China SMEI – Broad-based improvement in May

- Headline SMEI rose to 51.7 in May from 50.9 in April; manufacturing sector outperformed services sector
- Activity accelerated, led by production; domestic demand picked up; outlook improved
- Banks’ credit support to SMEs remained strong, but financing costs did not decline further

The recovery continues

Our monthly proprietary SME survey shows that China’s recovery is gaining traction in May. Headline SMEI (SCCNSMEI <index>) rose to 51.7 in May from 50.9 in April (Figure 1), with a rebound in the growth momentum indicator (new orders minus finished-goods inventory). The ‘current performance’ sub-index rose 1.7pts to 51.7 (the first above-50 reading in four months), suggesting an acceleration in real activity among SMEs. The ‘expectations’ reading edged up 0.3pts to 52.4, indicating guarded optimism on the recovery prospects (Figure 2).

Production continued to lead the recovery, and domestic demand gained momentum. As capacity utilisation continues to rise, we think the strength of the recovery in domestic demand will determine if production acceleration can be sustained. Employment improved to above 50, indicating a pick-up in hiring. However, overseas demand remained sluggish, clouding SMEs’ outlook and weighing on their business expansion appetite. Finished-goods inventory continued to decrease, with no signs yet of restocking. The services sector expanded only slightly in May, while the manufacturing sector continued to outperform.

SMEs’ financial conditions are improving modestly. Banks’ credit support to SMEs remains strong amid policy support. As a result, SMEs’ cash flows have largely resumed, with surplus cash starting to increase again in May after three consecutive months of contraction. However, their borrowing costs from both banks and non-bank financial institutions did not ease further, implying that further efforts are needed to lower financing costs for small businesses.

Figure 1: Headline SMEI picked up further in May
Headline SMEI and growth momentum indicator

Figure 2: Current performance accelerated; expectations and financial conditions improved slightly
Current performance, expectations and financial sub-indices

Lan Shen
+86 10 5918 8261
Lan.Shen@sc.com
Economist, China
Standard Chartered Bank (China) Limited

Shuang Ding
+852 3983 8549
Shuang.Ding@sc.com
Chief Economist, Greater China and North Asia
Standard Chartered Bank (HK) Limited

If you are in scope for MiFID II and want to opt out of our Research services, please contact us.
Improved performance and better outlook

Real activity gained pace in May as China’s economy continued to recover. The ‘current performance’ sub-index rose 1.7pts to 51.7 in May, marking the first above-50 reading since February. The ‘outlook’ sub-index edged up 0.3pts to 52.4, indicating expectations of a continued recovery. The manufacturing sector outperformed the services sector (Figure 8).

- Business performance improved, driven by accelerated production. The current performance reading of ‘production’ rose to 54.2 in May from 50.8 in April. Capacity usage continued to rise, suggesting near-complete resumption of operations. The outlook reading eased 1.6pts to 53.8 (Figure 3).
- Domestic demand picked up, but export orders remained weak. The current performance reading of ‘new orders’ rose 3.4pts to 52.8 in May, back to expansionary territory after three months of contraction (Figure 4). The ‘new export orders’ reading stayed weak at 47.4, versus 41.0 in April, indicating a continued decline in overseas orders (albeit at a slower pace). The expectations reading for ‘new orders’ rose to 54.8 from 54.0 prior; the domestic demand recovery remained a key driver of sales volume.
- The labour market improved. The current performance reading of ‘employment’ gained 2.1pts to 51.5 in May, ending three consecutive months of contraction and indicating more hiring activity in May (Figure 5). The expectations reading of employment edged up 0.4pts to 52.1.

Figure 3: Accelerated production leads the recovery
Current performance and expectations sub-indices

![Production activity accelerated; domestic sales picked up, while export orders remained sluggish](source)

Figure 4: Domestic demand increased, while export orders remained sluggish (current performance and expectations sub-indices)

![New orders](source)

Figure 5: SMEs increased hiring
Current performance and expectations sub-indices

![Employment](source)

Figure 6: Expansion appetite remained weak amid passive destocking (current performance sub-indices)

![Investment](source)
SMEs’ investment activity remains subdued on an uncertain economic outlook

Business expansion appetite remained relatively weak on an uncertain outlook. The current performance reading of ‘investment’ rose to slightly above 50 in May. SMEs’ raw-material inventory shrank again as did their finished-goods inventory amid passive destocking, according to our survey results (Figure 6).

SMEs’ borrowing costs continued to rise

SMEs’ financial conditions improved modestly. The ‘financial conditions’ sub-index inched up to 50.9 in May from 50.7 in April (Figure 2). Banks’ credit support to SMEs was strong, but SMEs’ financing costs did not decline further. The ‘bank credit access’ reading stayed high at 63.8 in May amid policy makers’ call for banks to enhance credit support to small businesses (Figure 9). As a result, SMEs’ cash flows largely resumed, and their ‘surplus cash’ started to increase again in May after three consecutive months of contraction.

However, SMEs’ bank credit costs continued to trend up, with the sub-component falling to 46.7 from 50.3 prior; financing costs of non-bank financial institutions also stopped declining (Figure 10). Money-market rates rose in May; the People’s Bank of China (PBoC) kept the medium-term lending facility (MLF) rate and the loan prime...
rate (LPR) on hold for the month. We believe stubbornly high costs of banks’ liabilities have impeded their ability to lower lending rates at the expense of profitability. We maintain our view that the PBoC will cut the benchmark deposit rate by 25bps in Q2 to enable banks to lower lending rates further (see China – Banks’ NIM narrowed by 10bps in Q1).

Figure 11: SMEI headline index and sub-indices

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline index</td>
<td>54.7</td>
<td>54.0</td>
<td>53.8</td>
<td>54.5</td>
<td>53.1</td>
<td>54.5</td>
<td>54.7</td>
<td>55.8</td>
<td>55.0</td>
<td>40.5</td>
<td>49.6</td>
<td>50.9</td>
<td>51.7</td>
</tr>
<tr>
<td>Performance sub-index</td>
<td>54.5</td>
<td>54.5</td>
<td>54.1</td>
<td>54.9</td>
<td>52.9</td>
<td>55.0</td>
<td>55.1</td>
<td>58.0</td>
<td>55.8</td>
<td>31.3</td>
<td>46.2</td>
<td>50.0</td>
<td>51.7</td>
</tr>
<tr>
<td>Expectations sub-index</td>
<td>56.6</td>
<td>56.5</td>
<td>55.8</td>
<td>57.9</td>
<td>56.2</td>
<td>57.2</td>
<td>56.8</td>
<td>56.0</td>
<td>55.0</td>
<td>45.8</td>
<td>54.0</td>
<td>52.1</td>
<td>52.4</td>
</tr>
<tr>
<td>Credit sub-index</td>
<td>53.1</td>
<td>50.9</td>
<td>51.6</td>
<td>50.9</td>
<td>50.0</td>
<td>51.2</td>
<td>52.4</td>
<td>53.5</td>
<td>54.0</td>
<td>44.3</td>
<td>48.6</td>
<td>50.7</td>
<td>50.9</td>
</tr>
</tbody>
</table>

Sub-components of performance sub-index

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>57.5</td>
<td>56.1</td>
<td>56.0</td>
<td>57.1</td>
<td>54.2</td>
<td>56.0</td>
<td>57.8</td>
<td>63.1</td>
<td>58.5</td>
<td>9.5</td>
<td>37.7</td>
<td>50.8</td>
<td>54.2</td>
</tr>
<tr>
<td>New orders</td>
<td>58.2</td>
<td>56.3</td>
<td>57.1</td>
<td>57.9</td>
<td>55.6</td>
<td>58.2</td>
<td>58.1</td>
<td>63.2</td>
<td>56.6</td>
<td>18.4</td>
<td>43.6</td>
<td>49.4</td>
<td>52.8</td>
</tr>
<tr>
<td>Employment</td>
<td>53.0</td>
<td>53.6</td>
<td>52.1</td>
<td>52.4</td>
<td>50.9</td>
<td>52.5</td>
<td>52.4</td>
<td>52.8</td>
<td>52.0</td>
<td>34.6</td>
<td>47.8</td>
<td>49.4</td>
<td>51.5</td>
</tr>
<tr>
<td>Raw-material inventory</td>
<td>49.2</td>
<td>53.9</td>
<td>50.6</td>
<td>50.3</td>
<td>50.1</td>
<td>54.0</td>
<td>53.3</td>
<td>53.1</td>
<td>54.0</td>
<td>41.5</td>
<td>50.8</td>
<td>49.0</td>
<td>49.6</td>
</tr>
<tr>
<td>Output prices</td>
<td>51.7</td>
<td>52.2</td>
<td>53.9</td>
<td>53.0</td>
<td>53.1</td>
<td>55.2</td>
<td>53.25</td>
<td>55.6</td>
<td>56.0</td>
<td>51.8</td>
<td>50.6</td>
<td>51.8</td>
<td>50.9</td>
</tr>
<tr>
<td>Investment</td>
<td>54.4</td>
<td>53.8</td>
<td>52.2</td>
<td>55.4</td>
<td>53.5</td>
<td>54.2</td>
<td>54.6</td>
<td>55.0</td>
<td>55.1</td>
<td>41.6</td>
<td>48.7</td>
<td>49.5</td>
<td>50.6</td>
</tr>
<tr>
<td>Finance</td>
<td>52.3</td>
<td>55.7</td>
<td>54.0</td>
<td>53.6</td>
<td>49.6</td>
<td>52.2</td>
<td>52.6</td>
<td>55.0</td>
<td>54.3</td>
<td>46.4</td>
<td>50.5</td>
<td>51.6</td>
<td>53.1</td>
</tr>
<tr>
<td>Profitability</td>
<td>56.2</td>
<td>55.6</td>
<td>55.8</td>
<td>56.6</td>
<td>53.5</td>
<td>57.1</td>
<td>57.9</td>
<td>63.2</td>
<td>59.1</td>
<td>12.6</td>
<td>43.5</td>
<td>48.8</td>
<td>52.3</td>
</tr>
</tbody>
</table>

Headline indices by industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>54.4</td>
<td>53.8</td>
<td>54.8</td>
<td>54.1</td>
<td>55.0</td>
<td>55.4</td>
<td>56.4</td>
<td>56.9</td>
<td>54.5</td>
<td>42.0</td>
<td>54.0</td>
<td>52.1</td>
<td>54.8</td>
</tr>
<tr>
<td>Services</td>
<td>54.9</td>
<td>54.1</td>
<td>53.4</td>
<td>54.8</td>
<td>52.1</td>
<td>53.9</td>
<td>53.8</td>
<td>55.1</td>
<td>55.2</td>
<td>39.7</td>
<td>47.0</td>
<td>50.1</td>
<td>50.5</td>
</tr>
</tbody>
</table>

Headline indices by company type

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestically focused</td>
<td>54.5</td>
<td>53.0</td>
<td>52.9</td>
<td>54.2</td>
<td>52.2</td>
<td>54.7</td>
<td>53.7</td>
<td>55.1</td>
<td>54.3</td>
<td>40.2</td>
<td>49.0</td>
<td>51.7</td>
<td>51.7</td>
</tr>
<tr>
<td>Export-oriented</td>
<td>55.1</td>
<td>57.3</td>
<td>56.7</td>
<td>55.5</td>
<td>55.7</td>
<td>53.9</td>
<td>57.1</td>
<td>58.3</td>
<td>56.7</td>
<td>41.6</td>
<td>51.3</td>
<td>49.2</td>
<td>51.5</td>
</tr>
</tbody>
</table>

Source: Standard Chartered Research
Disclosures appendix

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts. 

Global Disclaimer: Standard Chartered Bank and/or its affiliates (“SCB”) makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document (including market data or statistical information). The information in this document, current at the date of publication, is provided for information and discussion purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any indication that any transaction can be effected at this price. SCB does not represent or warrant that this information is accurate or complete. While this research is based on current public information that we have obtained from publicly available sources, believed to be reliable, but we do not represent it as accurate or complete, no responsibility is assumed herein. This document does not purport to contain all the information an investor may require and the contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than the amount originally invested. Past performance is not indicative of future results. We reserve the right, without prior notice, to change any investment, financial or market opinion(s) or estimate(s) referred to in this document and on the SCB Research website or have a material interest in any such securities or related investments, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments and may have received compensation for these services. SCB has in place policies and procedures and physical infrastructure that will prevent us from using communications with clients and potential clients, and that will ensure the confidentiality of the information with respect to external persons. SCB expressly disclaims responsibility and makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. SCB also makes no representation or warranty as to the accuracy or completeness of information made available to us which is not reflected in this document, and we may have acted upon or used the information prior to or immediately following its publication. SCB is acting on a principal-to-principal basis and not acting as your advisor, agent or in any fiduciary capacity to you. SCB is not a legal, regulatory, business, investment, financial and accounting and/or tax adviser, and is not purporting to provide any such advice. Independent review of legal, regulatory, business, investment, financial and accounting and/or tax advice should be sought for any such queries in respect of any investment. SCB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SCB and/or its affiliates or its respective officers, directors, employees or benefit programmes or employees may be covered by a contract of any kind, and any such contract may have an effect on the告诉我们 of any information contained herein, and may therefore be affected by the release of this document. We are not permitted, in any circumstance, to act as agent for you in the purchase or sale of securities, instruments or currencies. This communication is subject to the terms and conditions of the SCB Research Disclosure Website available at https://research.sc.com/Portal/Public/TermsConditions. The disclaimers set out at the above web link applies to this communication and you are advised to read such terms and conditions / disclaimers before continuing. Additional information, including analyst certification and full research disclosures with respect to any securities referred to herein, will be available upon request by directing such enquiries to scgr@sc.com or clicking on the relevant SCB research report web link(s) referenced herein. MiFID II research and inducement rules apply. You are advised to determine the applicability and adherence to such rules as it relates to yourself.

Country-Specific Disclosures – This document is not for distribution to any person or to any jurisdiction in which its distribution would be prohibited. If you are receiving this document in any of the countries listed below, please note the following:

The United Kingdom and European Economic Area: SCB is authorised in the United Kingdom by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This communication is directed at persons Standard Chartered Bank can categorise as Eligible Counterparties or Professional Clients (such persons being the target market of this communication following Standard Chartered Bank’s target market assessment) under the Markets in Financial Instruments Directive II (Directive 2014/65/EU) (“MiFID II”). In particular, this communication is not directed at Retail Clients in the European Economic Area (as defined by MiFID II). Nothing in this document constitutes a personal recommendation or investment advice as defined by MiFID II. Australia: The Australian Financial Services Licence for Standard Chartered Bank is Licence No: 246833 with the following Australian Registered Body Number (ARBN): 097571778. Australian investors should note that this communication is prepared for “wholesale clients” and/or "institutions on whom any recommendation is a factor in the performance appraisals of analysts. Recipient of these research reports in this area should be subject to compliance with all relevant law & regulations of Bangladesh; specially the prevailing foreign exchange control regulations. Botswana: This document is being distributed in Botswana by, and is attributable to, Standard Chartered Bank Botswana Limited, which is a financial institution licensed by Bank of Botswana under Section 6 of the Banking Act CAP 46.04 and is a member of the Botswana Stock Exchange. SCB Disclosure to the Securities Exchange Commission of Brazil (“CVM”) Instrument 598/18: This research has not been produced in Brazil. The report has been prepared by the research analyst(s) in an autonomous and independent way, including in relation to SCB. THE SECURITIES MENTIONED IN THIS REPORT HAVE NOT BEEN AND WILL NOT BE REGISTERED PERSUIT TO THE REQUIREMENTS OF THE SECURITIES REGULATORY COMMISSION OF THE BRAZIL MAY NOT OFFERED OR SOLD IN BRAZIL EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS AND IN COMPLIANCE WITH THE SECURITIES LAWS OF BRAZIL. China: This document is being distributed in China by, and is attributable to, Standard Chartered Bank (China) Limited which is mainly regulated by China Banking and Insurance Regulatory Commission (CBIRC), State
Economic Alert

Administration of Foreign Exchange (SAFE), and People’s Bank of China (PBoC). Hong Kong: This document (except any part advising on or facilitating any decision on futures contracts trading) is being distributed in Hong Kong by, and any part hereof authored by an analyst licensed in Hong Kong is attributable to, Standard Chartered Bank (Hong Kong) Limited which is regulated by the Hong Kong Monetary Authority. Insofar as this document advises on or facilitates any decision on futures contracts trading, it is being distributed in Hong Kong by, and any part hereof authored by an analyst licensed in Hong Kong is attributable to, Standard Chartered Securities (Hong Kong) Limited which is regulated by the Securities and Futures Commission (Hong Kong). This document is being distributed in India: SCB India is a branch of SCB, UK and is licensed by the Reserve Bank of India to carry on banking business in India. SCB India is also registered with Securities and Exchange Board of India in its capacity as Merchant Banker, Depository Participant and Banker to Group companies operating in India. Refer to https://www.sc.com/in/india_result.html. Indonesia: Standard Chartered Bank, Jakarta Branch is a banking institution duly registered with and supervised by the Indonesian Financial Service Authority. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or represent that any such movements will be realized or that the future movements will not exceed those shown in this document. Future changes in such laws, rules, regulations, etc., could affect the information in this document, but SCB is under no obligation to keep this information current or to update it. Expressions of opinion are those of SCB only and are subject to change without notice.

Japan: This document is being distributed to Specified Investors, as defined by the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, known as “FIEA”), for information only and not for the purpose of soliciting any Financial Instruments Transactions as defined by the FIEA or any Specified Deposits, etc. as defined by the Banking Act of Japan (Act No.59 of 1981). Kenya: Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya. The information in this document is provided for information purposes only. The document is intended for use only by Professional Clients and Retail Clients. As a Market Counterparty we are authorized to provide financial services and products to you as we do not hold the required license to undertake such activities.

Mauritius: Standard Chartered Bank (Mauritius) Limited is regulated by the Bank of Mauritius and the Financial Services Commission in Mauritius. This document should not be construed as investment advice or solicitation to enter into securities transactions in Mauritius as per the Securities Act 2005. Payment with respect to the Mauritius Independence Act 1968 is required for “wholesale clients” only within the meaning of section 5C of the Financial Advisers Act 2008. This document is not directed at persons who are “retail clients” as defined in the Financial Advisers Act 2008.

Malaysia: This document is being distributed in Malaysia by Standard Chartered Bank Malaysia Berhad only to institutional investors or corporate customers. Recipients in Malaysia should contact Standard Chartered Bank Malaysia Berhad in relation to any matters arising from, or in connection with, this document.

Mauritius: Standard Chartered Bank (Mauritius) Limited is regulated by the Bank of Mauritius and the Financial Services Commission in Mauritius. This document should not be construed as investment advice or solicitation to enter into securities transactions in Mauritius as per the Securities Act 2005. Payment with respect to the Mauritius Independence Act 1968 is required for “wholesale clients” only within the meaning of section 5C of the Financial Advisers Act 2008. This document is not directed at persons who are “retail clients” as defined in the Financial Advisers Act 2008.

New Zealand: This document is being distributed in New Zealand by Standard Chartered Bank (New Zealand) Limited which is regulated by the Financial Supervisory Service and Financial Services Commission. Macau: This document is being distributed in Macau Special Administrative Region of the Peoples’ Republic of China, and is attributable to, Standard Chartered Bank (Macau Branch) which is regulated by Macau Monetary Authority. Standard Chartered Bank (Macau Branch) which is regulated by Macau Monetary Authority.

Philippines: This document may be distributed in the Philippines by Standard Chartered Bank (Philippines) ("SCB PH"), which is regulated by Bangko Sentral ng Pilipinas (telephone no.: +63 708 770 01, website: www.bsp.gov.ph) and/or Standard Chartered Bank (Singapore) Limited (UEN No.: 201224774C) only to Accredited Investors, Expert Investors or Institutional Investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact SCB Singapore branch or Standard Chartered Bank (Singapore) Limited (as the case may be) in relation to any matters arising from, or in connection with, this document.

South Africa: Standard Chartered Bank, Johannesburg Branch ("SCB Johannesburg Branch") is a Registered Credit Provider in terms of the National Credit Act of 2005 under registration number NCRCP4, 2009. This document is intended for circulation only upon receipt and prepare exclusively for the benefit of Institutional Investors with the conditions and as defined in the Notifications of the Office of the Securities and Exchange Commission relating to the exemption of investment advisory service, as amended and supplemented from time to time. It is not intended to provide for the public. UAE: For residents of the UAE – Standard Chartered Bank UAE does not provide financial analysis or consultation services in or into the UAE within the meaning of UAE Securities and Commodities Authority Decision No. 48/r of 2008 concerning financial consultation and financial analysis.

United States: Except for any documents relating to foreign exchange, FX or global FX, Rates or Commodities, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of Standard Chartered Securities North America, LLC, 1095 Avenue of the Americas, New York, N.Y. 10036, US, tel +1 212 667 0700. WE DO NOT OFFER OR SELL SECURITIES TO US PERSONS UNLESS EITHER (A) THOSE SECURITIES ARE REGISTERED FOR SALE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH ALL APPROPRIATE U.S. STATE AUTHORITIES, OR (B) THE SECURITIES OR THE SPECIFIC TRANSACTION QUALIFY FOR AN EXEMPTION UNDER THE U.S. FEDERAL AND STATE SECURITIES LAWS NOR DO WE OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS (I) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL ARE PROPERLY REGISTERED OR LICENSED TO CONDUCT BUSINESS; OR (II) WE, OUR AFFILIATED COMPANY AND THE APPLICABLE PERSONNEL HAVE REGISTERED OR LICENSED WITH THE Appropriate STATE AUTHORITIES IN THE U.S. FEDERAL AND STATE SECURITIES LAWS REQUIRE THAT THE SECURITIES BE REGISTERED FOR SALE IN THE U.S. OR THAT THE SECURITIES ARE EXEMPT FROM SELLER’S DISCLOSURE REQUIREMENTS UNDER THE U.S. SECURITIES ACT, RULE 144, NEW YORK STOCK EXCHANGE RULE 433 OR A RULE OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. (“NASD”). ALL SECURITIES May BE OFFERED, SOLD OR DISTRIBUTED IN THE U.S. ONLY TO INSTITUTIONAL INVESTORS, WHICH ARE Defined BY THE SECURITIES AND EXCHANGE COMMISSION AND THE NASD. WE MAY ALSO OFFER AND SELL SECURITIES TO US PERSONS THROUGH A DEPOSITORY RELATIONSHIP IN WHICH WE PROVIDE INVESTORS WITH THE ABILITY TO EFFICIENTLY AND EFFECTIVELY EXECUTE SECURITIES TRANSACTIONS. SECURITIES OFFERED THROUGH THE DEPOSITORY RELATIONSHIP MAY BE SOLD, DISTRIBUTED OR OFFERED TO INSTITUTIONAL INVESTORS THAT QUALIFY AS PROFESSIONAL CLIENTS AND MARKET COUNTERPARTIES AND NOT TO RETAIL CLIENTS. AS A PROFESSIONAL CLIENT YOU WILL NOT BE GIVEN THE HIGHER RETAIL CLIENT PROTECTION AND COMPENSATION RIGHTS AND IF YOU USE YOUR RIGHTS TO BE CLASSIFIED AS A RETAIL CLIENT WE WILL NOT BE ABLE TO PROVIDE FINANCIAL SERVICES AND PRODUCTS TO YOU AS WE DO NOT HOLD THE REQUIRED LICENSE TO PERFORM SUCH SERVICES.

© 2020 Standard Chartered Bank. All rights reserved. Copyright in third party materials is acknowledged and is used under licence. You may not reproduce or adapt any part of these materials for any purposes unless with express written approval from Standard Chartered Bank.