies, and anti-vascular chemotherapies, among others.

Our hospital specialises in treating all types of lung-related diseases. We are equipped with professional devices including PAT CTs, 64 CTs, MRI scanners, and other professional medical imaging equipment. Also, we have world-leading diagnostic technologies for lung cancers.

For the surgical department, we have the most advanced Da Vinci medical robotic devices, bronchoscopes, endoscopes and magnetic navigation systems. These are the most cutting-edge medical technologies in China, and we are very competitive.

I started working in the lung tumour department after graduation (1982), and now I have over 30 years of clinical experience with a focus on lung cancer diagnosis and treatments, including new drug developments. In new drug development, we are very influential in China. We will take on domestic and global multi-centre R&D trials, and we often work as PI (Principal Investigator). We will conduct about 20-30 trials as PI every year, mainly for lung cancers. Compounds include chemical drugs, immunotherapy and targeted drugs.

These innovative treatments we are conducting are delivering a superior efficacy. As a lung disease specialty hospital, we are among the top tier hospitals on both surgery volume and quality.

Q&A

Q1. Could you briefly introduce the overall patient statistics such as the number of lung cancer patients each year including the breakdown of SCLC/NSCLC and operative vs. non-operative patients? What is the percentage of SCC (squamous cell carcinoma) vs. AC (adenocarcinoma)? What is the treatment algorithm for NSCLC?

Lung cancers are diagnosed and referred to different stages and we will treat patients according to their stages. Operative patients are usually in stage 1 to stage 3A, and the rest is non-operative. We have the highest surgery volume in China and across the world, with annual operations of 7,000-8,000. Over 60% of them are operated under microsurgery using the Da Vinci robots and endoscopes. Also, more than half of the operations are early-stage lung cancers like stage 1A, and we are seeing an increasing percentage of stage 1 patients.

Internal treatment is mainly used in patients with stage 3-4 cancers. The treatment involves chemotherapy, radiotherapy and targeted therapies. We have around 20,000 patients per year, which is a large quantity.

There are five disease departments under the internal treatment department in our hospital with over 300 beds. And we also have beds in TCM, radiotherapy departments for all non-operative patients. Separately, major cities are increasingly having patients diagnosed at early stages.

SCLC is relatively small in population, accounting for 13% of all lung cancers. This is lower than the international prevalence rates. The remaining 87% is NSCLC.

Within SCLC patients, the percentage of SCC is declining, about 40% for patients in Shanghai, and 60% are non-SCC. The majority of non-SCC is AC, including some hybrid LCLC cases. Ratio of AC in woman is about 80%.

The whole treatment algorithm, for SCC, is mainly chemotherapy due to the low incidence of gene mutation for SCC patients. And for AC, especially for females, over 50% will have an oncogene, and is suitable for targeted therapies.

For AC, apart from EGFR, the other targets include ALK, RSVF, RET, HER2, BRAF. If we are able to identify a target, then we will use the corresponding targeted therapeutics. Immunotherapy is still at a very early stage of development in China, and currently only being tested in major hospitals for clinical trials.

Q2. Please briefly describe the usual diagnoses and 1L (first line)/2L/3L drug usage for NSCLC patients.

For internal treatments and non-operative patients, we will first identify the cancer type: whether it is SCC or AC and whether there is a gene mutation. These are the standard procedures for patients.

After that, function test on internal organs will be conducted and the disease stage will be confirmed. For stage 3-4 patients, we will need to find out which organs are affected by the cancer and the impact on organs. Finally, we will come out with a treatment plan.

For all non-operative patients, if there is a driver gene, then we normally go for 1L targeted therapies, including EGFR drugs such as Tarceva, Iressa, and Conama. If there are no driver genes, then 1L will be chemotherapy. For SCC, we prefer to use Gemzar (gemcitabine) and platinum-related compounds. For AC, we prefer pemetrexed and platinum-related compounds.

In 2L treatment, if the gene mutation is positive and targeted therapies failed; then we will switch to chemotherapy. The second-generation drug, afatinib, is not yet available in China, while the third generation drug, AZD9291, is still under clinical research in China, which is still in the early stage.

For 2L, if gene mutation is negative, then we have two options: the first one is using docetaxel, and the second one is pemetrexed. If patients used penetrexed already in 1L, we will switch to docetaxel in 2L.

If 2L also fails, then we progress into 3L. However we have no international standards for 3L treatment. The recommended process is to enrol into clinical trials or to use the best supportive care. Now, we have some multi-target drugs in China for 3L patients. These drugs are all undergoing further studies and will be research subjects for us.

Q3. Could you briefly describe the mechanism of anlotinib, and the phase 1&2 clinical data, including the presented data from WCLC (World Conference on Lung Cancer)? Could you also describe the phase 3 trial design?
Anlotinib is a multi-target TKI, unlike the previous drugs we mentioned.

It focuses on three main targets: VEGF, PDGF, and FGFR. The mechanism is to target tumour angiogenesis, tumour cell signals and growth pathways together to eliminate the cancer cells.

In phase 1 study, we discovered the optimal dosage to be 12mg (once per day). Then we continued with the phase 2 study, which is a multi-centre trial across China. I presented the phase 2 clinical results at the WCLC. Generally, due to the lack of treatment guidance in 3L; we only focus on the phase 2 results internationally. 2L overall efficacy rates for chemo and targeted therapies are around 9% in the world. For anlotinib in phase 2 study, the rate reached 10%. Although the rate is not too high, we believe the data is quite supportive considering these are patients who have failed 2L treatments.

Additionally, when we compare anlotinib with the placebo, the mPFS is 4.6m, which is an more than 3 months increase in mPFS vs. placebo. Also, the mOS compared to placebo increased from 6.4m to 10.4m, translating into an increase of approximately 4 months. Overall, the clinical results were very positive.

At the moment, the company is very confident about the efficacy of anlotinib and has asked me to organise a larger-scale, multi-centre phase 3 study. We designed it as 2:1 randomised patient enrolment – two patients using anlotinib and one using placebo. We target 450 patients for enrolment, and this has already been completed. We are quite confident about the results and 3L usage. We believe that, if the results are positive, this would be a highly competitive drug and potential inclusion in 3L treatment.

Q4. Assuming the phase 3 study is successful, what can we expect from the drug? How will anlotinib be used off-label in 1L and 2L treatments? How would you compare this with other 1L/2L drugs like Avastin?
Assuming anlotinib can be launched successfully in 3L treatment, I think the potential is substantial. Anlotinib can deliver high efficacy in monotherapy, while Avastin cannot and has to be used in combination with other compounds to improve the efficacy. I believe anlotinib can achieve positive clinical results and get approved in 3L NSCLC first.

In order to be used in 2L treatment, trials can be designed for anlotinib as monotherapy, compared with standard docetaxel and pemetrexed. Or it can be used in combotherapy such as anlotinib plus chemotherapy.

Similarly, for 1L treatment usage, a less-risky way would be similar to the Avastin combination therapy. For example, we can first use it in combotherapy compared to the single drug treatment group. I believe the result is very likely to be positive, because of its unique drug mechanism and it can be used to compliment chemotherapies.

Once anlotinib is launched to market, it will be popular as it is an oral drug and is easier to use than injection drugs, which patients would need to go to medical institutions for the prescription. So this oral drug would be preferred by patients and doctors if the clinical efficacy is proved.

Q5. Based on public information, can you compare apatinib and anlotinib in NSCLC? As apatinib has been launched, have you prescribed apatinib in NSCLC in your hospital?
Apatinib has been approved for gastric cancer, and lung cancer is off-label. We do not use it for lung cancer. We have compared Sutent (sunitinib) with anlotinib. While I do not have data for apatinib as we have not compared apatinib and anlotinib, I know phase 3 study on apatinib in NSCLC has been terminated due to safety concerns, as patients experienced major bleeding events. Now they still want to expand the indication to lung cancer, and some experts are running the clinical study. However, we do not have data on it as the clinical trial is ongoing. The enrolment has not been completed. No data was released so far.

Q6. So they redo phase 3 study for apatinib?
Yes.

Q7. They have announced that the phase 2 NSCLC study for apatinib has a mPFS of 4.7m vs. 1.9m, and the hazard ratio is similar to that of anlotinib. However the OS data has not been disclosed. Is it due to the reason you mentioned?
It probably is the reason, as several death events have been noted.

Q8. What is the ratio of grade 3/4 adverse events for phase 2 anlotinib?
The ratio of grade 3/4 adverse events is less than 10% in the phase 2 study. In our phase 2 study, we did not identify patients' death was a direct result from the drug. Death is the end for 3L patients as the disease progresses. But death caused by drugs, including major bleeding, liver cancer and pulmonary fibrosis is not found in our study.

Q9. We saw strong growth of apatinib sales outside hospitals after its launch, how about anlotinib? Anlotinib has multicentre studies nationwide, do you

think it will be sold to hospitals through tendering, or is there any quicker ways to be sold to patients?
If the product is good, it would have great potential to be approved by the SFDA. However, we are only the experts on drug development; we do not know how to market the drug. We only attend academic conferences and introduce the drug. We do not know and do not interfere with marketing.

Q10. It usually takes 6-10 months for OS after enrolment, do you have enough time to get results and attend the ASCO next year?
Yes, it should be fine as there is a pathway called latest breakthrough. We will have enough time to renew data and attend the ASCO next year.

Q11. For immuno-oncology (IO) and checkpoint inhibitors that you have mentioned, have you participated in any study in China? There are three companies, Junshi, Hengrui and Innovent developing immuno-oncology drugs. Is your hospital a centre for the IO study?
They are still in phase 1, a long way to go before phase 3. I have been the PI of the BMS CPER antibody multicentre study in China, although the overall results of global study are negative. Other drugs include Opdivo (nivolumab) and pembrolizumab. I participated in the Data Safety Committee as a researcher.

Q12. In ESMO, pembrolizumab 1L data in lung cancer was released and it was remarkable. Do you think it will provide insight for their phase 3 clinical trial design?
Combination is the future for immuno-oncology, and monotherapy will not succeed. Although pembrolizumab showed positive results as monotherapy, it targets over 50% expression for PD-L1 and this will limit its market. And the expression rate for PD-L1 is low for lung cancer. It will need to have combotherapy as a 1L drug. For anlotinib, if it expands to 1L, it would be better to be used in combination therapy.

Q13. Are there any other phase 3 studies on NSCLC by domestic companies at your hospital?
I am the PI of Paclitaxel Micelles phase 3 study by Shanghai Yizhong. The product is very competitive, and preparation is required before prescription. Usually we need to prepare steroid injections or tablets three days before prescription for the paclitaxel by BMS, and patients with diabetes and high blood pressure cannot take the drug. This drug by Yizhong has no such limits. Now we have enrolled half of the patients, and we expect to have results next year. We only need to observe the response rates. If it has similar or better results vs. Taxol, this drug should get approval by the SFDA. Another study is a multicentre study of Dalian Wanchun's plinabulin, which is a marine-derived substance. It targets VEGF and T-cell, as well as tumour microenvironment, combined with chemotherapy. The professor of Cancer Hospital Chinese Academy of Medical Sciences and I are responsible for the study. Other drugs include DC vaccine which is a collaborative study with the Czech Republic.

Q14. Is there any difference between Yizhong's paclitaxel and paclitaxel albumin liposome (Lipusu)?
It is better than Lipusu, because Lipusu still requires steroid to prevent allergy. It is similar with albumin-bound paclitaxel which does not require preparation and its cost is lower.

Q15. SFDA is getting more stringent on clinical trial regulation recently. Does it affect your hospital in conducting clinical trial including duration of clinical trial, fees, and passing rate of clinical trial?

Yes, since 22 July last year the government has become more stringent on the regulations. One change is that clinical trial centres tend to pick good clinical trial. We will refuse to do studies with low quality, insufficient investment and bad designs. Because studies with low quality still require same time and efforts, and if they cannot pass, it would be a waste of efforts. Another change is that centres are more stringent in quality control. SFDA will definitely inspect registration as it relates to approval. Now they pay more attention on quality control, track records and data completeness than before. Regulations are strict.

Q16. Could you estimate the 1L, 2L and 3L NSCLC patient number? Do you have statistics on it?

1L and 2L patients will receive 3L therapy eventually. The point is how many patients are suitable for the therapy. If a drug is an injection with many adverse effects, the patients receiving this drug would be limited. If a drug is approved for the same indication, and it is an oral and safe, patients would take the drug eventually. This is the advantage of an oral targeted drug. One pill per day, and the adverse effects are tolerable. Patients are likely to try after failing previous therapies.

Q17. Do you have an estimated number of NSCLC patients in China?

New cases for lung cancer in China are around 500,000 per year. Around 200mn patients with lung cancer live for more than one year, and around 1.5mn patients with lung cancer live more than two years. So there is around 2-3mn patients.

Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Sino Biopharmaceutical	1177.HK	5.51 (HKD) 1 Nov 16	NA

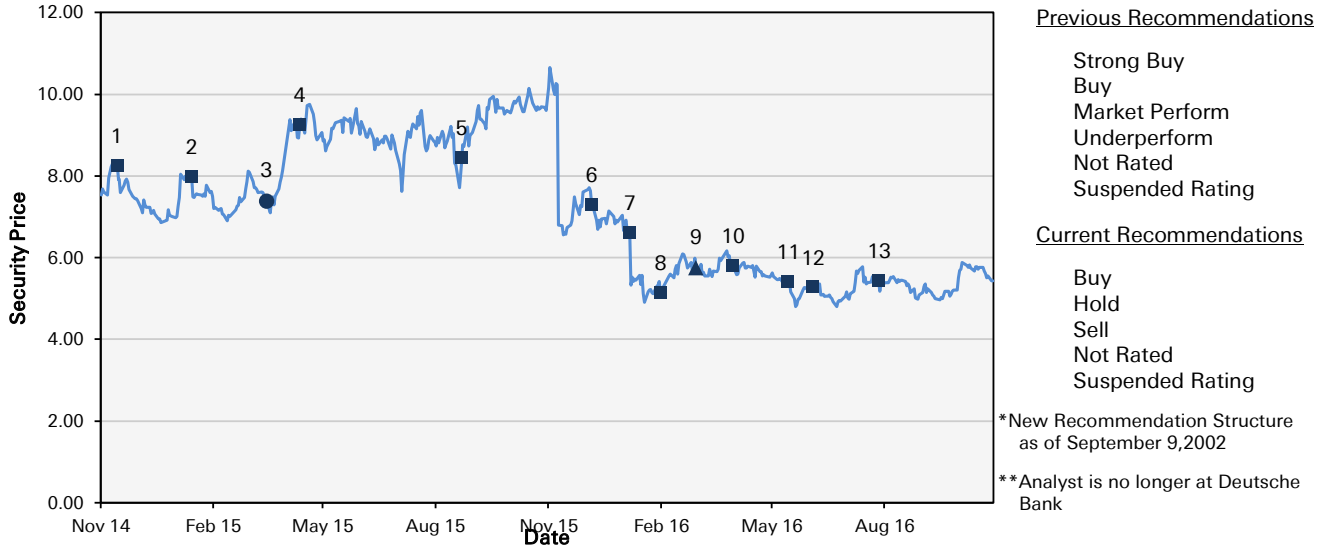
*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1177.HK

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Jack Hu

Historical recommendations and target price: Sino Biopharmaceutical (1177.HK)
(as of 11/1/2016)



1.	18/11/2014:	Buy, Target Price Change HKD9.00 Jack Hu, Ph.D	8.	04/02/2016:	Hold, Target Price Change HKD6.70 Jack Hu, Ph.D
2.	18/01/2015:	Buy, Target Price Change HKD8.40 Jack Hu, Ph.D	9.	04/03/2016:	Upgrade to Buy, HKD6.70 Jack Hu, Ph.D
3.	20/03/2015:	Downgrade to Hold, Target Price Change HKD7.00 Jack Hu, Ph.D	10.	03/04/2016:	Buy, Target Price Change HKD6.50 Jack Hu, Ph.D
4.	16/04/2015:	Hold, Target Price Change HKD7.70 Jack Hu, Ph.D	11.	18/05/2016:	Buy, Target Price Change HKD6.40 Jack Hu, Ph.D
5.	26/08/2015:	Hold, Target Price Change HKD8.50 Jack Hu, Ph.D	12.	07/06/2016:	Buy, Target Price Change HKD6.60 Jack Hu, Ph.D
6.	10/12/2015:	Hold, Target Price Change HKD7.30 Jack Hu, Ph.D	13.	31/07/2016:	Buy, Target Price Change HKD6.20 Jack Hu, Ph.D
7.	10/01/2016:	Hold, Target Price Change HKD6.30 Jack Hu, Ph.D			

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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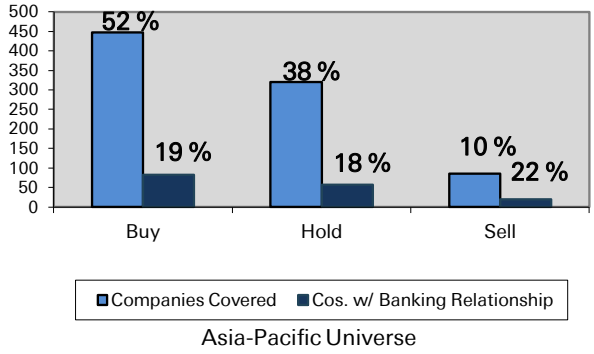
Equity rating dispersion and banking relationships



Asia-Pacific Universe

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