

China / Hong Kong Company Update

HK Exchanges & Clearing

Bloomberg: 388 HK EQUITY | Reuters: 0388.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

29 Jun 2022

BUY (Upgrade from HOLD)

Last Traded Price (29 Jun 2022): HK\$384.60 (HSI : 21,997)

Price Target 12-mth: HK\$449 (17% upside) (Prev HK\$361)

Analyst

Dennis Lam +852 36684177 dennis_lam@dbs.com

Byron Lam +852 36684169 byronlamfc@dbs.com

What's New

- Upgrade to BUY with higher TP of HK\$449 amid improved risk appetite, with policy supports and market overhangs priced in
- ETF Connect cemented HK's position as China's financial gateway and will allow mainland investors to buy secondary listing companies
- Most of the current key risks in the market are being addressed and ADT is likely to rebound in 2H onward
- Revised up FY23F earnings by 8% to reflect earnings from rising HIBOR expectation and launch of ETF Connect

Risk appetite improves amid policy supports and easing overhangs

Investment Thesis

Upgrade to BUY thanks to improved risk appetite, with policy supports and market overhangs priced in. The market has been seeing better ADT in June, at HK\$149bn (April-May: HK\$117-119bn), amid the announcement of the Chinese Government's stimulus measures in various sectors. We think most of the market overhangs have already been priced in and the market's risk appetite should gradually improve in 2H. We expect the ADT for the rest of 2022 will stand at HK\$148bn and reach HK\$179bn in 2023.

Most of the current key risks in the market are being addressed. We think that (1) inflation is not China's major concern now, (2) drag on regulatory development seems muted after policy support was extended to the platform economy, (3) economic growth is being boosted by stimulus measures, (4) supply chain disruptions are less severe, and (5) the HK market is relatively less sensitive to interest rate concerns

ADT structural changes to persist in FY22-23F. ADT structural changes such as secondary listings, ETF Connect, MSCI derivatives, attractive valuation of the HK market vs. that of A-shares and the US, and higher southbound participation should support a further increase in trading activities when market uncertainties ease in FY23F.

Valuation:

We upgrade our recommendation to BUY with a higher TP of HK\$449. After rolling over from FY22F to FY23F earnings, our new TP is based on a 41x FY23F PE, pegged to +1SD of its 10-year mean.

Where we differ:

Our FY23F earnings are 7% lower than consensus. We think the global recession risk could have spillover effect to HK market in FY23F, where could lead to a slower trading activities in FY23.

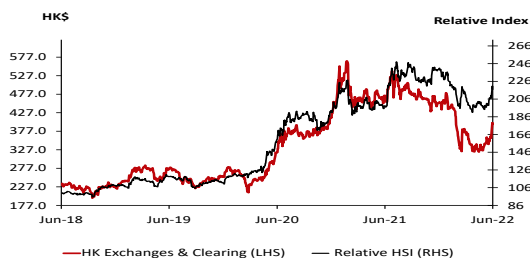
Key Risks to Our View:

Trading volume coming in higher than expected. Market overhangs clearing out earlier than expected.

At A Glance

Issued Capital (m shrs)	1,268
Mkt Cap (HKm/US\$m)	502,889 / 64,082
Major Shareholders (%)	
The Hong Kong Special Administrative Region	
Government	5.9
Free Float (%)	94.1
3m Avg. Daily Val. (US\$m)	221.17
GICS Industry: Financials / Diversified Financials	

Price Relative



Forecasts and Valuation

FY Dec (HK\$m)	2020A	2021A	2022F	2023F
Turnover	19,190	20,950	19,909	23,132
EBITDA	14,238	16,041	14,669	17,541
Pre-tax Profit	13,222	14,841	13,469	16,341
Net Profit	11,395	12,535	11,379	13,799
Net Profit Gth (Pre-ex) (%)	21.3	10.0	(9.2)	21.3
EPS (HK\$)	9.04	9.94	9.02	10.94
EPS Gth (%)	21.3	10.0	(9.2)	21.3
Diluted EPS (HK\$)	9.04	9.94	9.02	10.94
DPS (HK\$)	6.63	6.63	6.02	7.30
BV Per Share (HK\$)	38.79	39.35	38.91	39.13
PE (X)	42.6	38.7	42.6	35.1
P/Cash Flow (X)	32.8	36.9	40.5	33.6
P/Free CF (X)	36.1	40.7	45.4	36.8
EV/EBITDA (X)	33.4	28.4	30.7	25.2
Net Div Yield (%)	1.7	1.7	1.6	1.9
P/Book Value (X)	9.9	9.8	9.9	9.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	24.5	25.4	23.1	28.0
Earnings Rev (%)			0	8
Consensus EPS (HK\$)			9.58	11.36
Other Broker Recs:		B:34	S:1	H:5

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters



Watchlist the stock on Insights Direct to receive prompt updates



HK Exchanges & Clearing

WHAT'S NEW

Upgrade to BUY amid improved risk appetite in HK market

Upgrade HKEx to BUY amid improved risk appetite in HK market. HKEx YTD ADT stands at HK\$137bn and the market has been seeing a better ADT in June at HK\$149bn (April-May: HK\$117-119bn) amid the announcement of the Chinese Government's stimulus measures in various sectors. We think most of the market overhangs have already been priced in and the market's risk appetite should gradually improve in 2H. We expect ADT in 2H22F will likely improve to HK\$155bn and the rest of 2022 will stand at HK\$148bn. We upgrade HKEx to BUY amid an improved risk appetite in the HK market.

Most of the current key risks in the market are being addressed. We think that (1) inflation is not China's major concern now; (2) the drag on regulatory development seems muted after the support extended to the platform economy from Chinese high-level officials; (3) slower-than-expected economic growth is being boosted by various stimulus measures; (4) supply chain disruptions are less severe, while being fixed by the government with supports; and (5) the HK market is relatively less sensitive to interest rate concerns, as its underperformance last year was mostly due to regulatory challenges and the property crisis. Without any destructive development from the Ukraine-Russia war, most of the current key risks in the market are being addressed and the situation is improving.

HKEx announced the inclusion of ETFs in connectivity targets, with the official launch date of Monday, 4 July 2022. HKEx, SSE, SSE, and CSDC have reached a consensus on the overall scheme, trading arrangements, and eligibility criteria for the inclusion of ETFs in the Connectivity Target. This ETF inclusion has been brought up by the HKEx in previous earnings calls, however, the final decision was the Chinese Government's. The ETF Connect is widely considered as a "gift" for the 25th anniversary of return of HK as well as President Xi's arrival for the ceremony. The initial list of ETFs eligible for northbound trading contains a total of 83 ETFs from Shanghai and Shenzhen. The total average daily traded value of the 83 ETFs is RMB20.9bn for the past six months, equivalent to c.3% of the China market's ADT.

Southbound ETF will allow mainland investors to buy secondary listing companies. TRACKER FUND (2800 HK), HSCEI ETF (2828 HK), CSOP HS TECH (3033 HK), and ISHARESHSTECH (3067 HK) are eligible for southbound trading in Hong Kong. The total ADT value of the four ETFs

is HKD8.6bn for the past six months, equivalent to c.6% of the HK market's ADT. The southbound ETF will allow mainland investors to buy secondary listing companies such as Alibaba and JD.com through ETF Connect, as they are not eligible to trade on Southbound Stock Connect. The potential inclusion of secondary listing in Southbound seems more possible at this stage and it will be a positive catalyst to HKEx. *(Please see the full list below)*

We revised up our earnings by 8.4% for FY23F to reflect the earnings from rising HIBOR expectations and the implementation of ETF Connect. As the implementation will be in the beginning of July, we have slightly improved our expectations for northbound and southbound trading ADT, based on the participation rate of the Stock Connect programme. Moreover, the overnight HIBOR is the key indicator of HKEx's margin fund income. It rose to 0.38% overnight in contrast to last year, which was at around 0.05%. We have adjusted our assumption with our economist's expectation of the 3M HIBOR growing 4x in FY22F and 17% in FY23F. In addition, we have revised down our ADT expectation for FY22, however, the earning impact of the of the ADT revision is offset by the higher income from investment income. Our adjusted ADT For FY22/23F are HK\$148bn and HK\$179bn

Upgrade to BUY with a high TP of HK\$449. Along with the 25th anniversary of the handover of Hong Kong, we think this is a good opportunity to upgrade our recommendation, thanks to (1) the implementation of ETF Connect, (2) improved risk appetite in the HK market, and (3) the market uncertainties having already been priced into the current share price. The ETF Connect has cemented HK's position of the financial gateway between global investors and China. We upgrade to BUY with a high TP of HK\$449. After rolling over from FY22F to FY23F earnings, our new TP is based on a 41.0x FY23F PE, pegged to +1SD of its 10-year mean.

Company Background

Hong Kong Exchanges & Clearing Limited (HKEx) owns and operates the stock exchange, futures exchange, and their related clearing houses in Hong Kong. The company provides trading platforms for a range of cash and derivatives products and the facilities for processing trades.

HK Exchanges & Clearing

Northbound ETF Connect Eligibility List

No.	SSE / SZSE Stock Code	Name	6M Average daily traded value (RMB)
1	510050	CHINAAMC SSE 50 ETF	2,027,686,112
2	510180	HUAAN SSE 180 INDEX ETF	77,842,873
3	510230	GUOTAI SSE 180 FINANCIAL ETF	52,669,717
4	510300	HUATAI-PB CSI 300 ETF	2,248,671,854
5	510310	E FUND CSI 300 ETF	151,734,620
6	510330	CHINAAMC CSI 300 ETF	542,343,272
7	510350	ICBCCS CSI 300 INDEX ETF	35,543,672
8	510360	GF CSI 300 ETF	11,342,477
9	510380	CHINA LIFE AMP HS300 INDEX ETF	1,172,992
10	510500	CHINA SOUTHERN CSI 500 ETF	1,567,786,682
11	510510	GF CSI 500 ETF	49,416,743
12	510580	E FUND CSI 500 ETF	29,246,958
13	510810	CUAM CSI SHANGHAI SOES ETF	5,565,047
14	510880	HUATAI-PB SSE DIVIDEND ETF	338,986,927
15	512000	HWABAO WP BROKER ETF	752,047,499
16	512010	E FUND CSI 300 HEALTH CARE ETF	396,925,856
17	512170	HWABAO WP HEALTHCARE ETF	343,632,088
18	512290	GUOTAI CSI BIO-MEDICINE INDEX ETF	109,883,561
19	512400	CHINA SOUTHERN CSI SWS NF METAL ETF	155,506,888
20	512480	CPIC SEMICON ETF	417,007,215
21	512500	CHINAAMC CSI 500 ETF	189,853,745
22	512580	GF CSI ENVIRONMENTAL PROTECTION IND ETF	69,101,155
23	512660	GUOTAI CSI NATION DEFENSE IND INDEX ETF	533,891,597
24	512670	PENGHUA CSI DEFENSE INDEX ETF	128,501,580
25	512680	GF CSI NATIONAL DEFENSE INDUSTRY ETF	35,179,524
26	512690	PENGHUA CSI ALCOHOLIC DRINK INDEX ETF	478,435,911
27	512700	CHINA SOUTHERN CSI BANKS ETF	142,485,691
28	512710	FULLGOAL CSI AERO DEFENSE INDEX ETF	138,981,946
29	512760	GUOTAI CES CHINA SEMICON CHIP INDEX ETF	326,002,941
30	512800	HWABAO WP BANK ETF	366,801,862
31	512880	GUOTAI CSI ALL SHARE INDEX ETF	1,363,958,268
32	512900	CHINA SOUTHERN CSI ALL SHARE INDEX ETF	97,318,948
33	512950	CHINAAMC CSI CENTRAL-SOES' REFORM ETF	2,614,283
34	512960	BOSERA CSI CENTRAL-SOES STRL REFORM ETF	911,884
35	512980	GF CSI MEDIA INDEX ETF	91,897,269
36	515000	HWABAO WP TECHNOLOGY ETF	55,363,698
37	515030	CHINAAMC CSI NEW ENERGY VEHICLES ETF	434,988,741
38	515050	CHINAAMC CSI 5G COMMUNICATION ETF	132,839,141
39	515170	CHINAAMC CSI FOOD&BEVERAGE SUB-IND ETF	124,538,916
40	515290	TH CSI BANKS ETF	76,553,888
41	515330	TH CSI 300 ETF	9,345,750
42	515380	TAIKANG CSI 300 INDEX ETF	103,178,804
43	515600	GF CSI CENTRAL-SOES INNOV DRIVEN ETF	1,580,996
44	515650	FULLGOAL CSI CONSUMER 50 INDEX ETF	55,655,626

Source: HKEx, Thomson Reuters

HK Exchanges & Clearing

Northbound ETF Connect Eligibility List

No.	SSE / SZSE Stock Code	Name	6M Average daily traded value (RMB)
45	515680	HARVEST CSI CENTRAL-SOES INNOV ETF	2,856,740
46	515700	PING AN CSI NEW ENERGY AUTOMOB IND ETF	265,547,069
47	515790	HUATAI-PB CSI PHOTOVOLTAIC INDUSTRY ETF	724,790,216
48	515800	CUAM CSI 800 ETF	35,832,249
49	515880	GUOTAI CSI ALL SHARE COMM EQP INDEX ETF	41,555,613
50	515900	BOSERA CSI CENTRAL-SOES TECH INNOV ETF	23,550,648
51	516150	HARVEST CSI RARE EARTH INDUSTRY ETF	89,531,952
52	516160	CHINA SOUTHERN CSI NEW ENERGY ETF	158,953,513
53	516970	GF CSI CONSTRUCTION ENGINEERING ETF	294,628,897
54	159736	FOOD & BEVERAGE ETF	24,715,517
55	159755	GF BATTERY ETF	135,364,692
56	159790	CARBON NEUTRALITY	156,614,439
57	159801	GF CHIPS ETF	41,006,923
58	159806	NEW ENERGY CARS	57,321,965
59	159819	AI INTELLIGENCE	46,382,175
60	159820	TH 500 ETF	7,939,962
61	159825	AGRICULTURE ETF	146,265,502
62	159837	BIOTECHNOLOGY	71,404,690
63	159841	TH IBB ETF	99,506,515
64	159901	EFUND SSE100 ETF	80,380,984
65	159905	ETFSHL	72,988,917
66	159915	CHINEXT ETF	1,130,888,198
67	159919	CSI300ETF	475,815,909
68	159922	CSI500ETF	134,462,236
69	159925	CS300ETF	2,912,171
70	159928	CSI CONS STAP ETF	157,875,279
71	159938	HEALTH CARE ETF	31,749,033
72	159940	FINANCIALS	9,281,221
73	159948	CHINEXT ETF	24,718,026
74	159949	CHINEXT 50 ETF	1,021,330,335
75	159952	CYETF	65,053,780
76	159959	CENTRAL-SOES ETF	2,524,831
77	159967	CHINEXT MG ETF	154,827,935
78	159977	TH CHINEXT ETF	25,680,637
79	159992	BRAND NAME DRUG ETF	136,036,705
80	159994	YINHUA 5G ETF	39,060,598
81	159995	CHIPS ETF	524,957,318
82	159996	HOME APPLIANCES ETF	120,309,692
83	159998	TH COMPUTER ETF	13,552,802

Source: HKEx, Thomson Reuters

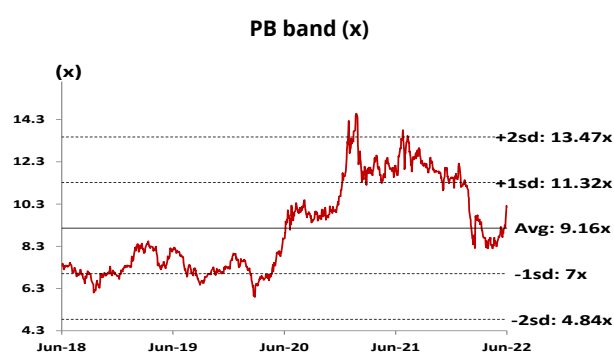
HK Exchanges & Clearing

Eligible for Southbound Trading in Hong Kong

No.	HKSE Stock Code	Name	6M Average daily traded value (HKD)
1	2800	TRACKER FUND	3,796,616,034
2	2828	HSCEI ETF	3,639,100,577
3	3033	CSOP HS TECH	1,058,119,267
4	3067	ISHARESHSTECH	153,587,234

Source: HKEx, Thomson Reuters

Historical PE and PB band



Source: Thomson Reuters, DBS HK

HK Exchanges & Clearing

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
ADT on the Stock Exchange (\$bn)	87.2	129.5	166.0	147.7	178.5
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	18.0	18.6	20.1	22.2	26.8
ADT of Northbound Trading	41.7	91.3	120.1	110.1	140.7
ADT of Southbound Trading (HK\$bn)	10.8	24.4	24.4	35.5	46.9
Number of newly listed companies on Main Board	168.0	146.0	97.0	97.0	97.0

Source: Company, DBS HK

Segmental Breakdown (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (HK\$ m)					
Cash instruments	3,646	4,991	6,131	5,038	5,830
Equity and Financial Derivatives	2,988	3,241	3,436	3,491	4,145
Commodities	1,399	1,454	1,478	1,426	1,494
Clearing	6,226	7,637	7,995	8,219	9,714
Platform and Infrastructure	796	910	1,050	1,208	1,389
Corporate Items	1,256	957	860	529	561
	N/A	N/A	N/A	N/A	N/A
Total	16,311	19,190	20,950	19,909	23,132
Gross margin (HK\$ m)					
Cash instruments	3,043	4,396	5,517	4,202	4,884
Equity and Financial Derivatives	2,437	2,549	2,645	2,845	3,393
Commodities	731	762	783	744	783
Clearing	5,402	6,752	7,125	7,126	8,460
Platform and Infrastructure	551	606	731	835	965
Corporate Items	99	(424)	(546)	(856)	(717)
	N/A	N/A	N/A	N/A	N/A
Total	12,263	14,641	16,269	14,897	17,769
Gross margin Margins (%)					
Cash instruments	83.5	88.1	90.0	83.4	83.8
Equity and Financial Derivatives	81.6	78.6	77.0	81.5	81.9
Commodities	52.3	52.4	53.0	52.2	52.4
Clearing	86.8	88.4	89.1	86.7	87.1
Platform and Infrastructure	69.2	66.6	69.6	69.2	69.5
Corporate Items	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
Total	75.2	76.3	77.7	74.8	76.8

Source: Company, DBS HK

HK Exchanges & Clearing

Income Statement (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	16,311	19,190	20,950	19,909	23,132
Cost of Goods Sold	0	0	0	0	0
Gross Profit	16,311	19,190	20,950	19,909	23,132
Other Opng (Exp)/Inc	(5,092)	(5,746)	(6,035)	(6,366)	(6,717)
Operating Profit	11,219	13,444	14,915	13,543	16,415
Other Non Opg (Exp)/Inc	0	(110)	0	0	0
Associates & JV Inc	32	69	80	80	80
Net Interest (Exp)/Inc	(300)	(181)	(154)	(154)	(154)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	10,951	13,222	14,841	13,469	16,341
Tax	(1,561)	(1,845)	(2,343)	(2,126)	(2,580)
Minority Interest	1	18	37	37	37
Preference Dividend	0	0	0	0	0
Net Profit	9,391	11,395	12,535	11,379	13,799
Net Profit before Except.	9,391	11,395	12,535	11,379	13,799
EBITDA	11,695	14,238	16,041	14,669	17,541
Growth					
Revenue Gth (%)	2.8	17.7	9.2	(5.0)	16.2
EBITDA Gth (%)	1.4	21.7	12.7	(8.6)	19.6
Opg Profit Gth (%)	2.0	19.8	10.9	(9.2)	21.2
Net Profit Gth (%)	0.8	21.3	10.0	(9.2)	21.3
Margins & Ratio					
Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margin (%)	68.8	70.1	71.2	68.0	71.0
Net Profit Margin (%)	57.6	59.4	59.8	57.2	59.7
ROAE (%)	22.1	24.5	25.4	23.1	28.0
ROA (%)	3.5	3.4	3.1	2.9	3.5
ROCE (%)	21.0	22.8	23.5	21.4	26.0
Div Payout Ratio (%)	89.0	73.3	66.7	66.7	66.7
Net Interest Cover (x)	37.4	74.3	96.9	87.9	106.6

Source: Company, DBS HK

HK Exchanges & Clearing

Balance Sheet (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	1,589	1,657	1,605	1,537	183
Invt in Associates & JVs	95	164	244	142	161
Other LT Assets	22,172	21,592	22,386	22,386	22,386
Cash & ST Invt	10,603	10,417	30,242	35,239	44,273
Inventory	0	0	0	0	0
Debtors	25,791	47,059	32,717	18,341	18,341
Other Current Assets	218,801	318,218	312,112	316,227	315,208
Total Assets	279,051	399,106	399,304	393,868	400,549
ST Debt	338	340	340	340	340
Creditors	22,447	42,974	28,335	23,497	27,354
Other Current Liab	208,152	303,020	317,289	317,289	319,869
LT Debt	80	83	86	85	85
Other LT Liabilities	3,533	3,453	3,344	3,344	3,344
Shareholder's Equity	44,173	48,918	49,626	49,067	49,346
Minority Interests	328	318	284	247	210
Total Cap. & Liab.	279,051	399,106	399,304	393,868	400,549
Non-Cash Wkg. Capital	13,993	19,283	(795)	(6,219)	(13,674)
Net Cash/(Debt)	10,185	9,994	29,816	34,815	43,848
Debtors Turn (avg days)	493.8	692.8	694.9	468.0	289.4
Creditors Turn (avg days)	(7,135.0)	(9,974.4)	(9,611.4)	(6,986.3)	(6,854.1)
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.1	1.1	1.1	1.1	1.1
Quick Ratio (x)	0.2	0.2	0.2	0.2	0.2
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	261.0	319.4	286.6	302.9	294.8
Z-Score (X)	1.6	1.6	1.7	1.7	1.7

Source: Company, DBS HK

Cash Flow Statement (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	10,951	13,222	14,841	13,469	16,341
Dep. & Amort.	1,044	1,198	1,356	1,357	1,358
Tax Paid	(431)	(1,845)	(2,343)	(2,126)	(2,580)
Assoc. & JV Inc/(loss)	(32)	(69)	(80)	(80)	(80)
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	65	(127)	(101)	(113)	(69)
Other Operating CF	(1,535)	2,391	(546)	(546)	(546)
Net Operating CF	10,062	14,770	13,127	11,961	14,425
Capital Exp.(net)	(1,091)	(1,351)	(1,221)	(1,286)	(1,254)
Other Invt.(net)	(2,435)	(6,131)	0	0	0
Invt in Assoc. & JV	0	0	(80)	103	(20)
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	41	0	0	0	0
Net Investing CF	(3,485)	(7,482)	(1,301)	(1,184)	(1,273)
Div Paid	(5,785)	(6,983)	(5,908)	(5,506)	(3,841)
Chg in Gross Debt	(1,121)	(118)	(119)	(118)	(119)
Capital Issues	0	0	0	0	0
Other Financing CF	(248)	(373)	14,027	(154)	(154)
Net Financing CF	(7,154)	(7,474)	8,000	(5,778)	(4,114)
Currency Adjustments	0	0	0	0	0
Chg in Cash	(577)	(186)	19,826	4,999	9,037
Opg CFPS (HK\$)	7.93	11.81	10.49	9.57	11.49
Free CFPS (HK\$)	7.11	10.64	9.44	8.47	10.44

Source: Company, DBS HK

HK Exchanges & Clearing

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	12-Aug-21	HK\$517.50	HK\$501.00	Hold
2:	28-Oct-21	HK\$474.80	HK\$501.00	Hold
3:	25-Feb-22	HK\$394.60	HK\$422.00	Hold
4:	28-Apr-22	HK\$321.40	HK\$361.00	Hold

Source: DBS HK

Analyst: Dennis Lam

Byron Lam

HK Exchanges & Clearing

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 29 Jun 2022 17:29:38 (HKT)

Dissemination Date: 29 Jun 2022 18:34:00 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

HK Exchanges & Clearing

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES


1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have a proprietary position in Hong Kong Exchanges & Clearing Ltd (388 HK) recommended in this report as of 27 Jun 2022.
2. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
3. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

HK Exchanges & Clearing

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBSR </p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
United Kingdom	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

HK Exchanges & Clearing

<p>Dubai International Financial Centre</p>	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
<p>United States</p>	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<p>Other jurisdictions</p>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

HK Exchanges & Clearing

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,

18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong

12 Marina Boulevard,

Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Pivat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand