

## WHAT HAPPENED LAST NIGHT

US stocks were mixed on Monday, as gains in the communication services, information technology and consumer discretionary sectors led shares higher and losses in the energy, materials and real estate sectors led shares lower. At the close of the NYSE, the DJIA fell 0.58% while the S&P 500 index was down 0.17%, and the NASDAQ Composite index rose 0.27%. Falling stocks outnumbered advancing ones on the NYSE by 1,983 to 896 and 92 ended unchanged; on the Nasdaq Stock Exchange, 2,855 declined and 1,401 advanced, while 183 ended unchanged. (Source: WSJ, Bloomberg)

## WHAT'S IN THE PACK

### China/HK Company Results:

**Hong Kong Exchanges and Clearing - 3Q23: Earnings beat on investment income; core revenue remains lacklustre.**

(388 HK / BUY / HK\$285.20 / Target: HK\$370.00)

HKEX's 3Q23 net profit came in 5.0%/3.5% above our/consensus estimates despite sluggish headline ADT and...

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

(600519 CH / BUY / Rmb1,643.98 / Target: Rmb2,470.00)

Moutai's 9M23 revenue was ahead of its full-year growth target, despite a growth deceleration in 3Q23...

### China/HK Company Update:

**CR Land - Takeaways from site visits in Chengdu and Chongqing: A closer look at CR Land's core growth engine.**

(1109 HK / BUY / HK\$29.55 / Target: HK\$47.48)

We visited Chengdu CR Mixc and Chongqing CR Mixc on 16-17 October, and noted that they achieved...

**CR Mixc Lifestyle Services - Takeaways from visits to stadiums and CR Mixc malls in Chongqing and Chengdu.**

(1209 HK / BUY / HK\$28.75 / Target: HK\$49.69)

On 16-17 October, we visited Chongqing Longxing Stadium and Dongan New Town...

### Singapore Company Results:

**Suntec REIT - 3Q23: Weakness in Australia and UK portfolios.**

(SUN SP/HOLD/S\$1.12/Target: S\$1.12)

Resiliency was seen in Singapore with office and retail properties raking in positive rental reversion of 14% and 25% respectively in 3Q23...

### Singapore Company Update:

**Sea - Reinvestment to impact near-term earnings; positive for the medium term.**

(SE US/BUY/US\$44.61/Target: US\$72.25)

3Q23 earnings are expected to turn negative due to increased reinvestment in Shopee and a potential drop in contributions from the digital entertainment segment ...

### Singapore Technical Analysis:

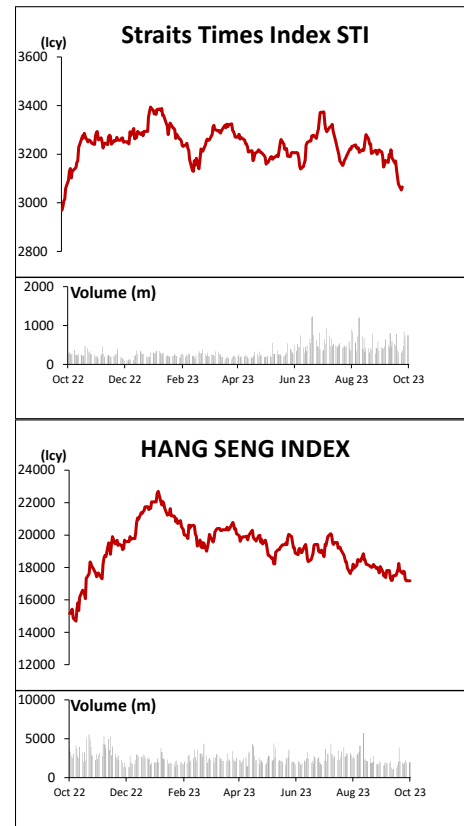
**Yangzijiang Shipbuilding (YZJSGD SP) - Trading BUY**

The price has reached its gap support zone that was formed since 27 June. A potential hammer reversal candlestick was formed yesterday...

**iFAST Corp (IFAST SP) - Trading SELL**

The price broke and closed below its previous low support zone, as well as the two months' consolidation zone. The 20MA is falling, suggesting a bearish price trend...

## PRICE CHART



## KEY INDICES

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

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## YESTERDAY IN SINGAPORE

The Straits Times Index (STI) closed 23.33pt lower to 3,053.36. Among the top active stocks were Thai Beverage (-3.7%), Yangzijiang Shipbuilding (-1.4%), Seatrium (-4.3%), SIA (-0.3%) and Rex International (-1.7%). The FTSE ST Mid Cap Index fell 1.0%, while the FTSE ST Small Cap Index was down 1.5%. The broader market saw 124 gainers and 269 losers with total trading value of S\$835.4m.

## SINGAPORE

### TOP TRADING TURNOVER

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
United Overseas Bank	27.62	(0.5)	88.3
DBS Group Holdings	33.01	(0.2)	77.4
Yangzijiang Shipbuilding	1.41	(1.4)	56.1
Singapore Airlines	5.95	(0.3)	50.4
CapitaLand Ascendas REIT	2.50	0.8	47.9

### TOP GAINERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Keppel DC REIT	1.78	3.5	35.1
UMS Holdings	1.23	2.5	6.3
Hong Leong Finance	2.48	1.2	0.2
Singapore Post	0.48	1.1	1.2
Frasers Hospitality Trust	0.50	1.0	1.8

### TOP LOSERS

Company	Price (S\$)	Chg (%)	5-day ADT (S\$m)
Yangzijiang Financial Holding	0.32	(7.4)	5.3
iFAST Corp	5.30	(5.0)	1.9
Digital Core REIT Management	0.48	(5.0)	2.5
Top Glove Corp	0.20	(4.8)	0.3
Olam Group	0.94	(4.6)	1.3

\*ADT: Average daily turnover

## HONG KONG

### TOP TRADING TURNOVER

Stock	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
Country Garden Holdings	1.58	(6.5)	827,143
Tracker Fund Of Hong Kong	20.54	0.6	466,228
China Construction Bank	4.53	1.1	426,984
Bank Of China	2.89	1.0	350,356
Sensetime Group Inc	1.85	1.6	312,106

### TOP GAINERS

Stock	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
Haidilao International	21.85	12.2	110,106
Anhui Conch Cement	23.45	7.3	28,268
Shenzhou International	82.05	3.9	7,255
ENN Energy Holdings	93.75	3.8	2,778
China Eastern Airlines	3.03	3.8	10,667

### TOP LOSERS

Stock	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
Country Garden Services	8.78	(8.1)	212,741
Country Garden Holdings	1.58	(6.5)	827,143
Hansoh Pharmaceutical	12.60	(4.4)	4,831
Sands China	29.75	(3.4)	19,787
KE Holdings	46.00	(3.3)	1,629

\*ADT: Average daily turnover

SINGAPORE TRADERS' CORNER



**Yangzijiang Shipbuilding (YZJSGD SP)**

Trading buy range: S\$1.40-1.41

Last price: S\$1.41

Target price: S\$1.55

Protective stop: S\$1.35

The price has reached its gap support zone that was formed since 27 June. A potential hammer reversal candlestick was formed yesterday. The RSI is giving potential divergence warning. These could increase chances of the stock price rebounding to move higher.

We see increasing odds of stock price testing S\$1.55. Stops could be placed at S\$1.35.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.88.



**iFAST Corp (IFAST SP)**

Trading sell range: S\$5.60-5.62

Last price: S\$5.30

Target price: S\$5.10

Protective stop: S\$5.72

The price broke and closed below its previous low support zone, as well as the two months' consolidation zone. The 20MA is falling, suggesting a bearish price trend. The RSI is falling below its neutral level. These could increase chances of the stock price moving lower.

We see increasing odds of stock price testing S\$5.10. Stops could be placed at S\$5.72.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S\$4.81.

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FROM THE REGIONAL MORNING NOTES...

## Suntec REIT (SUN SP)

3Q23: Weakness In Australia And UK Portfolios

Resiliency was seen in Singapore with office and retail properties raking in positive rental reversion of 14% and 25% respectively in 3Q23. NPI from Australia dropped 7.6% yoy with the Australian dollar depreciating by 4.4% yoy against the Singapore dollar. Occupancy for The Minster dropped 12.7ppt qoq to 87.3% due to default by a co-working operator. 2024 distribution yield is fair at 5.7%, although P/NAV of 0.54x is attractive. Maintain HOLD. Target price: S\$1.12.

### 3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	yoy % chg	Remarks
Gross Revenue	123.4	+15.0	Growth from Suntec City Office, Suntec City Mall and Suntec Convention, offset by weakness from the Australian dollar.
Net Property Income	84.6	+9.7	Growth from ORQ and MBFC negated by higher interest rates.
Income Contribution from JVs	23.8	-20.4	
Distributable Income	52.0	-13.3	
-From Operations	46.2	-14.8	Affected by higher interest rates.
-From Capital	5.8	0.0	
DPU (S cents)	1.793	-14.0	Included capital distribution of 0.198 S cents

Source: SUN, UOB Kay Hian

### RESULTS

- Suntec REIT (SUN) reported 3Q23 DPU of 1.793 S cents (-14% yoy), which is below our expectations due to lower contributions from Australia and higher interest rates.
- **Singapore Office: 21st consecutive quarter of positive reversion.** NPI from Singapore Office portfolio increased 1.5% yoy in 3Q23. Occupancy inched higher by 0.2ppt qoq to 99.5% and achieved positive rental reversion of 14% (2Q23: +10.5%). Occupancies remain high at 100.0% for Suntec City Office, 99.7% for One Raffles Quay (ORQ) and 98.2% for Marina Bay Financial Centre (improved 0.6ppt qoq). Average pass rent for Suntec City Office increased 6% yoy to S\$9.84psf pm in 3Q23.
- **Suntec City Mall: 6th consecutive quarter of positive reversion.** NPI from Suntec City Mall increased 10.8% yoy in 3Q23. Occupancy for Suntec City Mall improved 0.4ppt to 98.7%. Rental reversion surged to 25.3% (2Q23: +18.2%). SUN introduced six new-to-market and five new-to-Suntec brands in 3Q23. Shopper traffic and tenant sales have improved by 2% and 0.4% yoy respectively.
- **Suntec Convention resumed dividend payout.** Recovery was driven by international, domestic and consumer events. Suntec Convention contributed dividends of S\$1.9m in 3Q23. Management expects dividends to exceed S\$10m in 2024.
- **Contributions from Australia hit by weak Australian dollar.** NPI from Australia dropped 7.6% yoy in 3Q23 due to higher operating expense and higher interest expense. The Australia portfolio registered positive rental reversion of 12% but the Australian dollar depreciated by 4.4% yoy against the Singapore dollar.

### KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	358	427	452	469	487
EBITDA	191	249	247	266	276
Operating profit	191	249	247	266	276
Net profit (rep./act.)	465	463	164	140	148
Net profit (adj.)	164	238	142	140	148
EPU (S\$ cent)	5.7	8.3	4.9	4.8	5.0
DPU (S\$ cent)	8.7	8.9	7.3	6.4	6.6
PE (x)	19.5	13.5	22.8	23.4	22.3
P/B (x)	0.5	0.5	0.5	0.5	0.5
DPU Yld (%)	7.7	7.9	6.5	5.7	5.9
Net margin (%)	130.0	108.3	36.3	29.9	30.3
Net debt/(cash) to equity (%)	72.7	70.8	62.3	63.4	64.5
Interest cover (x)	2.0	2.2	1.7	1.7	1.7
ROE (%)	7.5	7.2	2.5	2.2	2.3
Consensus DPU (S\$ cent)	n.a.	n.a.	7.1	7.1	7.4
UOBKH/Consensus (x)	-	-	1.02	0.90	0.89

Source: Suntec REIT, Bloomberg, UOB Kay Hian

- **The UK: Lower occupancy at The Minster.** NPI from the UK increased 19.6% in 3Q23 due to higher occupancy and rent at Minster Building. Pound sterling also strengthened 3.9% yoy against the Singapore dollar (low base effect). Occupancy for The Minster dropped 12.7ppt qoq to 87.3% in 3Q23 due to default by a co-working operator. SUN is in discussion with an existing tenant looking to expand within the same building to take up two out of the three vacated floors.
- **Steep increase in cost of debts.** All-in financing cost increased 1.02ppt yoy and 0.14ppt qoq 3.78% in 3Q23. Aggregate leverage remains elevated at 42.6%. The proportion of borrowings hedged to fixed rates is low at 55%. Management guided for cost of debt at 4.25% for 2024 after refinancing bank facility of S\$900m in 2Q24.

## STOCK IMPACT

- **Shadow office space significantly absorbed.** According to CBRE, rents for Grade A office space in core CBD increased 2.2% yoy and 0.4% qoq to S\$11.85psf/month in 3Q23. Vacancy has tightened significantly by 0.8ppt qoq to 3.2%. There was healthy demand from private wealth, asset management and consumer goods companies. The positive momentum was underpinned by limited supply, companies tightening hybrid work arrangements and completion of IOI Central Boulevard Towers being delayed to 1Q24. CBRE estimated that the amount of shadow space was halved to 0.33m sf compared with a record high of 0.7m sf in 1Q23. CBRE expects rents for Grade A office space in core CBD to increase 1.5-2.0% in 2023 (previous: flat).
- **Singapore provides resiliency.** Management expects office demand and rent growth to moderate due to geopolitical and macro uncertainties. Tenants are focusing on cost containment. Rental reversion for Singapore Office is expected to remain positive. MICE events and tourism recovery are expected to drive growth in shopper traffic and tenant sales. Tenant sales are expected to maintain above pre-pandemic levels. Management expects Suntec City Mall to achieve positive rental reversion of 10-15% in 2024.
- **Headwinds Down Under.** Office vacancy in Sydney and Melbourne CBD is expected to increase due to slowdown in leasing momentum and new supply. In particular, Adelaide will be impacted by higher incentives and significant new supply in 4Q23. Occupancy at 55 Currie Street in Adelaide is expected to drop by 40ppt to 60% in 4Q23 due to non-renewal by an anchor government tenant. Management anticipates downtime of up to 12 months. SUN is investing S\$20m to enhance 177 Pacific Highway, Southgate Complex and 55 Currie Street, which is already underway. Management plans to build fully-fitted office suites to attract cost-conscious tenants.
- **Divestments mitigate negative impact from revaluation losses.** Management will explore potential divestment of mature assets and strata units at Suntec City Office to deleverage. SUN has divested three strata units with total NLA of 11,000sf at Suntec City Office at above S\$3,000psf. Management targets to divest S\$100m worth of office properties in Singapore this year, which will help to mitigate negative impact from revaluation losses from overseas office properties at end-23.

## EARNINGS REVISION/RISK

- We cut our 2024 DPU forecasts by 16% due to higher cost of debt and lower occupancy for Minster Building. We did not factor in any capital distribution for 2024 and 2025.

## VALUATION/RECOMMENDATION

- **Maintain HOLD.** Our target price of S\$1.12 is based on DDM (cost of equity: 7.25%, terminal growth: 1.5%). SUN trades at a discount of 46% to NAV per unit of S\$2.09.

## SHARE PRICE CATALYST

- Positive rent reversion at Suntec City Office and Suntec City Mall in Singapore.
- Employees returning to work at Suntec City Office and resumption of events at Suntec Convention could trigger recovery in shopper traffic and tenant sales at Suntec City Mall.

## KEY OPERATING METRICS

Key Metrics	3Q22	4Q22	1Q23	2Q23	3Q23	yoy % Chg	qoq % Chg
DPU (S cents)	2.084	1.99	1.737	1.739	1.793	-14.0%	3.1%
Office Occupancy	97.9%	98.3%	98.6%	98.6%	97.4%	-0.5ppt	-1.2ppt
Retail Occupancy	95.9%	97.5%	97.6%	97.5%	97.9%	2ppt	0.4ppt
Aggregate Leverage	43.1%	42.4%	42.8%	42.6%	42.7%	-0.4ppt	0.1ppt
All-in-Financing Cost	2.76%	2.94%	3.68%	3.64%	3.78%	1.02ppt	0.14ppt
% Borrowing in Fixed Rates	58.0%	66.0%	72.0%	58.0%	55.0%	-3ppt	-3ppt
Debt Maturity (years)	2.73	2.85	2.55	2.90	2.72	0yrs	-0.2yrs
Suntec Office Passing Rent (S\$ psf pm)	9.28	9.35	9.71	9.79	9.84	6.0%	0.5%

Source: SUN

## FROM THE REGIONAL MORNING NOTES...

### Sea (SE US)

Reinvestment To Impact Near-term Earnings; Positive For The Medium Term

**3Q23 earnings are expected to turn negative due to increased reinvestment in Shopee and a potential drop in contributions from the digital entertainment segment. We have adjusted our earnings projections to factor in higher costs in e-commerce and digital financial services, along with a decrease in gaming activity for 2023. However, we maintain our BUY recommendation, with a revised target price of US\$72.25 (US\$94.34 previously). We foresee a positive upturn in 4Q23 and 2024.**

#### WHAT'S NEW

- **3Q23 earnings in the red.** We expect Sea Limited's (SEA) 3Q23 earnings to be in the red. This is primarily due to:

a) **A pivot to reinvesting in Shopee.** Management's strategic shift towards reinvestment in Shopee is driven by the competitive e-commerce landscape in the ASEAN region. The emphasis lies in bolstering the platform's live-streaming features (Shopee Live), short-form videos and offering shipping subsidies. We gather that this reinvestment has brought positive outcomes, with a significant influx of top influencers and sellers utilising the platform to drive customer acquisition and retention. While this approach is poised to drive long-term GMV growth, it is expected to impact adj. EBITDA in the short term. Consequently, we have revised down segment earnings by 34% for FY23F, reflecting increased sales and marketing expenses as well as higher cost of services.

b) **Weaker active game users.** Based on Active Players' data, Free Fire's average monthly players remained stable mom in Aug 23 but experienced an 11% mom drop in Sep 23. Consequently, we anticipate a decline in Garena's active user base in 3Q23, considering Free Fire's significant contribution to Garena's earnings.

- **Better visibility expected in 4Q23 and 2024,** on the back of:

a) **Lesser threat to Shopee's dominant market share.** The recent ban on TikTok Shop in Indonesia, announced by the government on 4 Oct 23, eliminates a potential threat to Shopee's dominant market position. As the TikTok Shop feature operated directly on TikTok's social media platform, its exit from the Indonesian market aligns with regulatory compliance. This development favours pure e-commerce platforms and diminishes the competitive threat posed by TikTok. However, we remain vigilant regarding potential future developments, including TikTok's potential re-entry into the market with a standalone e-commerce platform and the emergence of new marketplace competitors.

#### KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	9,955	12,450	12,751	14,050	14,930
EBITDA	(1,583)	(1,133)	613	1,191	1,457
Operating profit	(1,583)	(1,133)	613	1,191	1,457
Net profit (rep./act.)	(2,045)	(1,496)	306	745	1,025
Net profit (adj.)	(2,045)	(1,496)	306	745	1,025
EPS (US\$ cent)	(383.4)	(268.1)	55.0	120.7	160.2
PE (x)	n.m.	n.m.	81.1	36.9	27.8
P/B (x)	3.2	4.4	3.7	3.0	2.4
EV/EBITDA (x)	n.m.	n.m.	31.0	15.9	13.0
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(20.5)	(12.0)	2.4	5.3	6.9
Net debt/(cash) to equity (%)	(98.2)	(73.0)	(95.6)	(98.8)	(99.6)
Interest cover (x)	(15.7)	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	4.9	9.4	9.7
Consensus net profit	-	-	926	1,048	1,588
UOBKH/Consensus (x)	-	-	0.33	0.71	0.65

Source: SEA, Bloomberg, UOB Kay Hian

n.m.: not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

b) **Revival of Free Fire India.** Garena's plan to relaunch Free Fire India as an India-exclusive application addresses previous concerns regarding national security, which led to a 1.5-year ban. Although the launch date has been postponed from 5 Sep 23, we anticipate a 20% yoy increase in FY24F, reflecting India's substantial user base. Prior to the ban imposed in Feb 22, India accounted for approximately 20% of Free Fire downloads and 25% of its monthly active users. Additionally, with Garena's paying users experiencing growth for the first time in seven quarters in 2Q23, we anticipate a stable contribution from its active user base.

## STOCK IMPACT

- **DFS on strong growth trajectory.** SEA's Digital Financial Services (DFS) segment saw considerable adj. EBITDA growth of 38.4% qoq in 2Q23, mainly from its credit business through its digital bank subsidiary, SeaBank Indonesia. We note that SeaBank Indonesia's deposits have grown 22% hoh in its recent results, which is a positive sign for SEA. With the rapid growth of digital banks in recent years, the financial landscape has also become collaborative, as evidenced by some traditional banks partnering with SeaMoney to scale banking services. We opine that DFS has strong growth potential, with good operating margins and synergy with the Shopee platform.

## RECENT EVENTS IN E-COMMERCE/SOCIAL MEDIA LANDSCAPE IN SOUTHEAST ASIA AND BRAZIL

Country	Month	Event
Indonesia	Jun 23	TikTok pledged to invest billions into Southeast Asia, mainly in Indonesia, over the next few years to grow TikTok Shop.
	Sep 23	Indonesian government introduced Regulation No. 31 of 2023 to ban e-commerce transactions on social media platforms after merchants voiced concerns.
	Oct 23	TikTok discontinued access to TikTok Shop's e-commerce features.
Philippines	Sep 23	Senate passed Senate Bill No. 1846 to ensure all goods and services transacted digitally will be advertised.
Vietnam	Oct 23	Vietnam government found TikTok in violation of information security, child protection and e-commerce laws due to stored illegal information on servers.
Malaysia	Oct 23	The Ministry of Communications and Digital are examining TikTok Shop and the actions taken by the Indonesian government after multiple large retailers raised pricing concerns. TikTok's law compliance is also deemed unsatisfactory. TikTok said that it will take proactive measures to address the issues raised.
Brazil	Jun 23	Brazilian government announced Programa Remessa Conforme (PRC), a new tax compliance program to exempt participating companies from paying federal taxes on e-commerce purchases up to US\$50. The criteria include declaring imports, detailing product origins and more. This comes after complaints from local retailers about unfair competition from Asian companies like AliExpress, Shopee and Shein.
	Aug 23	Commencement of PRC.
	Sep 23	Sinerlog, AliExpress and Shein have been authorized to enter the program. Shopee has asked to join the program.
	Oct 23	The Finance and Taxation Commission held a public hearing on a proposal that aims to tax international online purchases. The project is still in discussion and will also need to be approved by the Constitution and Justice Commission afterward.

Source: Indonesia Ministry of Trade, TikTok, Senate of the Philippines, Vietnam Ministry of Information and Communications, Malay Mail, Reuters, The Brazilian Report, Folha de S.Paulo, Conquista de Fato

## EARNINGS REVISION/RISK

- **Revised earnings.** We have revised down our earnings for SEA for 2023-25F by 68%/41%/40%, mainly factoring in the higher expenses for the e-commerce segment and digital financial services. On top of that, we have pencilled in slower growth for the gaming sector for FY23F due to the delayed launch of Free Fire India and drop in active gaming users.

## VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of US\$72.25 (US\$94.34 previously).** We have rolled over our valuation to 2024F and adjusted earnings lower for 2023-25F. We have also pegged the e-commerce segment lower at 1.5x P/S for 2024F as compared to its peers at 2.0x P/S 2024F, given the strong e-commerce competition environment in its operating region.
- We expect a short-term kneejerk reaction from the upcoming results in 3Q23 and we recommend investors to accumulate on weakness with positive news coming on stream and the potential better than the market's expected e-commerce growth and contribution in the following quarters.

## SHARE PRICE CATALYST

- New release of self-developed games.
- Earlier-than-expected annual net profit in 2023F.

FROM THE REGIONAL MORNING NOTES...

## 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



## 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

FROM THE REGIONAL MORNING NOTES...

## 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

## 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<sup>2</sup> 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.

FROM THE REGIONAL MORNING NOTES...

## 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"> <li>• Phase 1 opened in 2012 with the 1st Apple Store in Chengdu</li> <li>• Phase 2 opened in Dec 20, expanding sales by 100%+</li> <li>• The square of mall re-designed by Zaha Hadid Architects in 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 1 opened in 2014</li> <li>• Hermes opened in 2016, strengthening the mall's luxury positioning in Chongqing</li> <li>• Overtook IFS as the No.1 mall in terms of sales in 2021</li> <li>• Phase 2 opened in Jun 23</li> </ul>
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

- **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.

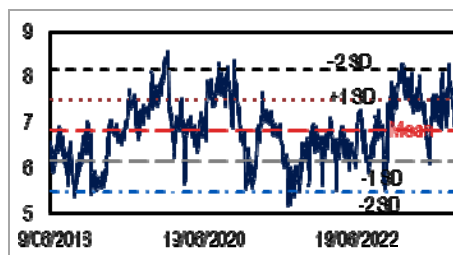
### EARNINGS REVISION/RISK

- We keep our earnings forecasts unchanged.

### VALUATION/RECOMMENDATION

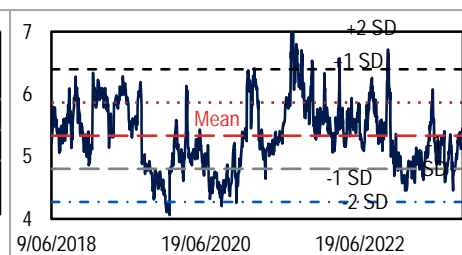
- **Maintain BUY with unchanged target price of HK\$47.48 derived from DCF model.** CR Land is trading at 7.2x 2023F PE which is near the mean, and trading at 5.1% 2023 dividend yield which is also near the mean.

### 1FY PE OF CR LAND



Source: CR Land, Bloomberg, UOB Kay Hian

### 1FY DIVIDEND YIELD OF CR LAND



Source: CR Land, Bloomberg, UOB Kay Hian

### SHARE PRICE CATALYST

- Further easing of policies of the property industry.

## FROM THE REGIONAL MORNING NOTES...

### 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

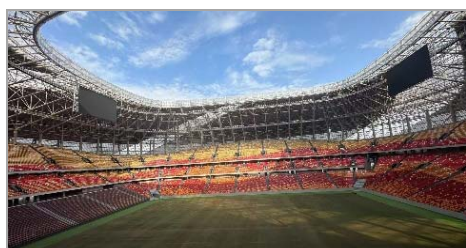
- We visited two high-standard stadiums operated by CR Mixc Lifestyle Services (CR Mixc LS). Our key takeaways are: a) annual management fees of Dong'an New Town are expected to exceed Rmb100m; b) park and stadium management is mainly charged on a commission basis, thus supporting the margin of CR Mixc 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"> <li>• Operation, management and security of competitions/events (shows, etc)</li> <li>• Venue operation</li> </ul>	<ul style="list-style-type: none"> <li>• Operation, management and security of competitions/events</li> <li>• Venue &amp; Park operation</li> <li>• Residential property management</li> </ul>
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

- **The big picture of urban public spaces 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"> <li>• Phase 1 opened in 2012 with the first Apple Store in Chengdu</li> <li>• Phase 2 opened in Dec 2020, expanding sales by 100%+</li> <li>• The square of mall re-designed by Zaha Hadid Architects in 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 1 opened in 2014</li> <li>• Hermes opened in 2016, strengthening the mall's luxury positioning in Chongqing</li> <li>• Overtook IFS as the No.1 mall in terms of sales in 2021</li> <li>• Phase 2 opened in Jun 2023</li> </ul>
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.

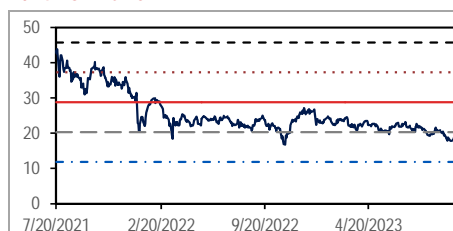
### EARNINGS REVISION/RISK

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

### VALUATION/RECOMMENDATION

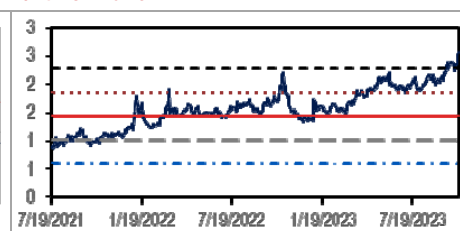
- **We maintain BUY on CR Mixc LS with an unchanged target price of HK\$49.69.** CR Mixc LS is currently trading at 17.4x 2024F PE which is 1SD below the mean, and provides 2.3% dividend yield.

#### 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.

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