

# China Catering Sector

## Government policy loosening continues

■ **What is new? NDRC and 13 other departments co-announced policies to facilitate recovery of the service industry.** Last Friday, 14 government departments in China, including the NDRC, issued the “Policies to facilitate recovery and development of service industry which is in difficulties / 《关于促进服务业领域困难行业恢复发展的若干政策》”。 Under this guideline, the supportive measures can be split into 6 major categories, namely: 1) taxes reduction, 2) delay in insurance payments (e.g. for employees), 3) rental reliefs by state-owned landlords, 4) reductions of delivery fees charged by online platforms, 5) increases in COVID-19 related subsidies and 6) looser bank lending and more favorable interest fees. The service industry (catering and retail in particular) will be the most eligible, and these benefits will mostly be effective in FY22E (a small part will last onwards).

■ **Our view: Positive, about 1ppt+ potential Net profit margin boost in FY22E, for most consumer sectors (even more for catering).**

1) Central government is continuing its policies loosening since Jan 2022. These measures are in-line with recent speeches by NDRC Vice chairman Mr. Ning Jizhe and Premier of State Council Mr. Li Keqiang in Jan and Feb 2021, that the government is now more pro-active on stabilizing the consumption and economic growth, by rolling out more fiscal and monetary stimulus.

2) Positive and slightly better than expected, based on our calculation for the catering sector. COVID-19 related benefits (including government grants, taxes reliefs, rental reliefs and interest fees reduction) was about 2ppt-6ppt of sales back in FY20, assuming this round of measures to be much less, it can still generate about 1ppt+ boost in net profit margin.

3) Catering sector will benefit more (**Positives from delivery fees adjustments: Nayuki > Ajisen = JMJ > YUMC > XBXB > HDL**). The catering brands may enjoy more thanks to the potential reduction in delivery fees. Based on our calculation, the take rate charged by online platforms (such as meituan) was about 13.4% in FY20 (10%-15%/ 20%-25% for restaurant chains/ independent ones, typical speaking) and for **1ppt cut in take rate, about RMB 18mn can be saved (about 0.18% of total sales, on average)**. Therefore, assuming 1ppt-2ppt cut in take rates, we forecast about 0.2ppt-0.4ppt NP margin boost in FY22E. Nayuki, given its super high delivery sales mix (at 38%), high other income (at 7% of sales) and high finance costs (4% of sales), plus its fairly low net profit margin, should benefit the most under these measures. YUMC, given its higher mix of self-operated OR outsourced rider team, the potential benefit may be less. For HDL and XBXB, due to their relatively low delivery mix, the boost might be limited. **Our preference: JMJ>HDL>YUMC>Nayuki=XBXB.**

### Valuation Table

Company	Ticker	Rating	Mkt cap (HK\$ mn)	TP (LC)	Price (LC)	Up/down side	P/E FY1 FY2	PB FY2	ROE (%) FY2
Jiumaojiu	9922 HK	BUY	29,650	19.67	20.40	-4%	53.3 32.7	6.0	16.7
Haidilao	6862 HK	HOLD	112,595	16.85	20.20	-17%	n/a 36.3	6.9	20.4
Nayuki	2150 HK	HOLD	12,778	7.83	7.45	5%	n/a 47.2	2.6	8.6
Yum China	9987 HK	HOLD	173,254	343.43	404.80	-15%	30.6 25.2	2.6	11.6
CDC	341 HK	BUY	7,720	19.05	13.18	45%	33.1 19.7	2.4	12.5
Yihai	1579 HK	BUY	40,410	108.52	38.60	181%	36.0 29.9	6.5	23.1
XBXB	520 HK	NR	6,103	n/a	5.62	n/a	40.7 14.2	1.9	13.2

Source: Bloomberg, CMBIS estimates

**OUTPERFORM**  
(Maintain)

### China Catering Sector

**Walter Woo**

(852) 3761 8776

walterwoo@cmbi.com.hk

#### Jiumaojiu (9922 HK) share price



Source: Bloomberg, CMBIS estimates

#### Haidilao (6862 HK) share price



Source: Bloomberg, CMBIS estimates

#### Nayuki (2150 HK) share price



Source: Bloomberg, CMBIS estimates

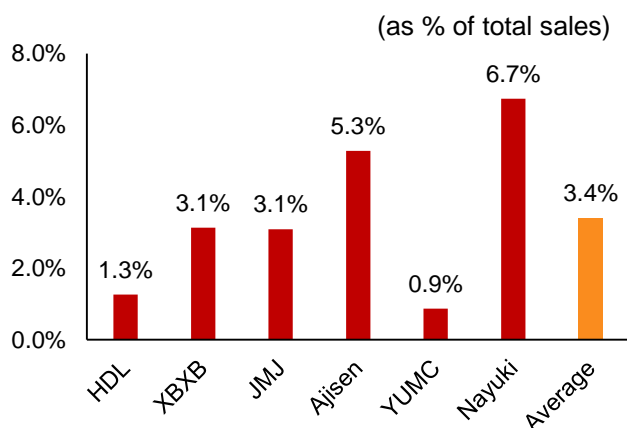
#### Yum China (9987 HK) share price



Source: Bloomberg, CMBIS estimates

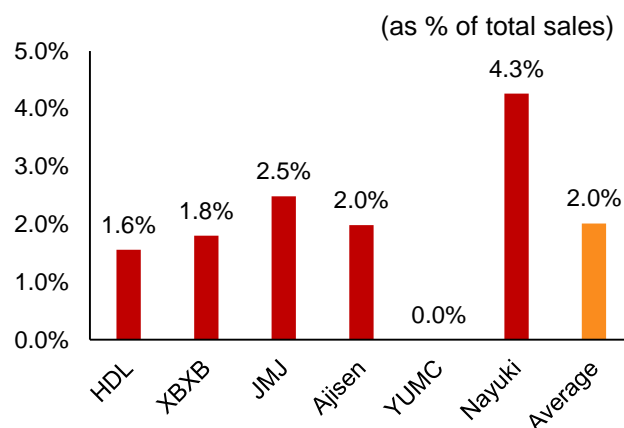
## Focus Charts

**Figure 1: Other income, as % of total sales in FY20**



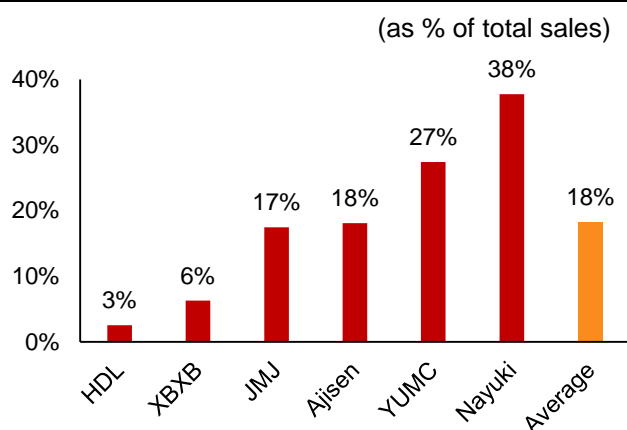
Source: Company data, CMBIS estimates

**Figure 2: Finance costs, as % of total sales in FY20**



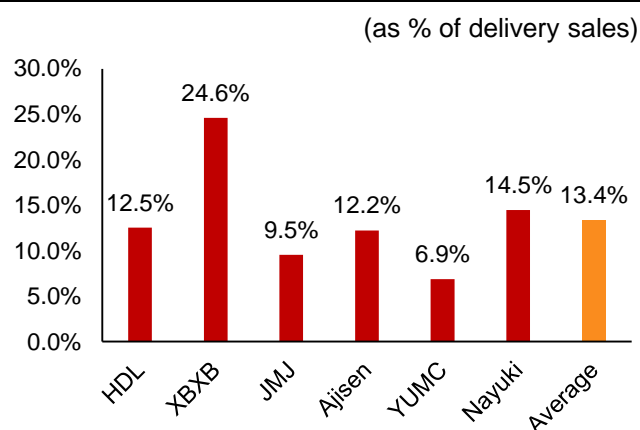
Source: Company data, CMBIS estimates

**Figure 3: Delivery sales, as % of total sales in FY20**



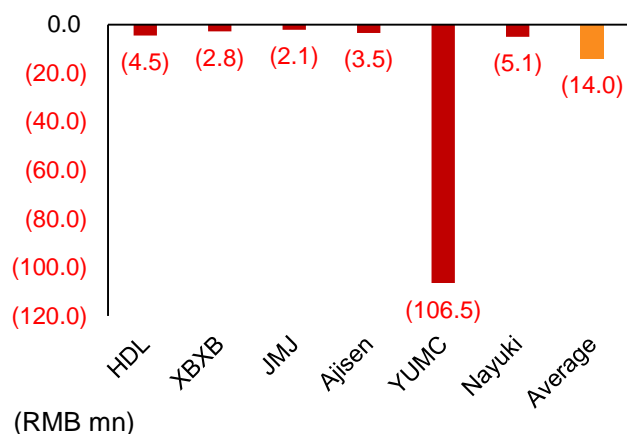
Source: Company data, CMBIS estimates

**Figure 4: Delivery service fees, as % of delivery sales in FY20**



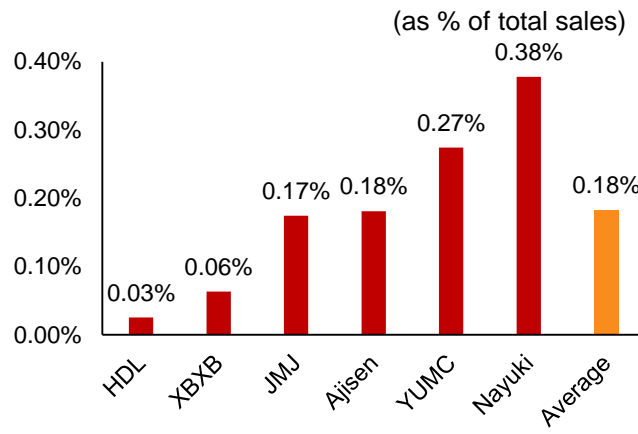
Source: Company data, CMBIS estimates

**Figure 5: Delivery fees reduction, assuming 1ppt cut in take rate in FY20**



Source: Company data, CMBIS estimates

**Figure 6: Potential increase in net profit margin, assuming 1ppt cut in take rate in FY20.**



Source: Company data, CMBIS estimates

**Figure 7: “Policies to facilitate recovery and development of service industry which is in difficulties/ 《关于促进服务业领域困难行业恢复发展的若干政策》 – on service industry**

一、服务业普惠性纾困扶持措施	
1	延续服务业增值税加计抵减政策，2022年对生产、生活性服务业纳税人当期可抵扣进项税额继续分别按10%和15%加计抵减应纳税额。
2	2022年扩大“六税两费”适用范围，将省级人民政府在50%税额幅度内减征资源税、城市维护建设税、房产税、城镇土地使用税、印花稅（不含证券交易印花稅）、耕地占用稅和教育費附加、地方教育附加等“六税两費”的适用主体，由增值稅小规模納稅人扩展至小型微利企业和个体工商户。符合条件的服务业市场主体可以享受。
3	鼓励各地可根据条例授权和本地实际，2022年对缴纳房产税、城镇土地使用税确有困难的纳税人给予减免。符合条件的服务业市场主体可以享受。
4	2022年加大中小微企业设备器具税前扣除力度。中小微企业2022年度内新购置的单位价值500万元以上的设备器具，折旧年限为3年的可选择一次性税前扣除，折旧年限为4年、5年、10年的可减半扣除。企业可按季度享受优惠，当年不足扣除形成的亏损，可在以后5个纳税年度结转扣除。符合条件的服务业市场主体可以享受。
5	2022年延续实施阶段性降低失业保险、工伤保险费率政策。对不裁员、少裁员的企业继续实施普惠性失业保险稳岗返还政策，在2022年度将中小微企业返还比例从60%最高提至90%。符合条件的服务业市场主体可以享受。
6	2022年被列为疫情中高风险地区所在的县级行政区域内的服务业小微企业和个体工商户承租国有房屋，2022年减免6个月租金，其他地区减免3个月租金。各地可统筹各类资金，对承租非国有房屋的服务业小微企业和个体工商户给予适当帮扶。鼓励非国有房屋租赁主体在平等协商的基础上合理分担疫情带来的损失。对减免租金的房屋业主，2022年缴纳房产税、城镇土地使用税确有困难的，鼓励各地可根据条例授权和地方实际给予减免。因减免租金影响国有企事业单位业绩的，在考核中根据实际情况予以认可。
7	2022年引导银行用好2021年两次降低存款准备金率释放的2.2万亿元资金，发挥好货币政策工具的总量和结构双重功能，优先支持困难行业特别是服务业小微企业和民营企业。
8	2022年发挥好支持普惠小微的市场化工具引导作用，对地方法人银行普惠小微贷款余额增量的1%提供激励资金，用好4000亿元再贷款滚动额度，引导金融机构加大对困难行业特别是服务业领域的倾斜力度。鼓励金融机构对符合续贷条件的服务业市场主体按正常续贷业务办理，不得盲目惜贷、抽贷、断贷、压贷，保持合理流动性。
9	2022年继续推动金融系统减费让利，落实好贷款市场报价利率（LPR）下行、支农支小再贷款利率下调，推动实际贷款利率在前期大幅降低基础上继续下行，督促指导降低银行账户服务收费、人民币转账汇款手续费、银行卡刷卡手续费，减轻服务业小微企业和个体工商户经营成本压力。
10	采取切实有效措施制止乱收费、乱摊派、乱罚款行为，研究实施专项整治行动方案，完善整治涉企乱收费协同治理和联合惩戒机制，防止对服务业的各项助企纾困政策效果被“三乱”抵消。鼓励服务业行业采取多种手段开展促销活动。

Source: NDRC, CMBIS estimates

**Figure 8: “Policies to facilitate recovery and development of service industry which is in difficulties/ 《关于促进服务业领域困难行业恢复发展的若干政策》 - on catering industry**

二、餐饮业纾困扶持措施	
1	鼓励有条件的地方对餐饮企业免费开展员工定期核酸检测，对企业防疫、消杀支出给予补贴支持。2022年原则上应给予餐饮企业员工定期核酸检测不低于50%比例的补贴支持。
2	引导外卖等互联网平台企业进一步下调餐饮业商户服务费标准，降低相关餐饮企业经营成本。引导互联网平台企业对疫情中高风险地区所在的县级行政区域内的餐饮企业，给予阶段性商户服务费优惠。
3	允许失业保险、工伤保险基金结余较多的省份对餐饮企业阶段性实施缓缴失业保险、工伤保险费政策，具体办法由省级人民政府确定。符合条件的餐饮企业提出申请，经参保地人民政府批准可以缓缴，期限不超过一年，缓缴期间免收滞纳金。
4	引导金融机构加强与餐饮行业主管部门信息共享，运用中小微企业和个体工商户的交易流水、经营用房租赁以及有关部门掌握的信用信息等数据，提升风险定价能力，更多发放信用贷款。鼓励符合条件的餐饮企业发行公司信用类债券，拓宽餐饮企业多元化融资渠道。
5	鼓励政府性融资担保机构为符合条件的餐饮业中小微企业提供融资增信支持，依法依约及时履行代偿责任，积极帮助受疫情影响企业续保续贷。支持有条件的地方向政府性融资担保机构注资、提供融资担保费用补贴。
6	鼓励保险机构优化产品和服务，扩大因疫情导致餐饮企业营业中断损失保险的覆盖面，提升理赔效率，提高对餐饮企业的保障程度。鼓励有条件的地方给予保费补贴。
7	鼓励餐饮企业为老年人提供助餐服务，地方结合实际因地制宜对老年人助餐服务给予适当支持。不得强制餐饮企业给予配套优惠措施。

Source: NDRC, CMBIS estimates

**Figure 9: “Policies to facilitate recovery and development of service industry which is in difficulties/ 《关于促进服务业领域困难行业恢复发展的若干政策》 - on retail industry**

三、零售业纾困扶持措施	
1	鼓励有条件的地方对零售企业免费开展员工定期核酸检测，对企业防疫、消杀支出给予补贴支持。2022年原则上应给予零售企业员工定期核酸检测不低于50%比例的补贴支持。
2	中央财政通过服务业发展资金，支持开展县域商业体系建设。加强政策支持，发挥市场机制作用，推动“一个上行（农产品(5.950, 0.05, 0.85%)上行）”和“三个下沉（供应链下沉、物流配送下沉、商品和服务下沉）”。
3	中央财政继续通过服务业发展资金，支持10个省（自治区、直辖市）进一步加强农产品供应链体系建设，完善农产品流通骨干网络等。
4	允许失业保险、工伤保险基金结余较多的省份对零售企业阶段性实施缓缴失业保险、工伤保险费政策，具体办法由省级人民政府确定。符合条件的零售企业提出申请，经参保地人民政府批准可以缓缴，期限不超过一年，缓缴期间免收滞纳金。
5	对于各地商务主管部门推荐的应急保供、重点培育、便民生活圈建设等名单企业，鼓励银行业金融机构加大信贷支持，适当降低贷款利率，鼓励有条件的地方给予贷款贴息。引导金融机构加强与零售行业主管部门信息共享，运用中小微企业和个体工商户的交易流水、经营房租租赁以及有关部门掌握的信用信息等数据，提升风险定价能力，更多发放信用贷款。鼓励符合条件的零售企业发行公司信用类债券，拓宽零售企业多元化融资渠道。
6	鼓励政府性融资担保机构为符合条件的零售业中小微企业提供融资增信支持，依法依规及时履行代偿责任，积极帮助受疫情影响企业续保续贷。支持有条件的地方向政府性融资担保机构注资、提供融资担保费用补贴。

Source: Bloomberg, CMBIS estimates

## Peers Valuation

Figure 10: Peers valuation

Company	Ticker	Rating	12M TP		Up/dow n-side (%)	Mkt cap HK\$ mn	Year End	PER (x)		PBR (x)		ROE	3yrs	Yield	YTD perf. (%)	
			HK\$/ LC	HK\$/ LC				FY1	FY2	FY1	FY2	(%)	PEG(x)	(%)		
<b>Leading Greater China Catering</b>																
Jiumaojiu	9922 HK	BUY	19.67	20.40	-4%	29,650	Dec-20	67.7	41.5	7.1	6.0	16.7	0.8	0.1	48.9	
Haidilao	6862 HK	HOLD	16.85	20.20	-17%	112,595	Dec-20	n/a	36.3	8.2	6.9	20.4	n/a	0.1	14.8	
Nayuki	2150 HK	HOLD	7.83	7.45	5%	12,778	Dec-20	n/a	47.2	2.6	2.5	8.6	n/a	n/a	(13.0)	
Helens	9869 HK	NR	n/a	18.76	n/a	23,767	Dec-20	271.6	33.0	12.4	8.5	19.3	n/a	0.0	(0.6)	
Cafe De Coral	341 HK	BUY	19.05	13.18	45%	7,720	Mar-21	33.1	19.7	2.5	2.4	12.5	2.6	1.7	(5.2)	
Xiabuxiabu	520 HK	NR	n/a	5.62	n/a	6,103	Dec-20	40.7	14.2	2.1	1.9	13.2	0.1	1.2	(7.7)	
Tam Jai	2217 HK	NR	n/a	2.82	n/a	3,780	Mar-21	12.8	9.7	2.2	1.9	20.6	1.1	1.9	(15.6)	
Yihai	1579 HK	BUY	108.52	38.60	181%	40,410	Dec-20	36.0	29.9	7.9	6.5	23.1	2.3	0.7	7.1	
Yum China	9987 HK	HOLD	343.43	404.80	-15%	173,254	Dec-21	30.6	25.2	2.9	2.6	11.6	255.3	1.0	5.8	
Gourmet Master	2723 TT	NR	n/a	115.00	n/a	5,797	Dec-20	17.7	16.5	1.7	1.7	10.2	1.1	3.5	2.2	
								<b>Avg.</b>	<b>63.8</b>	<b>27.3</b>	<b>5.0</b>	<b>4.1</b>	<b>15.6</b>	<b>37.6</b>	<b>1.1</b>	<b>3.7</b>
								<b>Med.</b>	<b>34.5</b>	<b>27.5</b>	<b>2.7</b>	<b>2.6</b>	<b>15.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>
<b>Other Greater China Catering</b>																
Fairwood	52 HK	NR	n/a	15.50	n/a	2,008	Mar-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	
Tai Hing	6811 HK	NR	n/a	1.30	n/a	1,305	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4.4)	
Hop Hing	47 HK	NR	n/a	0.08	n/a	796	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	
Ajisen	538 HK	NR	n/a	1.23	n/a	1,343	Dec-20	14.9	10.1	n/a	n/a	n/a	n/a	5.0	(2.4)	
								<b>Avg.</b>	<b>14.9</b>	<b>10.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.0</b>	<b>(1.7)</b>
								<b>Med.</b>	<b>14.9</b>	<b>10.1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.0</b>	<b>(1.2)</b>
<b>Greater China Catering</b>																
								<b>Avg.</b>	<b>58.3</b>	<b>25.7</b>	<b>5.0</b>	<b>4.1</b>	<b>15.6</b>	<b>37.6</b>	<b>1.5</b>	<b>2.1</b>
								<b>Med.</b>	<b>33.1</b>	<b>25.2</b>	<b>2.7</b>	<b>2.6</b>	<b>15.0</b>	<b>1.1</b>	<b>1.1</b>	<b>(0.3)</b>
<b>International Catering</b>																
Yum! Brands	YUM US	NR	n/a	125.80	n/a	283,611	Dec-21	25.7	22.7	n/a	n/a	(12.1)	1.1	1.8	(9.4)	
Mcdonald'S	MCD US	NR	n/a	250.60	n/a	1,460,794	Dec-21	24.6	22.5	n/a	n/a	(452.5)	4.2	2.2	(6.5)	
Starbucks	SBUX US	NR	n/a	93.34	n/a	837,575	Oct-21	27.9	23.9	n/a	n/a	(42.4)	1.6	2.1	(20.2)	
Restaurant Brands	QSR US	NR	n/a	57.05	n/a	202,411	Dec-21	19.1	17.1	10.4	10.3	42.5	1.7	3.8	(6.0)	
Chipotle Mexican	CMG US	NR	n/a	1523.3	n/a	333,111	Dec-21	48.2	36.7	16.1	13.2	38.4	1.6	n/a	(12.9)	
Darden	DRI US	NR	n/a	144.74	n/a	144,213	May-21	19.1	17.1	7.3	6.8	41.8	0.8	3.0	(3.9)	
Domino'S Pizza	DPZ US	NR	n/a	435.62	n/a	123,651	Jan-21	31.9	28.6	n/a	n/a	(1.8)	2.8	0.9	(22.8)	
Wendy'S	WEN US	NR	n/a	22.71	n/a	39,087	Jan-21	28.1	25.6	10.2	11.8	43.5	1.4	1.9	(4.8)	
Shake Shack	SHAK US	NR	n/a	72.07	n/a	23,649	Dec-21	n/a	237.1	7.3	7.0	2.2	n/a	n/a	(0.1)	
Wingstop	WING US	NR	n/a	150.30	n/a	34,985	Dec-21	84.7	68.1	n/a	n/a	(28.2)	1.4	0.5	(13.0)	
Jollibee Foods	JFC PM	NR	n/a	247.00	n/a	41,547	Dec-21	45.9	32.9	3.9	3.9	13.7	5.0	0.8	14.1	
								<b>Avg.</b>	<b>35.5</b>	<b>48.4</b>	<b>9.2</b>	<b>8.8</b>	<b>(32.3)</b>	<b>2.1</b>	<b>1.9</b>	<b>(7.8)</b>
								<b>Med.</b>	<b>28.0</b>	<b>25.6</b>	<b>8.8</b>	<b>8.6</b>	<b>2.2</b>	<b>1.6</b>	<b>1.9</b>	<b>(6.5)</b>
<b>A-shares Greater China Catering</b>																
Foshan Haitian	603288 CH	NR	n/a	97.88	n/a	508,493	Dec-20	61.6	51.9	16.3	13.5	29.1	3.6	0.9	(6.9)	
Fujian Sunner	002299 CH	NR	n/a	20.95	n/a	32,139	Dec-20	42.4	19.6	2.8	2.6	11.8	5.1	1.2	(13.3)	
Angel Yeast	600298 CH	NR	n/a	56.20	n/a	57,723	Dec-20	34.3	28.3	6.5	5.5	20.2	2.1	0.9	(6.9)	
Meihua	600873 CH	NR	n/a	7.91	n/a	30,226	Dec-20	10.3	8.6	2.3	1.8	21.2	0.2	3.8	3.1	
Guangzhou Restaurant	603043 CH	NR	n/a	23.60	n/a	16,461	Dec-20	24.5	19.7	4.4	3.8	19.6	1.0	1.8	(1.9)	
China Quanjude	002186 CH	NR	n/a	9.75	n/a	3,709	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.6	
Xi'An Catering	000721 CH	NR	n/a	4.39	n/a	3,107	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.9	
								<b>Avg.</b>	<b>34.6</b>	<b>25.6</b>	<b>6.5</b>	<b>5.4</b>	<b>20.4</b>	<b>2.4</b>	<b>1.7</b>	<b>(2.3)</b>
								<b>Med.</b>	<b>34.3</b>	<b>19.7</b>	<b>4.4</b>	<b>3.8</b>	<b>20.2</b>	<b>2.1</b>	<b>1.2</b>	<b>(1.9)</b>
<b>H-shares Consumer Staples</b>																
UPC	220 HK	NR	n/a	8.40	n/a	36,282	Dec-20	20.0	17.6	2.1	2.1	12.1	2.5	5.1	11.1	
Tingyi	322 HK	NR	n/a	18.04	n/a	101,591	Dec-20	21.8	19.2	3.9	3.9	20.8	2.6	5.9	12.6	
Want Want	151 HK	NR	n/a	7.96	n/a	94,720	Mar-21	18.0	16.9	4.6	4.4	27.3	2.0	3.5	11.2	
Mengniu Dairy	2319 HK	NR	n/a	49.70	n/a	196,477	Dec-20	30.1	25.0	4.3	3.8	15.4	0.9	0.9	12.4	
Vitasoy	345 HK	NR	n/a	15.32	n/a	16,393	Mar-21	n/a	42.8	4.9	4.5	10.4	n/a	0.1	(2.7)	
Budweiser Brewing	1876 HK	NR	n/a	23.10	n/a	305,922	Dec-20	42.3	35.7	3.5	3.3	9.3	1.2	0.9	13.0	
Tsingtao Brewery	168 HK	NR	n/a	76.30	n/a	134,209	Dec-20	29.2	26.3	3.8	3.5	13.5	1.4	1.5	4.5	
CR Beer	291 HK	NR	n/a	62.85	n/a	203,897	Dec-20	37.9	36.4	6.8	6.1	16.7	0.9	1.1	(1.6)	
Dali Foods	3799 HK	NR	n/a	4.29	n/a	58,748	Dec-20	12.4	11.6	2.5	2.3	20.1	1.6	4.2	5.1	
								<b>Avg.</b>	<b>26.5</b>	<b>25.7</b>	<b>4.1</b>	<b>3.8</b>	<b>16.2</b>	<b>1.6</b>	<b>2.6</b>	<b>7.3</b>
								<b>Med.</b>	<b>25.5</b>	<b>25.0</b>	<b>3.9</b>	<b>3.8</b>	<b>15.4</b>	<b>1.5</b>	<b>1.5</b>	<b>11.1</b>

Source: Bloomberg, Company data, CMBIS estimates



# 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.

## Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

## CMBIS Ratings

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

## CMB International Securities Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS 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 CMBIS.

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 CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.