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3Q23: Earnings beat on investment income; core revenue remains lacklustre.

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3Q23: Lower-than-expected revenue growth; highest earnings visibility.

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CR Mixc Lifestyle Services (1209 HK/BUY/HK\$28.75/Target: HK\$49.69) Page 11

Takeaways from visits to stadiums and CR Mixc malls in Chongqing and Chengdu.

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CORPORATE AND MACRO CALENDAR

| Date | Country/Region | Economic Indicator |
|-----------|----------------|------------------------------|
| 27 Oct | China | Sep Industrial Profits |
| 31 Oct | China | Oct NBS PMI |
| 01 Nov | China | Caixin Oct Manufacturing PMI |
| 07 Nov | China | Oct Trade |
| 09 Nov | China | Oct Inflation |
| 09-15 Nov | China | Oct Money Supply And Credit |

KEY INDICES

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|------------------------|------------|-------|-------|-------|--------|
| DJIA | 32936.4 | (0.6) | (3.1) | (3.0) | (0.6) |
| S&P 500 | 4217.0 | (0.2) | (3.6) | (2.4) | 9.8 |
| FTSE 100 | 7374.8 | (0.4) | (3.4) | (4.0) | (1.0) |
| AS30 | 7030.0 | (0.8) | (2.6) | (3.3) | (2.7) |
| CSI 300 | 3474.2 | (1.0) | (4.2) | (7.1) | (10.3) |
| FSSTI | 3053.4 | (0.8) | (3.5) | (4.7) | (6.1) |
| HSCEI | 5871.7 | (0.9) | (4.0) | (6.2) | (12.4) |
| HSI | 17172.1 | (0.7) | (3.6) | (4.9) | (13.2) |
| JCI | 6742.0 | (1.6) | (2.2) | (3.9) | (1.6) |
| KLCI | 1438.1 | (0.2) | (0.1) | (0.8) | (3.8) |
| KOSPI | 2357.0 | (0.8) | (3.3) | (6.0) | 5.4 |
| Nikkei 225 | 30999.6 | (0.8) | (2.1) | (4.3) | 18.8 |
| SET | 1399.4 | (1.7) | (3.5) | (8.1) | (16.1) |
| TWSE | 16251.4 | (1.2) | (2.4) | (0.6) | 15.0 |
| BDI | 2017 | (1.4) | 2.3 | 26.6 | 33.1 |
| CPO (RM/mt) | 3691 | (1.7) | 1.4 | 0.0 | (8.8) |
| Brent Crude (US\$/bbl) | 90 | (2.5) | 0.2 | (3.7) | 4.6 |

Source: Bloomberg

TOP TRADING TURNOVER

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| JD-SW | 96.65 | (0.6) | 2,239.0 |
| XIAOMI CORP-W | 13.30 | (2.1) | 1,422.3 |
| KUAISHOU-W | 56.55 | 0.8 | 1,351.8 |
| BIDU-SW | 104.30 | (3.2) | 1,181.6 |
| WUXI BIOLOGICS C | 46.10 | 0.3 | 1,122.6 |

TOP GAINERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| ORIENT OVERSEAS | 99.55 | 2.9 | 56.2 |
| PING AN HEALTHCA | 17.38 | 2.6 | 36.5 |
| COUNTRY GARDEN S | 7.03 | 2.5 | 119.6 |
| YUEXIU PROPERTY | 7.82 | 2.1 | 57.7 |
| NEW WORLD DEV | 14.84 | 2.1 | 87.8 |

TOP LOSERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| EAST BUY HOLDING | 30.25 | (8.7) | 252.5 |
| BYD ELECTRONIC | 35.65 | (5.3) | 285.7 |
| ENN ENERGY | 57.95 | (4.8) | 162.1 |
| CHINA RES GAS | 22.20 | (3.9) | 60.3 |
| NIO INC-CLASS A | 59.30 | (3.7) | 63.8 |

*ADT: Average daily turnover

KEY ASSUMPTIONS

| GDP (% yoy) | 2022 | 2023F | 2024F |
|----------------------------|-------|-------|-------|
| US | 2.1 | 2.0 | 1.0 |
| Euro Zone | 3.5 | 0.5 | 0.8 |
| Japan | 1.0 | 1.5 | 1.0 |
| Singapore | 3.6 | 0.7 | 3.0 |
| Malaysia | 8.7 | 4.0 | 4.6 |
| Thailand | 2.6 | 3.1 | 3.5 |
| Indonesia | 5.4 | 5.1 | 5.2 |
| Hong Kong | -3.5 | 4.6 | 3.0 |
| China | 3.0 | 5.0 | 4.6 |
| CPO (RM/mt) | 5,088 | 4,000 | 4,200 |
| Brent (Average) (US\$/bbl) | 99.0 | 81.0 | 84.0 |

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY RESULTS

Hong Kong Exchanges and Clearing (388 HK)

3Q23: Earnings Beat On Investment Income; Core Revenue Remains Lacklustre

HKEX's 3Q23 net profit came in 5.0%/3.5% above our/consensus estimates despite sluggish headline ADT and a quiet IPO market. The earnings beat was mainly due to outstanding NII which benefitted from the rate hike cycle. We expect positive price action in the near term due to potential measures from the Hong Kong government to boost market liquidity but we believe external headwinds will continue to weigh on ADT and market valuation. Maintain BUY. Target price: HK\$370.00.

3Q23 RESULTS

| Year to 31 Dec (HK\$m) | 3Q23 | 3Q22 | yoy% | qoq% | 9M23 | yoy% |
|------------------------|-------|-------|--------|--------|--------|--------|
| Total Revenue | 5,084 | 4,318 | 17.7 | 1.3 | 15,659 | 18.1 |
| Core Revenue | 3,845 | 3,944 | -2.5 | 0.1 | 11,715 | -8.2 |
| Net Investment Income | 1,211 | 374 | 262.6 | 3.2 | 3,887 | 321.0 |
| EBITDA | 3,706 | 2,984 | 24.2 | 1.5 | 11,565 | 23.3 |
| Net Profit | 2,953 | 2,263 | 30.5 | 1.7 | 9,265 | 30.5 |
| EBITDA Margin (%) | 72.9 | 69.1 | 3.8ppt | 0.1ppt | 73.9 | 3.1ppt |
| Net Profit Margin (%) | 58.1 | 52.4 | 5.7ppt | 0.2ppt | 59.2 | 5.6ppt |

Source: Hong Kong Exchanges and Clearing Ltd., UOB Kay Hian

RESULTS

- Above expectations.** Hong Kong Exchanges and Clearing's (HKEX) net profit increased by 30.5% yoy to HK\$2.95b in 3Q23, beating our and market's expectations (HK\$2.81b and HK\$2.85b) by 5% and 3.5%. The earnings beat was attributable to the better-than-expected net investment income (NII) amid the higher interest rate environment.
- Core revenue continued to soften** by 2.5% yoy to HK\$3.85b in 3Q23, in line with our estimations. The weakening of core revenue is mainly due to: a) lower trading and clearing fee due to sluggish cash market average daily turnover (ADT) and change in trading fee structure, and b) decline in listing fee resulting from a lower number of IPOs, newly listed derivative warrants and callable bull/bear contracts.
- Strategic diversification in derivative and commodity markets helped mitigate lukewarm sentiment in cash market.** Cash market ADT in 3Q23 experienced a 4.3% qoq decline to HK\$98.4b. Conversely, the derivative market sustained its growth momentum with a 20% yoy increase in average daily volume (ADV) to 1.33m contracts, driven by the increased popularity of recently launched products. Additionally, the commodity trading ADV in LME also rose 26% yoy to 548,000 lots in 3Q23. All in all, the HKEX's revenue from trading activities saw a modest 1.3% yoy decrease to HK\$1,494m.

KEY FINANCIALS

| Year to 31 Dec (HK\$m) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|--------|--------|---------|---------|
| Net turnover | 20,800 | 18,280 | 20,799 | 22,379 | 24,214 |
| EBITDA | 16,271 | 13,185 | 15,480 | 16,809 | 18,297 |
| Operating profit | 14,916 | 11,726 | 13,993 | 15,247 | 16,657 |
| Net profit (rep./act.) | 12,497 | 10,078 | 12,358 | 13,438 | 14,610 |
| Net profit (adj.) | 12,497 | 10,078 | 12,358 | 13,438 | 14,610 |
| EPS (HK\$ cent) | 988.7 | 799.1 | 974.8 | 1,063.1 | 1,150.4 |
| PE (x) | 28.6 | 35.4 | 29.0 | 26.6 | 24.6 |
| P/B (x) | 7.2 | 7.2 | 7.0 | 6.8 | 6.7 |
| EV/EBITDA (x) | 21.3 | 26.3 | 22.4 | 20.6 | 19.0 |
| Dividend yield (%) | 3.1 | 2.5 | 3.1 | 3.4 | 3.7 |
| Net margin (%) | 60.1 | 55.1 | 59.4 | 60.0 | 60.3 |
| Net debt/(cash) to equity (%) | (18.6) | (21.5) | (23.2) | (24.9) | (26.7) |
| ROE (%) | 25.4 | 20.3 | 24.6 | 26.1 | 27.7 |
| Consensus net profit | - | - | 12,102 | 13,300 | 14,394 |
| UOBKH/Consensus (x) | - | - | 1.02 | 1.01 | 1.02 |

Source: Hong Kong Exchanges and Clearing Ltd., Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|---------------|-------------|
| Share Price | HK\$285.20 |
| Target Price | HK\$370.00 |
| Upside | +29.7% |
| (Previous TP) | HK\$380.00) |

COMPANY DESCRIPTION

Hong Kong Exchanges and Clearing Limited (HKEX) owns and operates the stock exchange, futures exchange and their related clearing houses in Hong Kong.

STOCK DATA

| | |
|---------------------------------|------------|
| GICS sector | Financials |
| Bloomberg ticker: | 388 HK |
| Shares issued (m): | 1,267.8 |
| Market cap (HK\$m): | 361,587.1 |
| Market cap (US\$m): | 46,226.3 |
| 3-mth avg daily t'over (US\$m): | 167.2 |

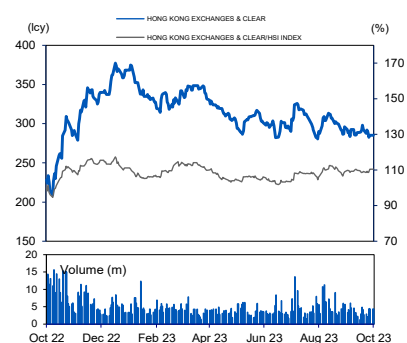
Price Performance (%)

| | | | | |
|------------------|-----------------------|-------------|------------|------------|
| 52-week high/low | HK\$377.40/HK\$209.00 | | | |
| 1mth | 3mth | 6mth | 1yr | YTD |
| (0.5) | (3.2) | (15.7) | 11.5 | (15.4) |

Major Shareholders

| | |
|---------------------------------|-------|
| | % |
| The Government of Hong Kong SAR | 5.8 |
| FY23 NAV/Share (HK\$) | 40.11 |
| FY23 Net Cash/Share (HK\$) | 9.30 |

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Frozen IPO market thawed in 3Q23 as pipeline remains strong.** Amid macroeconomic uncertainties and skyrocketing US long-term treasury yields, the exchange saw a total of 14 companies completing their listings, raising a total of HK\$6.8b in 3Q23, both figures representing a 52% and 87.4% yoy decline. However, the number of active IPO applicants increased to around 115 (vs 104 in Jun 23) as at end-Sep 23. In the meantime, the exchange is also making efforts to revitalise its IPO market. This includes publishing consultation on GEM Listing reform, adding the Saudi Exchange as a Recognized Stock Exchange to enable Saudi companies having secondary listings in Hong Kong, and launching a new digitalised IPO settlement platform, FINI, next month.
- Higher interest rate environment boosts NII.** The exchange's net investment income (NII) soared by 262% yoy to HK\$1,211m, contributing to 23.8% of HKEX's total revenue in 3Q23. As the 6M HIBOR remained at a higher level (5.39% at end-Sep 23), the interest income from Hong Kong Margin & Clearing Funds and internal corporate funds saw a significant 166.8% yoy growth, standing at HK\$1,166m. Despite that, management expects interest income contribution to decline in 2024 with expectations of the Fed's pivot. The reduction of Margin Fund size due to sluggish trading volume will also negatively impact the exchange's NII.

EARNINGS REVISION/RISK

- We trim our earnings forecasts for 2023/24/25 by 0.5%/2.8%/2.2%** on lower ADT assumptions. We cut our 2023 headline ADT assumptions to HK\$105.4b from HK\$107.9b after incorporating weak September and mtd October trading volume.
- Downside risks:** a) Sluggish headline ADT and IPO market, and b) one-off legal provision from LME nickel lawsuit.

VALUATION/RECOMMENDATION

- Maintain BUY with lower target price of HK\$370.00 in response to earnings revisions.** Our target price is derived from the Gordon Growth model with the assumption of 6.6% cost of equity (previous: 6.4%), 4.0% sustainable growth and 90% dividend payout ratio, implying 2024F PE of 36.6x.
- In the near term, we may see some positive price action after the announcements of relevant policies to enhance stock market liquidity from the Hong Kong Chief Executive's 2023 Policy Address on 25 Oct 23. However, in the long term, we believe the external factors such as surging US long-term treasury yield, US-China relations, and the slower pace of economic recovery in the mainland will continue to weigh on the trading volume and valuation of Hong Kong's stock market.

3Q23 MARKET STATISTICS

| | 3Q23 | 3Q22 | yoy % | qoq % | 9M23 | yoy % |
|--|-------|------|-------|-------|-------|-------|
| Headline ADT (HK\$b) | 98.4 | 97.6 | 0.8 | -4.3 | 109.7 | -11.6 |
| Northbound Trading ADT (Rmbb) | 106.1 | 96.7 | 9.7 | -13.4 | 108.2 | 6.9 |
| Southbound Trading ADT (\$bn) | 29.0 | 22.0 | 31.8 | -3.7 | 32.1 | 10.3 |
| Derivatives contracts ADV ('000 contracts) | 745 | 610 | 22.1 | 3.9 | 739 | 8.7 |
| Stock options contracts ADV ('000 contracts) | 591 | 505 | 17.0 | -1.3 | 618 | 5.6 |
| LME ADV ('000 lots) | 548 | 469 | 16.8 | -9.6 | 541 | 26.0 |

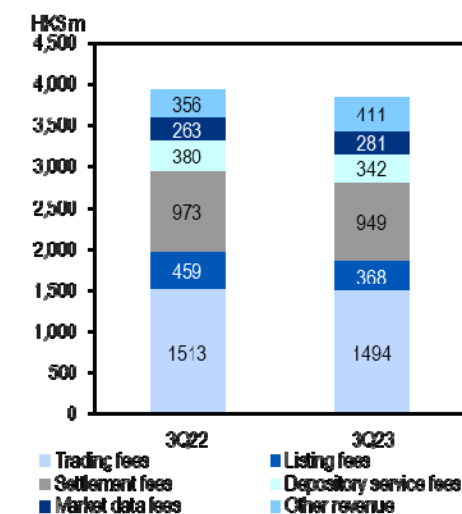
Source: Hong Kong Exchanges and Clearing Ltd., UOB Kay Hian

3Q23 NET INVESTMENT INCOME BREAKDOWN

| Managed Funds | Average Fund Size (HK\$b) | yoy% | NII (HK\$m) | yoy % |
|-------------------------------------|---------------------------|-------|-------------|-------|
| Hong Kong Margin and Clearing Funds | 125.8 | 1.0 | 801 | 139.1 |
| LME Clear Funds | 95.2 | -28.4 | 50 | 11.1 |
| Internal Corporate Funds | 27.9 | 0.2 | 365 | 257.8 |
| External Portfolio | 6.6 | 2.3 | -5 | 96.6 |

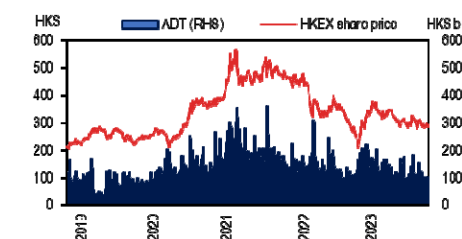
Source: Hong Kong Exchanges and Clearing Ltd., UOB Kay Hian

HKEX CORE REVENUE BREAKDOWN



Source: HKEX., UOB Kay Hian

HEADLINE ADT TREND AND HKEX SHARE PERFORMANCE



Source: HKEX, Bloomberg, UOB Kay Hian

HKEX TRADING REVENUE BREAKDOWN

| (HK\$m) | 3Q23 | 3Q22 | yoy% |
|---|-------|-------|-------|
| Cash market segment (Including Stock Connect) | 763 | 851 | -10.3 |
| Derivatives segment | 466 | 423 | 10.2 |
| Commodities segment | 265 | 239 | 10.9 |
| Total | 1,494 | 1,513 | -1.3 |

Source: UOB Kay Hian

HKEX TRADING VOLUME KEY ASSUMPTIONS

| | 2023F | 2024F | 2025F |
|-------------------------|-------|-------|-------|
| Cash ADT (HK\$b) | 105.4 | 111.9 | 131.0 |
| Futures ADV ('000) | 759.2 | 800.9 | 857.9 |
| Stock Option ADV ('000) | 632.8 | 665.0 | 710.8 |
| LME ADV ('000) | 565.0 | 609.0 | 634.8 |

Source: UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (HK\$m) | 2022 | 2023F | 2024F | 2025F |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Net turnover | 18,280.0 | 20,799.5 | 22,378.7 | 24,213.9 |
| EBITDA | 13,185.0 | 15,480.2 | 16,808.9 | 18,297.0 |
| Deprec. & amort. | 1,459.0 | 1,487.4 | 1,561.7 | 1,639.8 |
| EBIT | 11,726.0 | 13,992.9 | 15,247.2 | 16,657.2 |
| Associate contributions | (67.0) | (59.0) | (80.0) | (80.0) |
| Pre-tax profit | 11,659.0 | 13,933.9 | 15,167.2 | 16,577.2 |
| Tax | (1,564.0) | (1,483.2) | (1,683.1) | (1,900.2) |
| Minorities | (17.0) | (92.4) | (46.2) | (67.0) |
| Net profit | 10,078.0 | 12,358.3 | 13,437.9 | 14,609.9 |
| Net profit (adj.) | 10,078.0 | 12,358.3 | 13,437.9 | 14,609.9 |

CASH FLOW

| Year to 31 Dec (HK\$m) | 2022 | 2023F | 2024F | 2025F |
|--|------------------|-------------------|------------------|------------------|
| Operating | 17,092.2 | 18,390.7 | 19,790.4 | 21,299.3 |
| Pre-tax profit | 13,688.4 | 14,646.6 | 15,671.9 | 16,768.9 |
| Other operating cashflows | 3,403.7 | 3,744.1 | 4,118.5 | 4,530.4 |
| Investing | (5,950.1) | (5,611.8) | (5,502.7) | (5,607.6) |
| Proceeds from sale of assets | 67.8 | 74.5 | 82.0 | 90.2 |
| Others | (6,017.9) | (5,686.3) | (5,584.7) | (5,697.8) |
| Financing | (9,022.6) | (10,748.0) | (674.8) | (1,607.6) |
| Dividend payments | (8,449.4) | (9,294.4) | 0.0 | 0.0 |
| Proceeds from borrowings | (44.6) | (53.6) | (64.3) | (77.1) |
| Others/interest paid | (528.6) | (1,400.1) | (610.6) | (1,530.4) |
| Net cash inflow (outflow) | 2,119.4 | 2,030.9 | 13,612.9 | 14,084.1 |
| Beginning cash & cash equivalent | 11,689.8 | 12,274.3 | 12,888.0 | 13,532.4 |
| Changes due to forex impact | 26.0 | 26.0 | 26.0 | 27.0 |
| Ending cash & cash equivalent | 13,011.1 | 14,312.2 | 15,743.5 | 17,317.8 |

BALANCE SHEET

| Year to 31 Dec (HK\$m) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Fixed assets | 1,640.0 | 1,804.0 | 1,984.4 | 2,182.8 |
| Other LT assets | 21,933.0 | 24,126.3 | 26,538.9 | 29,192.8 |
| Cash/ST investment | 13,011.1 | 14,312.2 | 15,743.5 | 17,317.8 |
| Other current assets | 369,466.9 | 402,578.7 | 439,012.7 | 479,072.9 |
| Total assets | 406,051.0 | 442,821.2 | 483,279.5 | 527,766.4 |
| ST debt | 809.0 | 866.7 | 953.4 | 1,048.7 |
| Other current liabilities | 352,139.0 | 387,376.1 | 426,113.7 | 468,725.1 |
| LT debt | 1,509.0 | 1,659.9 | 1,825.9 | 2,008.5 |
| Other LT liabilities | 1,495.0 | 1,644.5 | 1,809.0 | 1,989.8 |
| Shareholders' equity | 49,728.0 | 50,865.9 | 52,128.7 | 53,500.5 |
| Minority interest | 371.0 | 408.1 | 448.9 | 493.8 |
| Total liabilities & equity | 406,051.0 | 442,821.2 | 483,279.5 | 527,766.4 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|--------|--------|--------|
| Growth | | | | |
| Turnover | (12.1) | 13.8 | 7.6 | 8.2 |
| EBITDA | (19.0) | 17.4 | 8.6 | 8.9 |
| Pre-tax profit | (21.2) | 19.5 | 8.9 | 9.3 |
| Net profit | (19.4) | 22.6 | 8.7 | 8.7 |
| Net profit (adj.) | (19.4) | 22.6 | 8.7 | 8.7 |
| EPS | (19.2) | 22.0 | 9.1 | 8.2 |
| Profitability | | | | |
| EBITDA margin | 72.1 | 74.4 | 75.1 | 75.6 |
| Pre-tax margin | 63.8 | 67.0 | 67.8 | 68.5 |
| Net margin | 55.1 | 59.4 | 60.0 | 60.3 |
| ROA | 2.5 | 2.9 | 2.9 | 2.9 |
| ROE | 20.3 | 24.6 | 26.1 | 27.7 |
| Leverage | | | | |
| Debt to total capital | 4.4 | 4.7 | 5.0 | 5.4 |
| Debt to equity | 4.7 | 5.0 | 5.3 | 5.7 |
| Net debt/(cash) to equity | (21.5) | (23.2) | (24.9) | (26.7) |

COMPANY RESULTS

Kweichow Moutai (600519 CH)

3Q23: Lower-than-expected Revenue Growth; Highest Earnings Visibility

Moutai's 9M23 revenue was ahead of its full-year growth target, despite a growth deceleration in 3Q23. Non-Moutai series' revenue grew only 12% as we think Moutai reduced shipments to support wholesale prices amid weak consumer sentiment. Nevertheless, Moutai remains our top pick in the long term given its strong earnings visibility from the limited supply that will support pricing power and higher direct sales channel mix. Maintain BUY and slightly trim target price by 2% to Rmb2,470.

3Q23/9M23 RESULTS

| Year to 31 Dec (Rmbm) | 3Q23 | 3Q22 | yoy % chg | 9M23 | 9M22 | yoy % chg |
|---------------------------------|--------|--------|-----------|---------|--------|-----------|
| Total revenue | 34,329 | 30,342 | 13.1 | 105,316 | 89,786 | 17.3 |
| Operating revenue | 33,692 | 29,543 | 14.0 | 103,268 | 87,160 | 18.5 |
| Operational gross profit | 30,835 | 27,008 | 14.2 | 94,705 | 80,078 | 18.3 |
| Operational gross profit margin | 91.5% | 91.4% | 0.1ppt | 91.7% | 91.9% | -0.2ppt |
| EBIT | 22,811 | 19,968 | 14.2 | 71,748 | 60,890 | 17.8 |
| EBIT margin | 66.4% | 65.8% | 0.6ppt | 68.1% | 67.8% | 0.3ppt |
| Attributable net profit | 16,896 | 14,606 | 15.7 | 52,876 | 44,400 | 19.1 |
| Attributable net profit margin | 49.2% | 48.1% | 1.1ppt | 50.2% | 49.5% | 0.8ppt |

Source: Moutai, UOB Kay Hian

RESULTS

- Weaker-than-expected 3Q23 results.** Kweichow Moutai (Moutai) reported revenue of Rmb105.3b (+17.3% yoy) and attributable net profit of Rmb52.9b (+19% yoy) in 9M23. This implies a revenue of Rmb34.3b (+13.1% yoy) and attributable net profit of Rmb16.9b (+15.7% yoy) in 3Q23, below our expectations, but we believe it has been largely baked into the share price. Attributable net profit margin was up 1.1ppt yoy to 49.2% in 3Q23, on gross profit margin expansion (+0.1ppt yoy), lower tax and surcharge ratio (-0.4ppt yoy) and administrative expense ratio (-0.8ppt yoy).
- Direct sales channel mix was 44% of baijiu revenue in 3Q23.** By product, Moutai/non-Moutai series revenues were Rmb87.3b/Rmb15.6b (+17.3%/+24.4% yoy) in 9M23 and Rmb28b/Rmb5.5b (+14.6%/+11.7% yoy) in 3Q23. Its non-Moutai series achieved 78% of management's full-year sales target of Rmb20b in 9M23. By region, domestic/overseas market revenues were Rmb99.9b/Rmb3.0b (+18.7%/7.6% yoy) in 9M23 and Rmb32.6b/Rmb0.9b (+13.6%/33.3% yoy) in 3Q23. By channels, direct sales/dealer channel revenues were Rmb46.2b/Rmb56.7b (+44.9%/+2.9% yoy) in 9M23 and Rmb14.8b/Rmb18.7b (+35.3%/1.5% yoy) in 3Q23. In particular, revenue (excluding tax) from "i-Moutai" app was Rmb5.5b in 3Q23 (+24.7% qoq), accounting for 16.5% of total baijiu revenue and 37.4% of total direct sales revenue.

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|---------|---------|---------|---------|---------|
| Net turnover | 109,464 | 127,554 | 147,067 | 168,698 | 196,594 |
| EBITDA | 74,978 | 87,802 | 105,300 | 121,768 | 142,577 |
| Operating profit | 73,753 | 86,414 | 103,767 | 120,156 | 140,799 |
| Net profit (rep./act.) | 52,460 | 62,716 | 73,141 | 85,044 | 100,574 |
| Net profit (adj.) | 52,460 | 62,716 | 73,141 | 85,044 | 100,574 |
| EPS (Fen) | 4,176.1 | 4,992.6 | 5,822.4 | 6,770.0 | 8,006.2 |
| PE (x) | 39.4 | 32.9 | 28.2 | 24.3 | 20.5 |
| P/B (x) | 10.9 | 10.5 | 8.7 | 7.2 | 6.0 |
| EV/EBITDA (x) | 25.0 | 21.4 | 17.8 | 15.4 | 13.1 |
| Dividend yield (%) | 1.3 | 1.6 | 1.8 | 2.1 | 2.5 |
| Net margin (%) | 47.9 | 49.2 | 49.7 | 50.4 | 51.2 |
| Net debt/(cash) to equity (%) | (94.2) | (77.2) | (85.1) | (89.6) | (93.6) |
| Interest cover (x) | n.a. | n.a. | 3,366.1 | 7,512.8 | 5,072.8 |
| ROE (%) | 29.9 | 32.4 | 33.6 | 32.5 | 32.1 |
| Consensus net profit | - | - | 74,136 | 86,719 | 100,536 |
| UOBKH/Consensus (x) | - | - | 0.99 | 0.98 | 1.00 |

Source: Moutai, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|---------------|-------------|
| Share Price | Rmb1,643.98 |
| Target Price | Rmb2,470.00 |
| Upside | +50.2% |
| (Previous TP) | Rmb2,520.00 |

COMPANY DESCRIPTION

Kweichow Moutai is a leading baijiu company in China known for its super-premium brand "Feitian Moutai". The company specialises in one of the three most famous distilled liquor types globally. It has the largest market cap among all 18 listed A-share baijiu companies.

STOCK DATA

| | |
|---------------------------------|-----------------|
| GICS sector | Food & Beverage |
| Bloomberg ticker: | 600519 CH |
| Shares issued (m): | 1,256.2 |
| Market cap (Rmbm): | 2,065,164.1 |
| Market cap (US\$m): | 282,214.9 |
| 3-mth avg daily t'over (US\$m): | 564.0 |

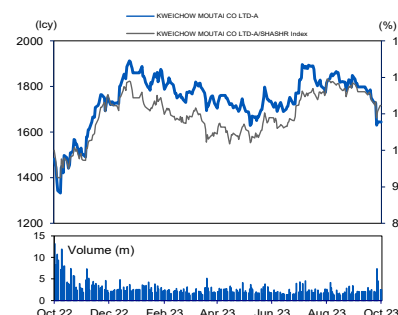
Price Performance (%)

| | | | | |
|------------------|-------------------------|-------------|------------|------------|
| 52-week high/low | Rmb1,912.90/Rmb1,333.02 | | | |
| 1mth | 3mth | 6mth | 1yr | YTD |
| (11.1) | (7.2) | (4.7) | 2.5 | (4.8) |

Major Shareholders

| | |
|--|--------|
| | % |
| Kweichow Moutai Group | 54.0 |
| Guizhou Province State-owned Capital Operation Co., Ltd. | 4.54 |
| FY23 NAV/Share (Rmb) | 189.54 |
| FY23 Net Cash/Share (Rmb) | 161.30 |

PRICE CHART



Source: Bloomberg

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KEY OPERATIONAL DATA

| | 3Q23 | 3Q22 | % chg | 9M23 | 9M22 | % chg |
|-----------------------------------|--------|--------|-------|--------|--------|-------|
| Baijiu revenue by products (Rmbm) | | | | | | |
| - Moutai | 27,991 | 24,435 | 14.6 | 87,270 | 74,400 | 17.3 |
| - Non-Moutai | 5,520 | 4,942 | 11.7 | 15,594 | 12,540 | 24.4 |
| Baijiu revenue by channel (Rmbm) | | | | | | |
| - Direct sales channel | 14,787 | 10,932 | 35.3 | 46,207 | 31,882 | 44.9 |
| - Dealers channel | 18,724 | 18,445 | 1.5 | 56,657 | 55,059 | 2.9 |
| Baijiu revenue by region (Rmbm) | | | | | | |
| - Domestic | 32,569 | 28,670 | 13.6 | 99,880 | 84,167 | 18.7 |
| - Overseas | 942 | 707 | 33.3 | 2,984 | 2,773 | 7.6 |

Source: Moutai, UOB Kay Hian

STOCK IMPACT

- On track to fulfil 15% yoy revenue growth target in 2023.** Growth slowed for the non-Moutai series (+11.7% yoy) in 3Q23, compared with previous quarters (1Q23/2Q23: 46.3%/21.3% yoy) and Moutai series (+14.6% yoy), as we think the company reduced shipments (including Moutai 1935 and Hanjiang) to control wholesale prices amid the intensifying competition in the “thousand price range” and sub-premium category. This is also mirrored by the slightly lowered advance from dealers, which declined by 3.7% yoy as of end-Sep 23. Nevertheless, Moutai’s revenue growth in 9M23 was ahead of the full-year target of 15% yoy, implying that the company only needs to achieve a revenue growth of 9.5% yoy in 4Q23 to reach the full-year target, which we think is fairly achievable, given that 4Q is traditionally the peak season.
- Seasonal fluctuations in wholesale prices – fluctuations, but profitability unaffected.** Average wholesale price of boxed Feitian Moutai continued to drop from Rmb2,973/bottle during the holidays to Rmb2,966/bottle post-holiday and to Rmb2,939/bottle last week. Average wholesale price of an unboxed Feitian Moutai declined from Rmb2,726/bottle to Rmb2,702/bottle post-holiday and to Rmb2,679/bottle last week. We think the wholesale price drop of 1-2% on average is reasonable due to seasonality. However, the fluctuation of wholesale prices will not impact the company’s profitability and its strong earnings visibility remains intact, with its products in short supply and the direct sales channel mix growing.

EARNINGS REVISION/RISK

- Earnings revision.** We trim our earnings for 2023 and 2024F by 0.1%/0.1% after incorporating 3Q23 results.
- Risks.** a) Sharp decline in economic growth, and b) economic recovery being below expectations.

VALUATION/RECOMMENDATION

- Maintain BUY and trim target price by 2% to Rmb2,470.00.** We think the downturn in Moutai’s wholesale prices have been reflected in its recent share price drop (9% vs CSI300 of 6% from 8 Oct 23). Moutai remains our top pick as it has the highest earnings visibility amid the uncertainties in the overall external environment. Our DCF-based target price implies 42.4x 2023F PE and 36.5x 2024F PE.

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|-----------------|------------------|------------------|------------------|
| Net turnover | 127,554.0 | 147,067.0 | 168,697.6 | 196,593.7 |
| EBITDA | 87,802.1 | 105,299.9 | 121,768.0 | 142,577.4 |
| Deprec. & amort. | 1,388.3 | 1,532.7 | 1,612.1 | 1,778.8 |
| EBIT | 86,413.8 | 103,767.2 | 120,155.9 | 140,798.6 |
| Total other non-operating income | (178.0) | 0.0 | 0.0 | 0.0 |
| Associate contributions | 63.8 | 0.0 | 0.0 | 0.0 |
| Net interest income/(expense) | 1,391.8 | (31.3) | (16.2) | (28.1) |
| Pre-tax profit | 87,701.5 | 103,746.0 | 120,149.7 | 140,780.5 |
| Tax | (22,326.4) | (25,936.5) | (29,677.0) | (33,787.3) |
| Minorities | (2,658.7) | (4,668.6) | (5,428.4) | (6,419.6) |
| Net profit | 62,716.4 | 73,140.9 | 85,044.4 | 100,573.6 |
| Net profit (adj.) | 62,716.4 | 73,140.9 | 85,044.4 | 100,573.6 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|-------------------|-------------------|-------------------|-------------------|
| Operating | 36,698.6 | 83,344.6 | 88,999.6 | 105,446.8 |
| Pre-tax profit | 87,701.5 | 103,746.0 | 120,149.7 | 140,780.5 |
| Tax | (22,326.4) | (25,936.5) | (29,677.0) | (33,787.3) |
| Deprec. & amort. | 1,443.6 | 1,532.7 | 1,612.1 | 1,778.8 |
| Working capital changes | (29,126.7) | 4,002.5 | (3,085.2) | (3,325.2) |
| Other operating cashflows | (993.4) | 0.0 | 0.0 | 0.0 |
| Investing | (5,536.8) | (2,478.4) | (403.6) | 440.4 |
| Capex (growth) | (5,306.5) | (1,922.4) | (1,422.4) | (922.4) |
| Investments | (31.5) | 0.0 | 0.0 | 0.0 |
| Proceeds from sale of assets | 6.2 | 0.0 | 0.0 | 0.0 |
| Others | (205.0) | (556.0) | 1,018.8 | 1,362.8 |
| Financing | (57,424.5) | (30,618.2) | (35,738.8) | (41,583.5) |
| Dividend payments | (57,370.2) | (32,549.3) | (37,959.5) | (44,137.4) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Others/interest paid | (54.3) | 1,931.1 | 2,220.8 | 2,553.9 |
| Net cash inflow (outflow) | (26,262.8) | 50,248.0 | 52,857.1 | 64,303.8 |
| Beginning cash & cash equivalent | 178,640.6 | 152,378.7 | 202,626.7 | 255,483.8 |
| Changes due to forex impact | 0.9 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 152,378.7 | 202,626.7 | 255,483.8 | 319,787.6 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Fixed assets | 19,742.6 | 20,132.4 | 19,942.7 | 19,086.3 |
| Other LT assets | 18,010.7 | 18,010.7 | 18,010.7 | 18,010.7 |
| Cash/ST investment | 152,378.7 | 202,626.7 | 255,483.8 | 319,787.6 |
| Other current assets | 64,232.7 | 64,958.9 | 71,412.3 | 79,685.9 |
| Total assets | 254,364.8 | 305,728.7 | 364,849.6 | 436,570.6 |
| ST debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current liabilities | 49,065.7 | 55,169.5 | 61,777.2 | 70,642.3 |
| LT debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT liabilities | 334.4 | 334.4 | 334.4 | 334.4 |
| Shareholders' equity | 197,506.7 | 238,098.2 | 285,183.1 | 341,619.3 |
| Minority interest | 7,458.0 | 12,126.6 | 17,554.9 | 23,974.5 |
| Total liabilities & equity | 254,364.8 | 305,728.7 | 364,849.6 | 436,570.6 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|---------|---------|---------|
| Profitability | | | | |
| EBITDA margin | 68.8 | 71.6 | 72.2 | 72.5 |
| Pre-tax margin | 68.8 | 70.5 | 71.2 | 71.6 |
| Net margin | 49.2 | 49.7 | 50.4 | 51.2 |
| ROA | 24.6 | 26.1 | 25.4 | 25.1 |
| ROE | 32.4 | 33.6 | 32.5 | 32.1 |
| Growth | | | | |
| Turnover | 16.5 | 15.3 | 14.7 | 16.5 |
| EBITDA | 17.1 | 19.9 | 15.6 | 17.1 |
| Pre-tax profit | 17.7 | 18.3 | 15.8 | 17.2 |
| Net profit | 19.6 | 16.6 | 16.3 | 18.3 |
| Net profit (adj.) | 19.6 | 16.6 | 16.3 | 18.3 |
| EPS | 19.6 | 16.6 | 16.3 | 18.3 |
| Leverage | | | | |
| Debt to total capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt/(cash) to equity | (77.2) | (85.1) | (89.6) | (93.6) |
| Interest cover (x) | n.a. | 3,366.1 | 7,512.8 | 5,072.8 |

COMPANY UPDATE

CR Land (1109 HK)

Takeaways From Site Visits In Chengdu And Chongqing: A Closer Look At CR Land's Core Growth Engine

We visited Chengdu CR Mixc and Chongqing CR Mixc on 16-17 October, and noted that they achieved 21% and 15% yoy growth in tenant sales respectively in 9M23 and are representative cases of CR Mixc' expansion strategy. We also visited three residential projects in Chongqing and Chengdu. Our takeaways are listed below. With strong competitiveness, CR Land is committed to both organic growth and portfolio expansion of malls in 2024. Maintain BUY with a target price of HK\$47.48.

WHAT'S NEW

- We visited Chengdu CR Mixc and Chongqing CR Mixc on 16-17 October.** Our key takeaways are: a) although located in non-core regions of respective cities, the two malls have achieved phenomenal organic growth and successful phase 2 expansion, b) Chengdu and Chongqing CR Mixc achieved 21% and 15% yoy growth in tenant sales respectively in 9M23, outperforming retail sales of respective cities, c) Chengdu CR Mixc spent Rmb200m in asset enhancement initiatives (AEI) and received positive response from the market, recording 32.6% yoy growth in foot traffic in 9M23, d) weakening of luxury spending as reflected by smaller ticket size has been seen at Chongqing CR Mixc. The strong recovery of foot traffic helps support the overall tenant sales, and e) overall, the operating results of the two malls demonstrate CR Land's strong operating capacity.

KEY INFORMATION OF CHENGDU AND CHONGQING CR MIXC

| | Chengdu CR Mixc | Chongqing CR Mixc |
|---------------------------------|---|--|
| GLA | Phase 1: 76,000 sqm Phase 2: 80,000 sqm Total: 156,000 sqm | Phase 1: 115,000 sqm Phase 2: 51,000 sqm Total: 166,000 sqm |
| Location | Chenghua District | Jiulongpo District |
| Key Milestones | <ul style="list-style-type: none"> Phase 1 opened in 2012 with the 1st Apple Store in Chengdu Phase 2 opened in Dec 20, expanding sales by 100%+ The square of mall re-designed by Zaha Hadid Architects in 2021 | <ul style="list-style-type: none"> Phase 1 opened in 2014 Hermes opened in 2016, strengthening the mall's luxury positioning in Chongqing Overtook IFS as the No.1 mall in terms of sales in 2021 Phase 2 opened in Jun 23 |
| Ranking of retail sales in 2022 | No. 3 | No. 1 |
| Sales CAGR of Phase 1 | 17% (2013-19) Vs. 14% of Chengdu retail sales CAGR during the period | 16% (2015-22) Vs. 9% of Chongqing retail sales CAGR during the period |

Source: CR Mixc, Bloomberg, UOB Kay Hian

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net turnover (Rmb m) | 212,108.4 | 207,061.1 | 231,572.1 | 265,991.2 | 294,027.2 |
| EBITDA (Rmb m) | 46,540.0 | 44,395.2 | 46,169.3 | 54,339.4 | 61,599.3 |
| Operating profit (Rmb m) | 45,234.3 | 43,010.3 | 45,107.7 | 53,134.4 | 60,250.9 |
| Net profit (rep./act.) (Rmb m) | 32,401.2 | 28,091.9 | 27,419.6 | 31,207.3 | 35,307.7 |
| Net profit (adj.) (Rmb m) | 26,600.0 | 27,000.0 | 27,419.6 | 31,207.3 | 35,307.7 |
| EPS (Fen) | 373.0 | 378.6 | 384.5 | 437.6 | 495.1 |
| PE (x) | 7.4 | 7.3 | 7.2 | 6.3 | 5.6 |
| P/B (x) | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 |
| EV/EBITDA (x) | 8.1 | 8.5 | 8.1 | 6.9 | 6.1 |
| Dividend yield (%) | 5.0 | 5.1 | 5.1 | 5.9 | 6.3 |
| Net margin (%) | 15.3 | 13.6 | 11.8 | 11.7 | 12.0 |
| Net debt/(cash) to equity (%) | 32.3 | 49.8 | 27.3 | 16.1 | 5.3 |
| Interest cover (x) | 33.3 | 26.1 | 30.4 | 37.6 | 41.3 |
| ROE (%) | 15.1 | 11.9 | 10.5 | 10.6 | 10.7 |
| Consensus net profit (Rmb m) | - | - | 28,865 | 31,272 | 34,397 |
| UOBKH/Consensus (x) | - | - | 0.95 | 1.00 | 1.03 |

Source: CR Land, Bloomberg, UOB Kay Hian

BUY (Maintained)

| | |
|--------------|-----------|
| Share Price | HK\$29.55 |
| Target Price | HK\$47.48 |
| Upside | +60.7% |

COMPANY DESCRIPTION

China Resources Land is a strategic business unit under China Resources Group. It is mainly engaged in residential development, investment property, urban redevelopment and property management operations.

STOCK DATA

| | |
|---------------------------------|-------------|
| GICS sector | Real Estate |
| Bloomberg ticker: | 1109 HK |
| Shares issued (m): | 7,130.9 |
| Market cap (HK\$m): | 210,719.3 |
| Market cap (US\$m): | 26,939.0 |
| 3-mth avg daily t'over (US\$m): | 40.5 |

Price Performance (%)

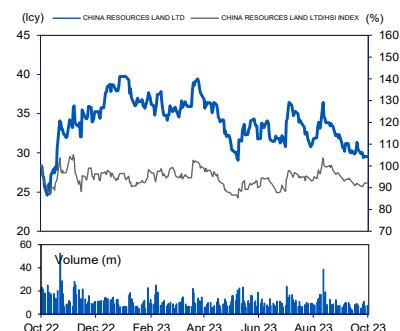
52-week high/low HK\$39.80/HK\$24.60

| 1mth | 3mth | 6mth | 1yr | YTD |
|-------|-------|--------|-------|--------|
| (8.7) | (8.2) | (21.6) | (4.1) | (17.3) |

Major Shareholders

| Major Shareholders | % |
|----------------------------|-------|
| China Resources Holdings | 65.4 |
| FY23 NAV/Share (HK\$) | 39.29 |
| FY23 Net Debt/Share (HK\$) | 10.71 |

PRICE CHART



Source: Bloomberg

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- **Takeaways from visits to three residential projects in Chongqing and Chengdu:** a) CR Land's upgrading home projects (unit size > 140 sqm) saw strong sales momentum. For the three projects we visited, sell-through rate is largely above 75%, with 40-50% sales contributed by non-local buyers, b) Chongqing projects are seeing potential upside of pricing while Chengdu projects are still subject to price ceilings, c) the Emerald Mansion project (新川印) saw higher sell-through rate than nearby projects by SOE developers (eg China Tourism Group, BBMG).

KEY INFORMATION OF PROJECTS WE VISITED

| City | Chongqing | Chengdu | Chengdu |
|-----------------------|----------------------------|----------------------------|--|
| Project | 中央公园悦府 | 新川印 | 锦江上院 |
| Location | Yubei District (outskirt) | High Tech Development Zone | Jinjiang District (traditional core area) |
| Total GFA | 164,000 | 108,000 | 257,000 |
| Plot ratio | 1.2 | 2.5 | 2.6 |
| AV (acquisition date) | Rmb 9500/sqm (Mar 22) | Rmb18,800/sqm(Mar 23) | Rmb 17,300/sqm (Jul 22) |
| Developer | CR Land | CR Land (33%)& Huafa & 鼎信) | CR land (50.1%) & Huafa & 统建 |
| Unit size | 95/101/120/143/175-195 sqm | 143/175 sqm | 169-224 sqm |
| Price | Rmb18,000-37,000/sqm | Rmb35,000/sqm | Flat: Rmb31,000-35,000/sqm Duplex: Rmb8m-13m/unit |
| First launch | Oct 22 | Sep 23 | Mar 23 |
| Sell-through rate | 75%+ | 100% | 100% |

Source: UOB Kay Hian

STOCK IMPACT

- **Well on track to achieve growth in contracted sales.** In Sep 23/9M23, CR Land's contracted sales decreased by 13.3% and increased 16% yoy to Rmb26.6b/Rmb234.3b respectively. With 35%/54% of saleable resources located in Tier 1 and Tier 2 cities respectively, we expect CR Land to be key beneficiary of this round of demand side policy easing since Aug 23.
- **Committed to both organic growth and portfolio expansion of malls.** Rental income from malls grew by 39.5% yoy to Rmb8.6b in 1H23, backed by 27.3% same store tenant sales growth and new mall openings. For 2024, the company targets to achieve approximately 10% same store sales growth and open 18-20 new malls (including 10 heavy assets). We also expect CR Land to complete the listing of first mall REIT in the near future.

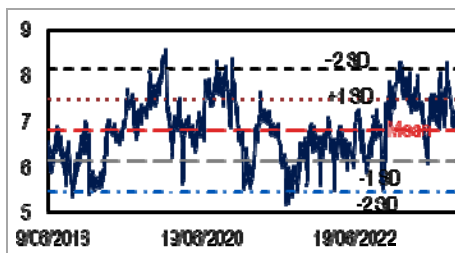
EARNINGS REVISION/RISK

- We keep our earnings forecasts unchanged.

VALUATION/RECOMMENDATION

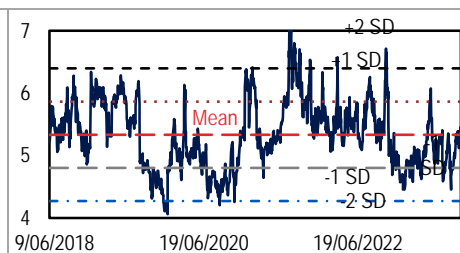
- **Maintain BUY with unchanged target price of HK\$47.48 derived from DCF model.** CR Land is trading at 6.9x 2023F PE which is near the mean, and trading at 5.4% 2023 dividend yield which is also near the mean.

1FYPE OF CR LAND



Source: CR Land, Bloomberg, UOB Kay Hian

1FYDIVIDEND YIELD OF CR LAND



Source: CR Land, Bloomberg, UOB Kay Hian

SHARE PRICE CATALYST

- Further easing of policies of the property industry.

CHENGDU CR MIXC - ENTRANCE



Source: UOB Kay Hian

CHONGQING CR MIXC



Source: UOB Kay Hian

CHONGQING CENTRAL PARK PROJECT



Source: CR Land, UOB Kay Hian

CHENGDU 新川印 SHOW FLAT



Source: UOB Kay Hian

CHENGDU 锦江上院 DEPLUX & 新川印



Source: UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|------------------|------------------|------------------|------------------|
| Net turnover | 207,061.1 | 231,572.1 | 265,991.2 | 294,027.2 |
| EBITDA | 44,395.2 | 46,169.3 | 54,339.4 | 61,599.3 |
| Deprec. & amort. | 1,384.8 | 1,061.7 | 1,205.0 | 1,348.4 |
| EBIT | 43,010.3 | 45,107.7 | 53,134.4 | 60,250.9 |
| Total other non-operating income | 10,097.1 | 5,000.0 | 4,000.0 | 4,000.0 |
| Associate contributions | 4,101.4 | 4,716.6 | 5,188.3 | 5,707.1 |
| Net interest income/(expense) | (1,699.5) | (1,520.2) | (1,443.9) | (1,491.2) |
| Pre-tax profit | 55,509.4 | 53,304.1 | 60,878.7 | 68,466.8 |
| Tax | (23,139.6) | (21,658.2) | (24,861.3) | (27,717.0) |
| Minorities | (4,277.9) | (4,226.3) | (4,810.1) | (5,442.1) |
| Preferred dividends | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 28,091.9 | 27,419.6 | 31,207.3 | 35,307.7 |
| Net profit (adj.) | 27,000.0 | 27,419.6 | 31,207.3 | 35,307.7 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Fixed assets | 253,897.0 | 286,397.0 | 318,897.0 | 351,397.0 |
| Other LT assets | 114,150.3 | 114,032.2 | 130,275.9 | 146,613.5 |
| Cash/ST investment | 95,544.6 | 118,026.3 | 146,302.5 | 188,907.7 |
| Other current assets | 617,740.1 | 670,423.6 | 718,471.3 | 759,404.1 |
| Total assets | 1,081,331.9 | 1,188,879.1 | 1,313,946.6 | 1,446,322.2 |
| ST debt | 61,243.0 | 49,926.8 | 41,283.5 | 33,473.3 |
| Other current liabilities | 466,013.0 | 551,376.5 | 632,864.4 | 707,461.3 |
| LT debt | 155,860.4 | 144,461.5 | 155,178.0 | 173,704.6 |
| Other LT liabilities | 56,508.4 | 61,068.7 | 66,557.7 | 72,870.1 |
| Shareholders' equity | 244,047.1 | 280,159.3 | 311,366.6 | 346,674.3 |
| Minority interest | 97,660.0 | 101,886.3 | 106,696.4 | 112,138.6 |
| Total liabilities & equity | 1,081,331.9 | 1,188,879.1 | 1,313,946.6 | 1,446,322.2 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|-------------------|-------------------|-------------------|-------------------|
| Operating | (14,385.6) | 42,669.6 | 49,749.7 | 56,246.4 |
| Pre-tax profit | 55,509.4 | 53,304.1 | 60,878.7 | 68,466.8 |
| Tax | (23,139.6) | (21,658.2) | (24,861.3) | (27,717.0) |
| Deprec. & amort. | (918.3) | (1,061.7) | (1,205.0) | (1,348.4) |
| Associates | (4,101.4) | (4,716.6) | (5,188.3) | (5,707.1) |
| Working capital changes | (45,738.3) | 13,158.4 | 16,271.6 | 18,364.1 |
| Non-cash items | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating cashflows | 4,002.6 | 3,643.5 | 3,854.0 | 4,188.0 |
| Investing | (50,000.0) | (50,000.0) | (50,000.0) | (50,000.0) |
| Capex (growth) | (30,000.0) | (30,000.0) | (30,000.0) | (30,000.0) |
| Investments | (20,000.0) | (20,000.0) | (20,000.0) | (20,000.0) |
| Proceeds from sale of assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing | 53,157.6 | 29,812.1 | 28,526.5 | 36,358.8 |
| Dividend payments | (9,990.4) | (10,145.3) | (11,546.7) | (12,357.7) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 90,000.0 | 90,000.0 | 90,000.0 | 90,000.0 |
| Loan repayment | (54,544.0) | (50,042.6) | (49,926.8) | (41,283.5) |
| Others/interest paid | 27,692.0 | 0.0 | 0.0 | 0.0 |
| Net cash inflow (outflow) | (11,228.0) | 22,481.7 | 28,276.2 | 42,605.2 |
| Beginning cash & cash equivalent | 106,772.8 | 95,544.6 | 118,026.3 | 146,302.5 |
| Changes due to forex impact | 0.0 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 95,544.8 | 118,026.3 | 146,302.5 | 188,907.7 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|-------|-------|-------|
| Profitability | | | | |
| EBITDA margin | 21.4 | 19.9 | 20.4 | 21.0 |
| Pre-tax margin | 26.8 | 23.0 | 22.9 | 23.3 |
| Net margin | 13.6 | 11.8 | 11.7 | 12.0 |
| ROA | 2.8 | 2.4 | 2.5 | 2.6 |
| ROE | 11.9 | 10.5 | 10.6 | 10.7 |
| Growth | | | | |
| Turnover | (2.4) | 11.8 | 14.9 | 10.5 |
| EBITDA | (4.6) | 4.0 | 17.7 | 13.4 |
| Pre-tax profit | (8.0) | (4.0) | 14.2 | 12.5 |
| Net profit | (13.3) | (2.4) | 13.8 | 13.1 |
| Net profit (adj.) | 1.5 | 1.6 | 13.8 | 13.1 |
| EPS | 1.5 | 1.6 | 13.8 | 13.1 |
| Leverage | | | | |
| Debt to total capital | 38.9 | 33.7 | 32.0 | 31.1 |
| Debt to equity | 89.0 | 69.4 | 63.1 | 59.8 |
| Net debt/(cash) to equity | 49.8 | 27.3 | 16.1 | 5.3 |
| Interest cover (x) | 26.1 | 30.4 | 37.6 | 41.3 |

COMPANY UPDATE

CR Mixc Lifestyle Services (1209 HK)

Takeaways From Visits To Stadiums And CR Mixc Malls In Chongqing And Chengdu

On 16-17 October, we visited Chongqing Longxing Stadium and Dongan New Town, which exemplify the business model of urban public space management. We also visited Chongqing and Chengdu CR Mixc malls, which are representative cases of CR Mixc's expansion strategy. Below are our takeaways. Management is committed to achieving tenant sales growth and actualising its new mall opening plans. Maintain BUY with an unchanged target price of HK\$49.69.

WHAT'S NEW

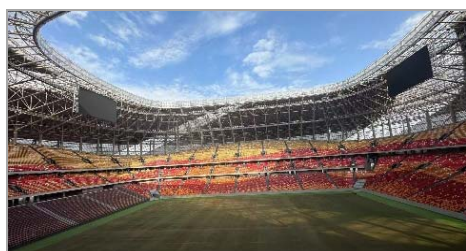
- We visited two high-standard stadiums operated by CR Mixc Lifestyle Services (CR Mixc LS). Our key takeaways are: a) annual management fees of Dong'an New Town are expected to exceed Rmb100m; b) park and stadium management is mainly charged on a commission basis, thus supporting the margin of CR Mixc LS; c) stadiums have seen a boom in culture & entertainment events (eg concert, etc), which serve as a new growth driver for urban space management; and d) Dong'an New Town demonstrates the profitability and growth potential of urban public space management.

KEY INFORMATION OF CHENGDU AND CHONGQING CR MIXC

| | Longxing Stadium | Dongan New Town |
|---------------------------|---|--|
| City | Chongqing | Chengdu |
| GFA under management | 0.17m sqm | Park: 4.5m sqm/Stadium: 0.9m sqm/ Residence: 1.1m sqm |
| Services | <ul style="list-style-type: none"> • Operation, management and security of competitions/events (shows, etc) • Venue operation | <ul style="list-style-type: none"> • Operation, management and security of competitions/events • Venue & Park operation • Residential property management |
| Highlights of the stadium | One of the largest professional football stadiums in China. | The major venue for 31th World FISU University Summer Games, which was held in Jul-Aug 2023. |

Source: CR Mixc, UOB Kay Hian

LONGXING STADIUM



Source: CR Mixc, UOB Kay Hian

DONGAN FISU STADIUM



KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|--------|--------|--------|--------|
| Net turnover | 8,875 | 12,016 | 16,375 | 19,522 | 23,197 |
| EBITDA | 1,930 | 2,459 | 3,254 | 4,265 | 5,196 |
| Operating profit | 1,861 | 2,369 | 3,137 | 4,114 | 5,000 |
| Net profit (rep./act.) | 1,725 | 2,220 | 2,780 | 3,520 | 4,201 |
| Net profit (adj.) | 1,725 | 2,220 | 2,780 | 3,520 | 4,201 |
| EPS (Fen) | 75.6 | 97.3 | 121.8 | 154.2 | 184.0 |
| PE (x) | 35.6 | 27.6 | 22.1 | 17.4 | 14.6 |
| P/B (x) | 4.4 | 4.3 | 3.8 | 3.4 | 3.0 |
| EV/EBITDA (x) | 24.5 | 19.2 | 14.5 | 11.1 | 9.1 |
| Dividend yield (%) | 1.0 | 1.6 | 1.8 | 2.3 | 2.7 |
| Net margin (%) | 19.4 | 18.5 | 17.0 | 18.0 | 18.1 |
| Net debt/(cash) to equity (%) | (98.6) | (88.2) | (88.5) | (94.6) | (94.2) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROE (%) | 13.1 | 15.8 | 18.4 | 20.7 | 21.7 |
| Consensus net profit | - | - | 2,840 | 3,570 | 4,399 |
| UOBKH/Consensus (x) | - | - | 0.98 | 0.99 | 0.96 |

Source: CR Mixc, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|--------------|-----------|
| Share Price | HK\$28.75 |
| Target Price | HK\$49.69 |
| Upside | +72.8% |

COMPANY DESCRIPTION

China Resources Mixc Lifestyle Services (CR Mixc LS) offer property management services. The Company provides residential property management, community value added services, commercial operational services, commercial subleasing services, and other services.

STOCK DATA

| | |
|---------------------------------|-------------|
| GICS sector | Real Estate |
| Bloomberg ticker: | 1209 HK |
| Shares issued (m): | 2,282.5 |
| Market cap (HK\$m): | 65,621.9 |
| Market cap (US\$m): | 8,389.3 |
| 3-mth avg daily t'over (US\$m): | 10.1 |

Price Performance (%)

52-week high/low HK\$46.35/HK\$22.79

| 1mth | 3mth | 6mth | 1yr | YTD |
|--------|--------|--------|-------|--------|
| (14.8) | (20.9) | (30.9) | (2.6) | (26.8) |

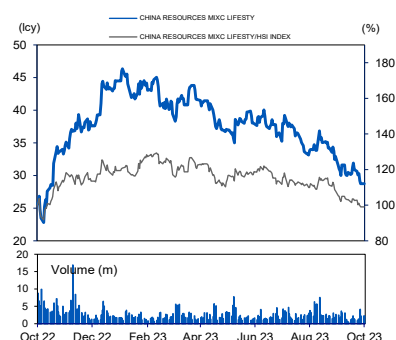
Major Shareholders

%

FY23 NAV/Share (Rmb) 6.99

FY23 Net Cash/Share (Rmb) 6.18

PRICE CHART



Source: Bloomberg

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- **The big picture of urban public space management.** GFA under management of urban public spaces increased by 31.6% hoh to 85.2m sqm in 1H23, representing 26.2% of total GFA under management. Of this, industrial parks/riverway and parks/stadiums accounted for 45%/26% and 5% respectively.
- **Key takeaways from visits to Chengdu CR Mixc and Chongqing CR Mixc malls on 16-17 October.** a) Despite being located in non-core regions of respective cities, the two malls have achieved phenomenal organic growth and successful phase 2 expansion; b) Chengdu and Chongqing CR Mixc achieved 21% and 15% yoy growth in tenant sales respectively in 9M23, outperforming retail sales of respective cities; c) Chengdu CR Mixc spent Rmb200m in asset enhancement initiatives (AEI) and received positive response from the market, recording 32.6% yoy growth in foot traffic in 9M23; d) Chongqing CR Mixc saw a smaller ticket size, indicating a weakening in luxury spending. However, the strong recovery in foot traffic has helped to support overall tenant sales; and e) overall, the operating results of the two malls demonstrate CR Land's strong operating capacity.

KEY INFORMATION OF CHENGDU AND CHONGQING CR MIXC

| | Chengdu CR mall | Chongqing CR mall |
|---------------------------------|---|--|
| GLA | Phase 1: 76,000 sqm Phase 2: 80,000 sqm Total: 156,000 sqm | Phase 1: 115,000 sqm Phase 2: 51,000 sqm Total: 166,000 sqm |
| Location | Chenghua District | Jiulongpo District |
| Key Milestones | <ul style="list-style-type: none"> • Phase 1 opened in 2012 with the first Apple Store in Chengdu • Phase 2 opened in Dec 2020, expanding sales by 100%+ • The square of mall re-designed by Zaha Hadid Architects in 2021 | <ul style="list-style-type: none"> • Phase 1 opened in 2014 • Hermes opened in 2016, strengthening the mall's luxury positioning in Chongqing • Overtook IFS as the No.1 mall in terms of sales in 2021 • Phase 2 opened in Jun 2023 |
| Ranking of retail sales in 2022 | No. 3 | No. 1 |
| Sales CAGR of Phase 1 | 17% (2013-2019) Vs. 14% of Chengdu retail sales CAGR during the period | 16% (2015-2022) Vs. 9% of Chongqing retail sales CAGR during the period |

Source: CR Mixc, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Committed to achieving earnings target for 14th Five-year Period (+40% CAGR).** Gross profit from commercial management segment grew by 40% yoy to Rmb1.35b in 1H23, backed by 27.3% same-store tenant sales growth and new mall openings. For 2024, the company targets to achieve 10% same-store sales growth and open 18-20 new malls. Overall, management is confident of achieving its growth target, underpinned by resilient commercial portfolio and strong competitiveness in property management segment.

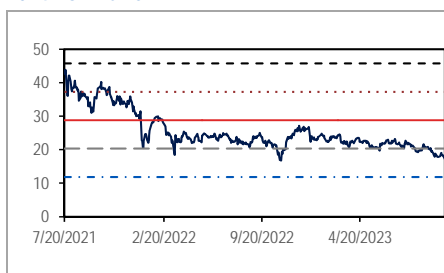
EARNINGS REVISION/RISK

- We keep our earnings forecasts unchanged.
- Risk: Faster-than-expected increase in labour cost

VALUATION/RECOMMENDATION

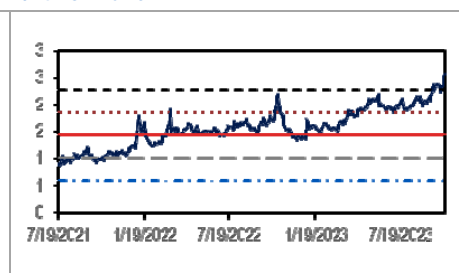
- **We maintain BUY on CR Mixc LS with an unchanged target price of HK\$49.69.** CR Mixc LS is currently trading at 17.4x 2024F PE which is 1SD below the mean, and provides 2.3% dividend yield.

2024 FORECAST PE



Source: CR Mixc LS, Bloomberg, UOB Kay Hian

2024 FORECAST DIVIDEND YIELD



Source: CR Mixc LS, Bloomberg, UOB Kay Hian

SHARE PRICE CATALYST

- Government removing the pricing guidance on property management fees.

CHENGDU CR MIXC - ENTRANCE



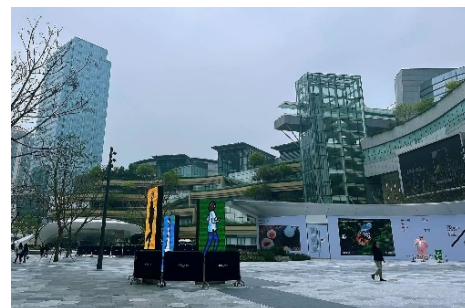
Source: UOB Kay Hian

CHENGDU CR MIXC - RE-DESIGNED SQUARE



Source: UOB Kay Hian

CHENGDU CR MIXC - RE-DESIGNED SQUARE



Source: UOB Kay Hian

CHONGQING CR MIXC



Source: UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net turnover | 12,016.2 | 16,374.6 | 19,522.5 | 23,196.7 |
| EBITDA | 2,458.5 | 3,253.9 | 4,265.3 | 5,196.3 |
| Deprec. & amort. | 89.5 | 116.4 | 151.3 | 196.7 |
| EBIT | 2,369.0 | 3,137.5 | 4,113.9 | 4,999.6 |
| Total other non-operating income | 155.3 | 155.3 | 155.3 | 155.3 |
| Associate contributions | 1.2 | 1.6 | 2.1 | 2.7 |
| Net interest income/(expense) | 337.4 | 369.8 | 375.6 | 392.7 |
| Pre-tax profit | 2,906.2 | 3,694.2 | 4,677.0 | 5,580.3 |
| Tax | (692.9) | (923.6) | (1,169.2) | (1,395.1) |
| Minorities | 7.1 | 9.3 | 12.0 | 15.6 |
| Net profit | 2,220.4 | 2,779.9 | 3,519.7 | 4,200.9 |
| Net profit (adj.) | 2,220.4 | 2,779.9 | 3,519.7 | 4,200.9 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|------------------|------------------|------------------|------------------|
| Operating | 3,649.7 | 3,382.4 | 5,375.1 | 5,282.6 |
| Pre-tax profit | 2,906.2 | 3,694.2 | 4,677.0 | 5,580.3 |
| Tax | (692.9) | (923.6) | (1,169.2) | (1,395.1) |
| Deprec. & amort. | 158.1 | 205.5 | 267.2 | 347.3 |
| Associates | (1.2) | (1.6) | (2.1) | (2.7) |
| Working capital changes | 1,745.5 | 942.8 | 2,032.8 | 1,225.8 |
| Other operating cashflows | (465.9) | (535.0) | (430.6) | (473.1) |
| Investing | (3,236.6) | (784.3) | (1,201.1) | (1,482.9) |
| Capex (growth) | (1,489.3) | (585.8) | (732.1) | (916.5) |
| Investments | 579.9 | 612.4 | 618.2 | 635.3 |
| Proceeds from sale of assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | (2,327.2) | (810.8) | (1,087.2) | (1,201.7) |
| Financing | (1,518.5) | (1,080.0) | (1,199.2) | (1,495.1) |
| Dividend payments | (630.0) | (992.8) | (1,112.0) | (1,407.9) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | (801.2) | 0.0 | 0.0 | 0.0 |
| Loan repayment | 0.0 | 0.0 | 0.0 | 0.0 |
| Others/interest paid | (87.2) | (87.2) | (87.2) | (87.2) |
| Net cash inflow (outflow) | (1,105.4) | 1,518.1 | 2,974.8 | 2,304.5 |
| Beginning cash & cash equivalent | 13,698.2 | 12,592.8 | 14,110.9 | 17,085.7 |
| Changes due to forex impact | 0.0 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 12,592.8 | 14,110.9 | 17,085.7 | 19,390.3 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Fixed assets | 3,935.1 | 4,105.9 | 4,327.8 | 4,616.4 |
| Other LT assets | 6,063.6 | 6,976.2 | 7,912.1 | 9,049.7 |
| ST debt | n.a. | n.a. | n.a. | n.a. |
| LT debt | n.a. | n.a. | n.a. | n.a. |
| Cash/ST investment | 12,592.8 | 14,110.9 | 17,085.7 | 19,390.3 |
| Other current assets | 3,246.3 | 3,859.4 | 4,505.5 | 5,329.1 |
| Total assets | 25,837.8 | 29,052.4 | 33,831.2 | 38,385.4 |
| Other current liabilities | 8,039.6 | 9,595.4 | 12,274.3 | 14,323.7 |
| Other LT liabilities | 3,472.5 | 3,472.5 | 3,472.5 | 3,472.5 |
| Shareholders' equity | 14,279.7 | 15,947.7 | 18,059.5 | 20,580.1 |
| Minority interest | 46.0 | 36.7 | 24.7 | 9.1 |
| Total liabilities & equity | 25,837.8 | 29,052.4 | 33,831.1 | 38,385.4 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|--------|--------|--------|
| Profitability | | | | |
| EBITDA margin | 20.5 | 19.9 | 21.8 | 22.4 |
| Pre-tax margin | 24.2 | 22.6 | 24.0 | 24.1 |
| Net margin | 18.5 | 17.0 | 18.0 | 18.1 |
| ROA | 9.4 | 10.1 | 11.2 | 11.6 |
| ROE | 15.8 | 18.4 | 20.7 | 21.7 |
| Growth | | | | |
| Turnover | 35.4 | 36.3 | 19.2 | 18.8 |
| EBITDA | 27.4 | 32.4 | 31.1 | 21.8 |
| Pre-tax profit | 24.4 | 27.1 | 26.6 | 19.3 |
| Net profit | 28.7 | 25.2 | 26.6 | 19.4 |
| Net profit (adj.) | 28.7 | 25.2 | 26.6 | 19.4 |
| EPS | 28.7 | 25.2 | 26.6 | 19.4 |
| Leverage | | | | |
| Debt to total capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt/(cash) to equity | (88.2) | (88.5) | (94.6) | (94.2) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. |

HANG SENG INDEX AND HANG SENG TECH INDEX OUTLOOK

WEEKLY CHART



Chart by bloomberg

DAILY CHART



Chart by bloomberg

Hang Seng Index

Last Close: 17,172.13

Expected moving range: 16,800 – 18,000

Technical View:

Weekly chart: The Hang Seng Index continued to fluctuate within the descending channel last week, and closed near the bottom of the channel. It reached a high of 17,858 and a low of 17,118, with volatility of about 740pt. The main resistance level is around 18,000.

Daily chart: The index closed below the major moving averages last week, with its 10-day (light blue), 20-day (orange), and 50-day (red) moving averages pointing downwards. The 14-day RSI is below the midline level of 50 and is currently around 39, indicating that momentum is rather weak. As for the MACD indicator, the MACD line has just fallen below the signal line and both lines are in the bearish zone, showing a double bearish signal. The main resistance level is 18,000, while the key support level is 16,800.

WEEKLY CHART



Chart by bloomberg

Hang Seng Tech Index

Last Close: 3,662.15

Expected moving range: 3,560 – 4,000

Technical View:

Weekly chart: The Hang Seng Tech Index closed below the horizontal zone last week. It reached a high of 3,887 and a low of 3,658, with volatility of about 229pt. The main resistance level is around 4,000.

Daily chart: The index closed below the major moving averages last week, with its 10-day (light blue), 20-day (orange), and 50-day (red) moving averages pointing downwards. The 14-day RSI is below the midline level of 50 and is currently around 36, indicating that momentum is rather weak. As for the MACD indicator, the MACD line has just fallen below the signal line and both lines are in the bearish zone, showing a double bearish signal. The main resistance level is at 4,000, while the key support level is 3,560.

DAILY CHART



Chart by bloomberg

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