

## Company Report

China Merchants Securities (HK) Co., Ltd.  
Hong Kong Equity Research

### China Resources Beer (291 HK)

#### Premiumization continues; Maintain BUY

- Better-than-expected results
- ASP increases while cost pressure eases
- Maintain BUY and increase TP to HKD66.0

#### Results were better-than expected despite COVID

CRB's 1H22 revenue was RMB21,013mn, +7.0% yoy, -0.5% vs CMS est.. 1H22 net profit was RMB 3,802mn, -11.4% yoy, +4.3% vs CMS est. Excluding one-offs in 1H21, 1H22 net profit increased by 27.8% yoy.

#### Sales volume for sub-premium+ beer grew by 10% yoy

The sales volume of sub-premium & above products increased 10.0% yoy with Heineken products growing by double-digit ppts yoy. In its own 1H22 profits release earlier in Aug, Heineken (HEIA AS, NR) said its China volumes grew by low 30 ppts yoy in 1H22. CRB said that COVID restrictions in 1H22 cause premiumization to be only 2/3 of its normal rate. Overall sales volume in 1H21 declined 0.7% yoy due to COVID restrictions. Given the hot weather, CRB believe that FY22 volume could grow by 2-3% yoy (implying 2H22 total volumes could grow by 5-6% yoy).

#### Cost pressure is not as high as before

CRB was able to maintain 1H22 GPM at 42.3%, flat yoy, despite the increases in raw material costs due to a combination of price increases in 2H21 and continued premiumization. Overall ASP was RMB3.34/kl, +7.7% yoy. CRB said that based on the current price projections, it expects an increase in cost of sales of RMB1.2-1.3bn, down from the RMB1.5-1.6bn yoy expected earlier in the year. While CRB did not mention whether it plans to raise prices later in FY22, we believe that there is less pressure to do so. We now expect FY22 GPM to improve by 0.6ppts yoy (previously -0.1ppts yoy). While 1H22 selling expenses were lower than 1H21, CRB still expects it to be a relatively high year for promotions for Snow and hence we expect selling expenses to increase in 2H22.

#### Reiterate BUY and raise TP to HKD66.0

We tweak our FY22/23/24 EPS forecasts by +4.7%, +5.0% and +3.9% respectively. Given that sales volumes and margins are likely to rebound in 2H22, we adopt a higher target PE multiple. We adopts a target PE multiple of 37.3x (5-yr historical avg) on our forward 12 months EPS (previously 35x FY22). Our new target price is HKD66.0 (previously HKD56.2) We maintain our BUY recommendation.

**Key catalysts:** Better-than-expected margins;

**Key downside risks:** More prolonged and large scale COVID restrictions; Higher-than-expected raw material cost increases.

#### Financials

| Year ended 31 Dec (RMB mn) | 2020   | 2021   | 2022E  | 2023E  | 2024E  |
|----------------------------|--------|--------|--------|--------|--------|
| Revenue                    | 31,448 | 33,387 | 36,685 | 39,436 | 42,394 |
| yoy growth                 | -5.2%  | 6.2%   | 9.9%   | 7.5%   | 7.5%   |
| Attributable net profit    | 2,094  | 4,587  | 4,473  | 5,161  | 5,993  |
| Diluted EPS (RMB)          | 0.65   | 1.41   | 1.38   | 1.59   | 1.85   |
| yoy growth                 | 59.6%  | 119.1% | -2.5%  | 15.4%  | 16.1%  |
| P/E                        | 75.0x  | 34.2x  | 35.1x  | 30.4x  | 26.2x  |
| ROE                        | 10.2%  | 20.1%  | 17.3%  | 17.9%  | 18.5%  |
| Net debt (cash)/ equity    | -21.3% | -22.0% | -40.8% | -48.8% | -55.5% |

Sources: Company data, CMS (HK) estimates; share price as of Aug 17, 2022

Johnny WONG                      Bryan WANG  
+852 3189 6357                      +852 3189 6711

johannywong@cmschina.com.hk    bryanwang@cmschina.com.hk

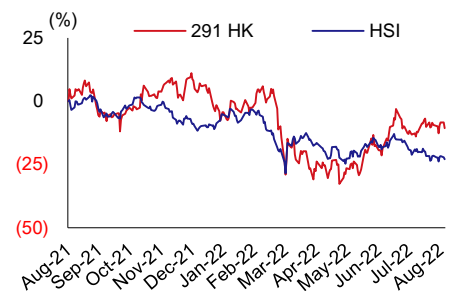
#### WHAT'S NEW

1H22 result beat. Maintain BUY and lift TP to HKD66.0

### BUY

|   |                  |
|---|------------------|
| Previous                                      | BUY              |
| Price (Aug 17, 2022)                          | HKD 56.0         |
| 12-month Target Price (Potential up/downside) | HKD66.0 (+17.8%) |
| Previous                                      | HKD56.2          |

#### Price Performance



Source: Bloomberg; share price as of Aug 17, 2022

| %      | 1m    | 6m     | 12m    |
|--------|-------|--------|--------|
| 291 HK | 7.0   | (11.3) | (7.2)  |
| HSI    | (1.8) | (19.6) | (22.6) |

#### Sector: Consumer

|                                |        |
|--------------------------------|--------|
| Hang Seng Index (Aug 17, 2022) | 19,922 |
| HSCEI (Aug 17, 2022)           | 6,755  |

#### Key Data

|                        |             |
|------------------------|-------------|
| 52-week range (HKD)    | 38.4 - 68.7 |
| Market cap (HKD mn)    | 181,674     |
| Avg. daily volume (mn) | 4.54        |
| BVPS (RMB)             | 8.42        |

#### Shareholding Structure

|                                |       |
|--------------------------------|-------|
| CRH (Beer) Limited             | 51.7% |
| Others                         | 4.4%  |
| No. of shares outstanding (mn) | 3,244 |
| Free float                     | 43.9% |

Source: Bloomberg

#### Related Research

1. China Food & Beverage Sector - Most raw material prices have dropped in 2H. (OVERWEIGHT) (Aug 16, 2022)
2. China Food & Beverage Sector - 2H22 Outlook: Recovery from COVID lockdowns (OVERWEIGHT) (Jul 8, 2022)

Figure 1: Result summary table

| Unit: RMB mn                             | 1H22<br>estimate | 1H22 actual   | % diff       | yoy %        |
|--|------------------|---------------|--------------|--------------|
| <b>Revenue</b>                           | <b>21,113</b>    | <b>21,013</b> | <b>-0.5%</b> | <b>7.0%</b>  |
| Cost of sales                            | -12,288          | -12,135       | -1.2%        | 7.1%         |
| <b>Gross profit</b>                      | <b>8,825</b>     | <b>8,878</b>  | <b>0.6%</b>  | <b>6.9%</b>  |
| Other income                             | 1,059            | 1,028         | -2.9%        | -61.1%       |
| Selling and marketing expenses           | -3,349           | -3,220        | -3.9%        | -2.2%        |
| Administrative expenses                  | -1,366           | -1,346        | -1.5%        | -17.8%       |
| <b>Adj. Operating profit</b>             | <b>5,169</b>     | <b>5,340</b>  | <b>3.3%</b>  | <b>25.2%</b> |
| Net finance costs                        | -5               | -24           | 358.0%       | -17.2%       |
| Share of results of associates           | 10               | -41           | -510.0%      | n.a.         |
| Share of results of JV                   | 0                | 0             | n.a.         | n.a.         |
| <b>Profit before taxation</b>            | <b>5,174</b>     | <b>5,275</b>  | <b>2.0%</b>  | <b>24.5%</b> |
| Taxation                                 | -1,552           | -1,472        | -5.2%        | 17.2%        |
| <b>Profit for the period (continued)</b> | <b>3,622</b>     | <b>3,803</b>  | <b>5.0%</b>  | <b>27.6%</b> |
| Profit attributable to:                  |                  |               |              |              |
| <b>Owners of the Company</b>             | <b>3,646</b>     | <b>3,802</b>  | <b>4.3%</b>  | <b>27.8%</b> |
| Non-controlling interests                | 25               | 1             | -104.1%      | -80.0%       |
| <b>EPS (RMB)</b>                         | <b>1.12</b>      | <b>1.17</b>   | <b>4.3%</b>  | <b>27.8%</b> |
| <b>Revenue breakdown</b>                 |                  |               |              |              |
| <b>Revenue</b>                           | <b>21,113</b>    | <b>21,013</b> | <b>-0.5%</b> | <b>7.0%</b>  |
| Sales vol (mn KL)                        | 6.4              | 6.3           | -1.2%        | -0.7%        |
| ASP (RMB/KL)                             | 3,315            | 3,338         | 0.7%         | 7.7%         |
| GP/KL (RMB)                              | 1,386            | 1,410         | 1.8%         | 7.6%         |
| <b>Key margins (%)</b>                   |                  |               |              |              |
| GPM                                      | 41.8%            | 42.3%         | 0.5ppt       | 0.0ppt       |
| adj. OPM                                 | 24.5%            | 25.4%         | 0.9ppt       | 3.7ppt       |
| PBT margin                               | 24.5%            | 25.1%         | 0.6ppt       | 3.5ppt       |
| Net profit margin                        | 17.3%            | 18.1%         | 0.8ppt       | 2.9ppt       |
| <b>Key expense ratios (%)</b>            |                  |               |              |              |
| Other income                             | 5.0%             | 4.9%          | -0.1ppt      | -8.6ppt      |
| Selling and marketing expenses           | 15.9%            | 15.3%         | -0.5ppt      | -1.4ppt      |
| Administrative expenses                  | 6.5%             | 6.4%          | -0.1ppt      | -1.9ppt      |

Sources: Company data, CMS (HK) estimates

Figure 2: Earnings adjustment table

| Unit: RMB mn                   | 2022E         |               |             | 2023E         |               |             | 2024E         |               |             |
|--------------------------------|---------------|---------------|-------------|---------------|---------------|-------------|---------------|---------------|-------------|
|                                | Original      | New           | diff %      | Original      | New           | diff %      | Original      | New           | diff %      |
| <b>Revenue</b>                 | <b>35,829</b> | <b>36,685</b> | <b>2.4%</b> | <b>38,337</b> | <b>39,436</b> | <b>2.9%</b> | <b>41,021</b> | <b>42,394</b> | <b>3.3%</b> |
| Sales vol (mn KL)              | 11.1          | 11.3          | 1.9%        | 11.1          | 11.3          | 1.9%        | 11.1          | 11.3          | 1.9%        |
| ASP (RMB/KL)                   | 3,231         | 3,247         | 0.5%        | 3,458         | 3,491         | 1.0%        | 3,700         | 3,753         | 1.4%        |
| <b>Gross profit</b>            | <b>14,002</b> | <b>14,547</b> | <b>3.9%</b> | <b>15,478</b> | <b>16,033</b> | <b>3.6%</b> | <b>17,093</b> | <b>17,659</b> | <b>3.3%</b> |
| GPM                            | 39.1%         | 39.7%         | 0.6ppt      | 40.4%         | 40.7%         | 0.3ppt      | 41.7%         | 41.7%         | 0.0ppt      |
| <b>Operating profit</b>        | <b>6,052</b>  | <b>6,326</b>  | <b>4.5%</b> | <b>6,964</b>  | <b>7,431</b>  | <b>6.7%</b> | <b>8,175</b>  | <b>8,619</b>  | <b>5.4%</b> |
| OPM                            | 16.9%         | 17.2%         | 0.4ppt      | 18.2%         | 18.8%         | 0.7ppt      | 19.9%         | 20.3%         | 0.4ppt      |
| <b>Pretax profit</b>           | <b>6,062</b>  | <b>6,233</b>  | <b>2.8%</b> | <b>6,973</b>  | <b>7,375</b>  | <b>5.8%</b> | <b>8,185</b>  | <b>8,563</b>  | <b>4.6%</b> |
| Pretax margin                  | 16.9%         | 17.0%         | 0.1ppt      | 18.2%         | 18.7%         | 0.5ppt      | 20.0%         | 20.2%         | 0.2ppt      |
| <b>Attributable net profit</b> | <b>4,272</b>  | <b>4,473</b>  | <b>4.7%</b> | <b>4,915</b>  | <b>5,161</b>  | <b>5.0%</b> | <b>5,768</b>  | <b>5,993</b>  | <b>3.9%</b> |
| NPM                            | 11.9%         | 12.2%         | 0.3ppt      | 12.8%         | 13.1%         | 0.3ppt      | 14.1%         | 14.1%         | 0.1ppt      |
| <b>Diluted EPS (RMB)</b>       | <b>1.32</b>   | <b>1.38</b>   | <b>4.7%</b> | <b>1.51</b>   | <b>1.59</b>   | <b>5.0%</b> | <b>1.78</b>   | <b>1.85</b>   | <b>3.9%</b> |

Sources: Company data, CMS (HK) estimates

Figure 3: Target price and valuation table

| Valuation - CR Beer |       |            |           |       |
|---------------------|-------|------------|-----------|-------|
| Stock price         | 56.0  | Price date | 17/8/2022 |       |
| HKD/RMB             | 0.86  |            |           |       |
|                     | FY21  | FY22E      | FY23E     | FY24E |
| EPS (RMB)           | 1.41  | 1.38       | 1.59      | 1.85  |
| P/E                 | 34.2x | 35.1x      | 30.4x     | 26.2x |

| Target price calculation |       |
|--------------------------|-------|
| Target P/E               | 37.3x |
| Fwd 12-month EPS (RMB)   | 1.53  |
| Target price (HKD)       | 66.0  |
| Upside                   | 17.8% |
| Div yield                | 1.1%  |
| Total return             | 18.8% |

Sources: Company data, Bloomberg, CMS (HK) estimates

## Financial statement

### Balance Sheet

| RMB mn                              | 2020          | 2021          | 2022E         | 2023E         | 2024E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| PP&E                                | 14,414        | 13,717        | 13,359        | 13,101        | 12,963        |
| Right of use assets                 | 3,367         | 3,379         | 3,850         | 4,139         | 4,450         |
| Goodwill and other intangible       | 9,581         | 9,480         | 9,544         | 9,544         | 9,544         |
| Deferred tax assets                 | 2,858         | 3,368         | 3,838         | 4,126         | 4,435         |
| Other non-current assets            | 178           | 5,212         | 5,372         | 5,407         | 5,443         |
| <b>Non-current assets</b>           | <b>30,398</b> | <b>35,156</b> | <b>35,963</b> | <b>36,317</b> | <b>36,835</b> |
| Inventory                           | 6,014         | 6,458         | 6,915         | 7,318         | 7,741         |
| Trade and other receivables         | 2,378         | 3,436         | 2,601         | 2,796         | 3,006         |
| Cash and cash equivalents           | 4,538         | 5,376         | 11,943        | 15,710        | 19,855        |
| Other current assets                | 447           | 627           | 636           | 826           | 1,079         |
| <b>Current assets</b>               | <b>13,377</b> | <b>15,897</b> | <b>22,095</b> | <b>26,650</b> | <b>31,681</b> |
| <b>Total assets</b>                 | <b>43,775</b> | <b>51,053</b> | <b>58,058</b> | <b>62,968</b> | <b>68,516</b> |
| Trade and other payables            | 19,327        | 21,007        | 23,607        | 24,979        | 26,425        |
| Short term loans                    | 0             | 0             | 800           | 800           | 800           |
| Lease liabilities                   | 83            | 71            | 85            | 85            | 85            |
| Taxation payable                    | 162           | 92            | 277           | 360           | 471           |
| <b>Current liabilities</b>          | <b>19,572</b> | <b>21,170</b> | <b>24,769</b> | <b>26,225</b> | <b>27,781</b> |
| LT loan                             | 0             | 0             | 0             | 0             | 0             |
| Lease liabilities                   | 117           | 60            | 64            | 64            | 64            |
| Deferred taxation liabilities       | 788           | 1,955         | 2,148         | 2,148         | 2,148         |
| Other non-current liabilities       | 2,024         | 3,379         | 3,762         | 3,981         | 4,211         |
| <b>Non-current liabilities</b>      | <b>2,929</b>  | <b>5,394</b>  | <b>5,974</b>  | <b>6,193</b>  | <b>6,423</b>  |
| <b>Total liabilities</b>            | <b>22,501</b> | <b>26,564</b> | <b>30,743</b> | <b>32,418</b> | <b>34,204</b> |
| Share Capital                       | 14,090        | 14,090        | 14,090        | 14,090        | 14,090        |
| Reserves                            | 7,127         | 10,342        | 13,183        | 16,418        | 20,180        |
| Non-controlling interests           | 57            | 57            | 42            | 42            | 42            |
| <b>Total equity</b>                 | <b>21,274</b> | <b>24,489</b> | <b>27,315</b> | <b>30,550</b> | <b>34,312</b> |
| <b>Total equity and liabilities</b> | <b>43,775</b> | <b>51,053</b> | <b>58,058</b> | <b>62,968</b> | <b>68,516</b> |

### Cashflow Statement

| RMB mn                               | 2020          | 2021          | 2022E         | 2023E         | 2024E         |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Profit before tax                    | 3,009         | 6,215         | 6,233         | 7,375         | 8,563         |
| Finance Costs                        | -85           | -237          | 0             | 0             | 0             |
| Gain on disposal of fixed assets     | -11           | -1,857        | 0             | 0             | 0             |
| D&A                                  | 1,746         | 1,641         | 1,129         | 938           | 922           |
| Changes in OWC                       | 185           | -96           | 3,151         | 667           | 669           |
| Income tax paid                      | -1,148        | -1,275        | -1,759        | -2,213        | -2,569        |
| Others                               | 784           | 604           | 113           | 100           | 100           |
| <b>CF from operating activities</b>  | <b>4,480</b>  | <b>4,995</b>  | <b>8,868</b>  | <b>6,867</b>  | <b>7,685</b>  |
| Capital expenditure                  | -1,047        | -1,471        | -1,284        | -1,380        | -1,484        |
| Disposal of subsidiaries             | 384           | 233           | 400           | 600           | 600           |
| Acquisition of business/subsidiaries | 0             | -1,502        | 0             | 0             | 0             |
| Others                               | -407          | -10           | -695          | -324          | -347          |
| <b>CF from investing activities</b>  | <b>-1,070</b> | <b>-2,750</b> | <b>-1,579</b> | <b>-1,104</b> | <b>-1,230</b> |
| Dividend paid                        | -561          | -1,284        | -1,739        | -1,927        | -2,231        |
| Equity financing                     | 0             | 0             | 0             | 0             | 0             |
| Debt financing (repaid)              | -526          | 0             | 800           | 0             | 0             |
| Others                               | -110          | -82           | 217           | -69           | -79           |
| <b>CF from financing activities</b>  | <b>-1,197</b> | <b>-1,366</b> | <b>-722</b>   | <b>-1,996</b> | <b>-2,310</b> |
| <b>Net cash flow</b>                 | <b>2,213</b>  | <b>879</b>    | <b>6,567</b>  | <b>3,768</b>  | <b>4,145</b>  |

### Profit & Loss

| RMB mn                         | 2020          | 2021          | 2022E         | 2023E         | 2024E         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenues</b>                | <b>31,448</b> | <b>33,387</b> | <b>36,685</b> | <b>39,436</b> | <b>42,394</b> |
| Cost of Sales                  | -19,373       | -20,313       | -22,137       | -23,403       | -24,734       |
| <b>Gross profits</b>           | <b>12,075</b> | <b>13,074</b> | <b>14,547</b> | <b>16,033</b> | <b>17,659</b> |
| Other net income               | 1,687         | 3,543         | 2,252         | 2,581         | 2,918         |
| Selling & marketing exp        | -6,123        | -6,743        | -7,013        | -7,538        | -8,104        |
| Admin expense                  | -4,419        | -3,619        | -3,461        | -3,644        | -3,854        |
| <b>Operating profits</b>       | <b>3,220</b>  | <b>6,255</b>  | <b>6,326</b>  | <b>7,431</b>  | <b>8,619</b>  |
| Finance costs                  | -211          | -19           | -62           | -76           | -76           |
| Share of associates/JV         | 0             | -21           | -31           | 20            | 20            |
| <b>Profit before tax</b>       | <b>3,009</b>  | <b>6,215</b>  | <b>6,233</b>  | <b>7,375</b>  | <b>8,563</b>  |
| Income tax expense             | -915          | -1,625        | -1,759        | -2,213        | -2,569        |
| <b>Net profit</b>              | <b>2,094</b>  | <b>4,590</b>  | <b>4,474</b>  | <b>5,163</b>  | <b>5,994</b>  |
| Non-controlling interest       | 0             | 3             | 1             | 1             | 2             |
| <b>Attributable net profit</b> | <b>2,094</b>  | <b>4,587</b>  | <b>4,473</b>  | <b>5,161</b>  | <b>5,993</b>  |
| Diluted EPS (RMB)              | 0.65          | 1.41          | 1.38          | 1.59          | 1.85          |
| Dividend per share (RMB)       | 0.26          | 0.57          | 0.51          | 0.64          | 0.74          |

### Financial Ratio

|                                 | 2020   | 2021   | 2022E  | 2023E  | 2024E  |
|---------------------------------|--------|--------|--------|--------|--------|
| <b>yoY growth rate</b>          |        |        |        |        |        |
| Revenue                         | -5.2%  | 6.2%   | 9.9%   | 7.5%   | 7.5%   |
| Gross Profit                    | -1.2%  | 8.3%   | 11.3%  | 10.2%  | 10.1%  |
| Operating profit                | 41.7%  | 94.3%  | 1.1%   | 17.5%  | 16.0%  |
| Net profit                      | 59.6%  | 119.1% | -2.5%  | 15.4%  | 16.1%  |
| Diluted EPS                     | 59.6%  | 119.1% | -2.5%  | 15.4%  | 16.1%  |
| <b>Profitability</b>            |        |        |        |        |        |
| Gross margin                    | 38.4%  | 39.2%  | 39.7%  | 40.7%  | 41.7%  |
| Adj. OPM                        | 10.2%  | 18.7%  | 17.2%  | 18.8%  | 20.3%  |
| Net margin                      | 6.7%   | 13.7%  | 12.2%  | 13.1%  | 14.1%  |
| <b>Liquidity</b>                |        |        |        |        |        |
| AR days                         | 19.3   | 31.8   | 30.0   | 25.0   | 25.0   |
| Inventory days                  | 113.3  | 112.1  | 110.3  | 111.0  | 111.1  |
| AP days                         | 361.6  | 362.4  | 367.8  | 378.9  | 379.3  |
| Cash conversion cycle           | -229.0 | -218.5 | -227.5 | -242.9 | -243.2 |
| <b>Cash flow &amp; leverage</b> |        |        |        |        |        |
| Free cash low                   | 4,030  | 5,331  | 7,650  | 5,526  | 6,240  |
| Net debt to equity              | -21.3% | -22.0% | -40.8% | -48.8% | -55.5% |
| Dividend payout ratio           | 40.1%  | 40.0%  | 37.0%  | 40.0%  | 40.0%  |
| Dividend yield                  | 0.5%   | 1.2%   | 1.1%   | 1.3%   | 1.5%   |
| <b>Return analysis</b>          |        |        |        |        |        |
| ROE                             | 10.2%  | 20.1%  | 17.3%  | 17.9%  | 18.5%  |
| Asset turnover                  | 0.7    | 0.7    | 0.7    | 0.7    | 0.6    |
| Net margin                      | 6.7%   | 13.7%  | 12.2%  | 13.1%  | 14.1%  |
| Financial leverage              | 2.1    | 2.1    | 2.1    | 2.1    | 2.0    |
| ROA                             | 4.9%   | 9.7%   | 8.2%   | 8.5%   | 9.1%   |
| <b>Valuation ratios</b>         |        |        |        |        |        |
| P/E                             | 75.0x  | 34.2x  | 35.1x  | 30.4x  | 26.2x  |
| P/B                             | 7.4x   | 6.4x   | 5.8x   | 5.1x   | 4.6x   |

Sources: Company data, CMS (HK) estimates

## Investment Ratings

| Industry Rating | Definition   |
|-----------------|--|
| OVERWEIGHT      | Expect sector to outperform the market over the next 12 months           |
| NEUTRAL         | Expect sector to perform in-line with the market over the next 12 months |
| UNDERWEIGHT     | Expect sector to underperform the market over the next 12 months         |

| Company Rating | Definition  |
|----------------|---|
| BUY            | Expect stock to generate 10%+ return over the next 12 months  |
| HOLD           | Expect stock to generate +10% to -10% over the next 12 months |
| SELL           | Expect stock to generate loss of 10%+ over the next 12 months |

### Analyst Disclosure

The analysts primarily responsible for the preparation of all or part of the research report contained herein hereby certify that: (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

### Regulatory Disclosure

Please refer to the important disclosures on our website <http://www.newone.com.hk/cmshk/gb/disclosure.html> or <http://www.cmschina.com.hk/Research/Disclosure>.

### Disclaimer

This document is prepared by China Merchants Securities (HK) Co Limited. The information contained herein has been obtained from or is based on sources believed to be reliable. China Merchant Securities (HK) Co Limited, its holding company or affiliated companies, or any of its or their directors, officers or employees (collectively "CMS") do not represent or warrant, expressly or impliedly, that it is accurate, correct or complete and it should not be relied upon. CMS will not accept any responsibility or liability whatsoever for any use of or reliance upon this document or any of the content thereof.

This document is for information purpose only. Neither the information nor opinion expressed shall be construed, expressly or impliedly, as an advice, offer or solicitation of an offer, invitation, advertisement, inducement, recommendation or representation of any kind or form whatsoever to buy or sell any security, financial instrument or any investment or other specific product. The securities, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to participate in some or all of them. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. CMS is not registered as a broker-dealer in the United States and its products and services are not available to U.S. persons except as permitted under SEC Rule 15a-6.

Opinions, and associated estimates and forecasts, or any content and information in this document are only current as of the date of their publication and will be subject to change without prior notice. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realized. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Opinions expressed herein may differ or be contrary to those expressed by other business divisions or other members of CMS as a result of using different assumptions and/or criteria.

This document has been prepared without regard to the individual financial circumstances and investment objectives of the persons who receive it. Use of any information herein shall be at the sole discretion and risk of the user. Investors are advised to independently evaluate particular investments and strategies, take financial and/or tax advice as to the implications (including tax) of investing in any of the securities or products mentioned in this document, and make their own investment decisions without relying on this publication.

CMS may have a long or short position, make markets, act as principal or agent, or engage in transactions in securities of companies referred to in this document and may also perform or seek to perform investment banking services or provide advisory or other services for those companies.

This document is for the use of intended recipients only and this document may not be reproduced, distributed or published in whole or in part for any purpose without the prior consent of CMS. CMS will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document.

This document is for distribution only under such circumstances as may be permitted by applicable law. This document is not directed at you if CMS is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. In particular, this document is only made available to certain US persons to whom CMS is permitted to make available according to US securities laws, but cannot otherwise be made available, distributed or transmitted, whether directly or indirectly, into the US or to any US person.

In Hong Kong, this document is distributed by China Merchants Securities (HK) Co., Limited, which is a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571).

In South Korea, professional clients can get copies of this document (upon request) through China Merchants Securities (Korea) Co., Limited

In the United Kingdom, this document is distributed by China Merchants Securities (UK) Limited. This document is for distribution only to persons who: (i) are persons falling within the definition of "Investment Professionals" pursuant to Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Financial Promotion Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

If there is any inconsistency or ambiguity between the English version and the Chinese version of this disclaimer, the English version shall prevail.

© China Merchant Securities (HK) Co., Limited. All rights reserved.

### Hong Kong

China Merchants Securities (HK) Co., Ltd.

Address: 48/F, One Exchange Square, Central, Hong Kong

Tel: +852 3189 6888 Fax: +852 3101 0828