

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Sector

Industrial Automation

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Demand stabilises with marginal recovery in 4Q23, demand driver to shift in 2024. Downgrade to MARKET WEIGHT.

Results

Baidu Inc (9888 HK/BUY/HK\$107.40/Target: HK\$166.00)

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3Q23: Earnings beat; expecting monetisation of ERNIE 4.0.

Kuaishou Technology (1024 HK/BUY/HK\$58.50/Target: HK\$97.00)

Page 8

3Q23: Solid earnings beat; key beneficiary of adtech tailwinds.

Miniso (MNSO US/NOT RATED/US\$27.66)

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1QFY24: Earnings beat; strong growth from overseas and good momentum in 4Q23.

Trip.com (9961 HK/BUY/HK\$280.40/Target: HK\$420.00)

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3Q23: Earnings beat; 2024 prospects fuelled by international and outbound travel.

TRADERS' CORNER

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Kuaishou Technology (1024 HK): Trading Buy range: HK\$56.00-58.50

China Southern Airlines Company (1055 HK): Trading Buy range: HK\$3.78-3.88

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
27 Nov	China	Oct Industrial Profits
30 Nov	China	Nov NBS PMI
01 Dec	China	Caixin Nov Manufacturing PMI
07 Dec	China	Nov Trade
09 Dec	China	Nov Inflation
09-15 Dec	China	Nov Money Supply And Credit
15 Dec	China	Nov Economic Activities
20 Dec	China	Dec Loan Prime Rate
27 Dec	China	Nov Industrial Profits
30 Dec	China	Dec NBS PMI

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	35088.3	(0.2)	0.7	5.9	5.9
S&P 500	4538.2	(0.2)	0.9	7.4	18.2
FTSE 100	7482.0	(0.2)	0.6	1.1	0.4
AS30	7289.3	0.3	1.1	2.8	0.9
CSI 300	3581.1	0.1	(0.0)	2.0	(7.5)
FSSTI	3096.3	(0.5)	(0.3)	0.6	(4.8)
HSCEI	6076.7	(0.4)	1.9	3.5	(9.4)
HSI	17733.9	(0.2)	1.9	3.3	(10.4)
JCI	6961.8	(0.5)	1.5	1.6	1.6
KLCI	1463.4	0.4	0.8	1.6	(2.1)
KOSPI	2510.4	0.8	3.2	5.7	12.3
Nikkei 225	33354.1	(0.1)	2.0	6.7	27.8
SET	1423.6	0.3	2.7	1.7	(14.7)
TWSE	17416.7	1.2	3.0	5.9	23.2
BDI	1796	(1.2)	8.1	(12.2)	18.5
CPO (RM/mt)	3777	(0.6)	2.9	2.3	(6.7)
Brent Crude (US\$/bbl)	82	0.1	(0.0)	(10.5)	(4.0)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XIAOMI CORP-W	15.38	(4.9)	2,728.2
JD-SW	110.80	2.0	1,398.5
LI AUTO INC-A	159.50	(0.9)	1,359.9
KUAISHOU-W	58.50	(2.7)	1,308.2
NETEASE INC	179.60	(2.0)	1,126.7

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
LONGFOR GROUP HO	13.64	4.8	188.9
CHINA JINMAO HOL	0.90	3.4	37.5
BIDU-SW	107.40	2.8	836.6
BILIBILI INC-Z	112.70	2.5	307.5
LINK REIT	39.70	2.3	375.4

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XIAOMI CORP-W	15.38	(4.9)	2,728.2
PING AN HEALTHCA	18.26	(3.6)	47.8
LENOVO GROUP	9.52	(3.4)	565.3
ZHONGSHENG GROUP	19.40	(3.2)	63.7
SENSETIME-W	1.50	(3.2)	180.9

*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

SECTOR UPDATE

Industrial Automation – China

Demand Stabilises With Marginal Recovery In 4Q23; Demand Driver To Shift In 2024

We are starting to see a marginal orders recovery in some cyclical verticals and consumer electronics, although visibility is still limited while the impact from foreign brands' destocking may last into 1Q24. Demand drivers will shift in 2024 as cyclical and consumer electronics recover while solar and Li-ion weaken; as such, brands with a diversified product mix should be better positioned to capture the recovery cycle in 4Q23-1H24. Downgrade to MARKET WEIGHT as the recovery turned out weaker than expected.

WHAT'S NEW

- **Recent industry data checkup.** According to MIR Databank, China's automation market registered a 2% yoy decline in 3Q23. The factory automation (OEM) market registered a 9% yoy decline during the quarter, which is worse than our estimate, while end-user (process automation) market registered a better-than-expected 2% yoy growth from a high base. Industrial robot's shipment was also below our expectation with a 2.1% yoy decline, as big robot consumer verticals such as Li-ion, 3C, auto OEMs, and home appliances all registered double-digit yoy declines. On the bright side, domestic names still outperformed the market thanks to robust share gains, with Estun retaining its spot as the second-largest industrial robot supplier in China at 9% share, while Inovance's servo motor share reached another new high at >30%.
- **Most players believe demand had troughed, but recovery may take some time.** Most of the foreign companies believe that 2Q23-3Q23 could have marked the trough of this industrial automation downcycle. However, almost all remained relatively cautious regarding the upcoming recovery as there are still no signs of a big recovery in end-demand yet. Nevertheless, the domestic players remarked that some of the cyclical verticals (general machine tools, plastic injection moulding machines (PIMMs), lathes etc) started to see signs of recovery by end-3Q23, while the strong sales growth in October and 11.11 promotions had reignited in some confidence and interest in spending from consumer electronics supply chain (smartphones, PCBs etc).
- **October orders saw improvement.** Both Inovance's and Estun's orders growth remained strong at 30%/20% yoy in Oct 23 (albeit from a low base) thanks to sustained share gain. For the more cyclical verticals, such as PIMMs, leading players Haitian (1882 HK) and Yizumi (300415 CH) registered positive orders growth since August, and the yoy growth could have reached double digits in Sep-Oct 23; machine tools and lathes had started to see sequential recovery in orders in Oct 23 as well. Airtac (1590 TT), the Taiwanese pneumatic/linear guide component maker with >95% exposure to China registered a 22% yoy growth in monthly sales in Sep and Oct 23 with strong support from energy (mostly solar), general machinery and packaging.
- **Foreign brands' destocking may last through 1Q24.** According to Japan's Machine Tools Builder's Association, new orders from China declined 40.2% yoy in Sep 23 and by 23.3% ytd. The sharp declines in new orders is primarily due to the ongoing inventory problem at the local distributor level, and given the weak demand recovery and intense competition from local competitors, the progress of destocking was slower than expected. The headwinds are apparent as FANUC/Yaskawa/Omron's orders from China in 3Q23 registered another 4%/12%/23% qoq decline vs an already low base from 2Q23. Generally, consensus expects the destocking to last until at least the rest of 2023, and may drag into 1Q24.

PEER COMPARISON

Company	Ticker	Rec	Price @ 21 Nov 23 (Rmb)	Target Price (Rmb)	Upside/ (Downside) to TP (%)	Market Cap (Rmbm)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	ROE (%)	Net Gearing (Cash) (%)
Inovance	300124 CH	BUY	61.92	82.00	32.4	163,840	34.2	28.6	6.9	5.8	19.9	(28.0)
Estun	002747 CH	BUY	20.33	24.00	18.1	17,618	89.9	55.5	5.9	5.3	6.8	78.0
Shuanghuan Driveline	002472 CH	BUY	27.89	31.80	14.0	23,787	29.1	23.1	2.9	2.6	10.5	4.2
Han's Laser	002008 CH	HOLD	22.73	21.00	(7.6)	23,916	24.3	19.0	1.9	1.7	5.4	(21.5)

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Downgraded)

SECTOR PICKS

Company	Ticker	Rec	Share Price (Rmb)	Target Price (Rmb)
Inovance	300124 CH	BUY	61.92	82.00

Source: UOB Kay Hian

ANALYST(S)

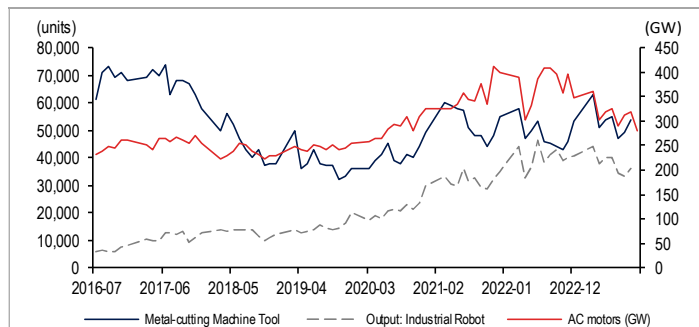
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- **There will be changes in demand drivers in 2024.** In 2023, the key demand growth driver primarily came from solar (solar robot shipment was up 100% in 9M23), automotive electronics, and semiconductors, whereas in 2021-1Q23, Li-ion battery contributed to a large part of growth. This is part of the reason behind domestic brands' strong share gains especially in 2023, as solar and Li-ion battery are the two verticals where domestic players have an advantage over foreign competitors in certain applications. However, after the rapid capacity expansion for Li-ion and solar in the past 1-2 years, investment into Li-ion had already slowed significantly since 2Q23, and capex into solar is expected to peak in 2023 before declining in 2024. On the other hand, sectors that remained sluggish in the past year, namely consumer electronics, and general machineries, are starting to pick up to be the key growth drivers in 2024. As such, we are turning more selective on our stock picks and expect names with higher exposure to consumer electronics, and general industries to outperform names with high correlation with the new energy sectors.

ACTION

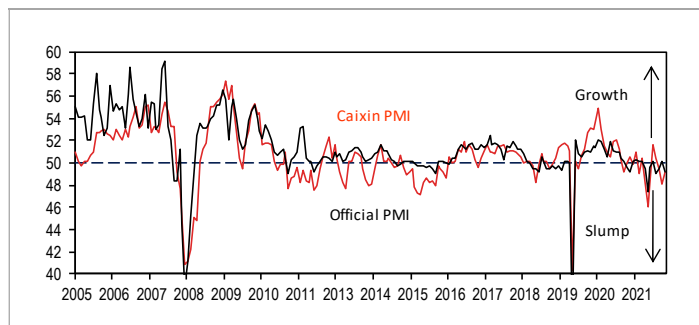
- **Downgrade to MARKET WEIGHT.** We believe China's automation market is steadily and slowly recovering from 4Q23-1H24, albeit at a slower pace than our previous expectation. We are now expecting a 2.4% yoy fall in China's automation demand in 2023 before a 1.7% mild recovery in 2024. We are also lowering our 2023 industrial robot shipment forecast from +5.0% to flat yoy, and now expect a 5% yoy growth in 2024. We downgrade the sector to MARKET WEIGHT given the limited visibility of the rate of recovery. Note that the estimates of our covered stocks remain unchanged as we have revised down our assumptions on their automation and robotics business previously.
- **Inovance (300124 CH/BUY/Target: Rmb82.00).** Inovance has less exposure to Solar (about 15% of automation revenue), and a diverse product portfolio with larger exposure in the consumer electronics, general machineries and other cyclical industries (>50% of automation revenue). We also believe Inovance is one of best-positioned domestic automation brand to capture opportunities from import substitution given its: a) leadership among domestic brands, and b) sustained investment in the R&D of new products (eg large-programmable logic controllers, high-voltage inverters, linear guide and pneumatic equipment) and initiatives (eg digitalisation solutions, energy management solutions). Maintain BUY. Our target price of Rmb82.00 is based on 38.3x 2024F PE, on a par with five-year average historical forward mean.
- **Estun (002747 CH/BUY/Target: Rmb24.00).** We like Estun for its leading position among domestic industrial robot brands, especially its specialisation in large six-axis robots, and medium plated welding robots which should enjoy a better growth from 2024 onwards given the recovery in cyclical industries such as metal structure, and heavy equipment. However, we are growing more concerned over its large exposure to solar (around 25% of total shipment), given the expected slowdown in solar capex in 2024. Its story in penetrating the auto parts supply chain/OEM may also be impacted by a sustained slowdown in capex into the EV supply chain in 2024. Estun will likely fall short of its full-year 2023 incentive target of Rmb300m (about Rmb260m including expenses related to incentive scheme), given the weaker-than-expected recovery in end-demand, and delays in revenue recognition overseas. Maintain BUY but hold a more cautious view of the stock's development in the short-medium term. Our target price of Rmb24.00 is based on 65.6x 2024F PE, 1SD below its five-year average historical forward mean.
- **Han's Laser (002008 CH/HOLD/Target: Rmb21.00).** Han's Laser's earnings were severely impacted by the lack of design changes in the iPhone, and the sharp slowdown in investment on from printed circuit board (PCB) clients. The company's PCB business could start to recover at a slower pace by end-23 into 2024, but its consumer electronics business may see limited benefits from the recovery in demand in 2024 as >90% of its consumer electronic equipment sales came from Apple (and 2024's recovery will be led by Android). Nevertheless, Apple's capacity expansion in SEA and the mass production of Vision Pro in early-24 may provide a boost to its consumer electronics business in 2024. We maintain HOLD for now, but we are closely monitoring its business development as we see risks leaning to the upside as the market should have limited expectation for Han's Laser. Our target price of Rmb21.00 is based on 17.5x 2024F PE, 1SD below its five-year average historical forward mean.

SALES VOLUME BASED ON MACHINE TYPES



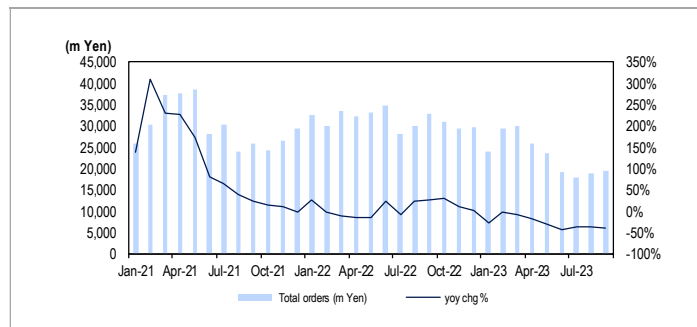
Source: National Bureau of Statistics of China, UOB Kay Hian

CHINA'S CAIXIN AND OFFICIAL PMI



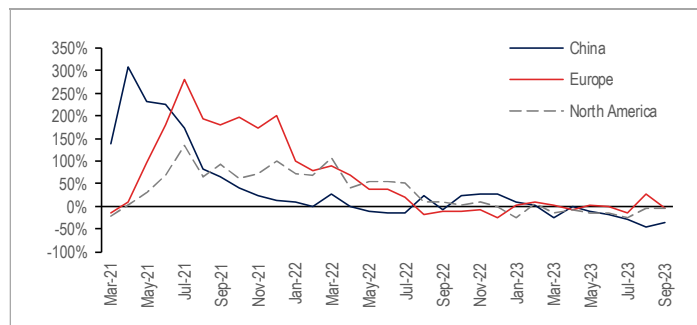
Source: National Bureau of Statistics of China, UOB Kay Hian

JAPANESE MACHINE TOOLS ORDER FROM CHINA



Source: JMTBA, UOB Kay Hian

JAPANESE MACHINE TOOLS YOY GROWTH BASED ON REGION



Source: JMTBA, UOB Kay Hian

COMPANY RESULTS

Baidu Inc (9888 HK)

3Q23: Earnings Beat; Expecting Monetisation Of ERNIE 4.0

Baidu's 3Q23 earnings beat expectations. Revenue grew 6% yoy to Rmb34b, in line with the street's estimate. Gross margin expanded 2.7ppt yoy to 52.7%, above consensus expectation. Non-GAAP operating profit was Rmb7.6b, up 9% yoy, while non-GAAP operating profit margin came in at 22%, beating our estimate. Despite investments in AI, non-GAAP net profit improved 23% yoy to Rmb7.3b, exceeding consensus estimate by 16%. Maintain BUY with a lower target price of HK\$166.00 (US\$171.00).

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	QoQ	YoY	UOBKH	Var	Cons	Var
Total Net revenue	32,540	34,056	34,447	1%	6%	36,176	-4.8%	34,207	0.7%
Online marketing services	19,943	21,081	21,346	1%	7%	22,187	-3.8%		
Others	12,597	12,975	13,101	1%	4%	13,989	-6.3%		
COGS	16,273	16,167	16,294	1%	0%	17,555	-7.2%		
Gross profits	16,267	17,889	18,153	1%	12%	18,621	-2.5%	17,420	4.2%
GPM	50.0%	52.5%	52.7%	0.2 ppts	2.7 ppts	51.5%	1.2 ppts	50.9%	1.8 ppts
Operating expenses	11,034	12,873	12,018	-7%	9%	13,528	-11.2%		
Non-GAAP operating income	6,986	7,334	7,596	4%	9%	7,189	5.7%		
Non-GAAP OPM	21%	22%	22%	0.5 ppts	0.6 ppts	19.87%	2.2 ppts		
Non-GAAP net income	5,889	7,998	7,267	-9%	23%	6,432	13.0%	6,277	15.8%
Non-GAAP EPS (RMB)	2.11	2.75	2.55	-7%	21%	2.21	15.3%	2.20	16.0%
Non-GAAP Net Margin	18.1%	23.5%	21.1%	-2.4 ppts	3.0 ppts	17.8%	3.3 ppts	18.4%	2.7 ppts

Source: Baidu Corp Ltd, UOB Kay Hian

RESULTS

- Subdued revenue growth momentum in 3Q23.** Baidu Inc's (Baidu) core search revenue climbed 5% yoy to Rmb26.6b in 3Q23 (2Q23: +14 yoy), driven by normalising offline activities. Online marketing revenue growth moderated to 7% yoy vs 15% in 2Q23, primarily due to weaker demand for non-e-commerce ads coupled with a soft macro backdrop. In Sep 23, Baidu App's monthly active users (MAU) reached 663m, up 5% yoy. Managed Page accounted for 53% of Baidu Core's online marketing revenue in 3Q23. iQiyi delivered a softer revenue growth of 7% yoy to Rmb8b (2Q23: +17.2%), with advertising revenue growth of 34% yoy. iQiyi daily subscribers decreased 3.7m qoq to 107.5m, given natural seasonality and weaker content released.
- Margin overview.** Gross margin edged up 2.7ppt yoy to 52.5%. 3Q23 non-GAAP operating income came in at Rmb7.6b, with non-GAAP operating margin expanding 1ppt yoy to 22%, driven by a sequential decline in headcount and promotional marketing expenses. Baidu Core also delivered 25% core operating profit margin in 3Q23, improving from 3Q22's 25.5%. iQiyi also delivered strong earnings beat with operating margin of 11% in 3Q23, driven by healthy advertising recovery. Non-GAAP net profit was Rmb7.3b, coming in 16% above the street's estimates and translating to non-GAAP net profit margin of 21%. iQiyi's diluted non-GAAP earnings per ADS in 3Q23 was Rmb0.64 (3Q22: Rmb0.21; 2Q23: Rmb0.61). Baidu returned US\$126mn to shareholders in 3Q23, and cumulative repurchase reached US\$351m under its share repurchase programme.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	124,493	123,221	135,606	147,577	158,515
EBITDA	16,402	21,934	28,938	26,672	28,922
Operating profit	10,518	15,457	21,833	19,778	22,135
Net profit (rep./act.)	7,591	7,534	23,536	19,839	22,393
Net profit (adj.)	18,830	20,680	27,545	28,246	31,472
EPS (Fen)	676.7	728.0	941.5	937.3	1,023.9
PE (x)	14.5	13.5	10.4	10.5	9.6
P/B (x)	1.3	1.2	1.1	1.0	0.9
EV/EBITDA (x)	10.5	7.8	5.9	6.4	5.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.1	6.1	17.4	13.4	14.1
Net debt/(cash) to equity (%)	(20.6)	(26.5)	(43.7)	(47.3)	(50.2)
ROE (%)	3.9	3.5	9.8	7.3	7.4
Consensus net profit	-	-	26,227	26,464	29,839
UOBKH/Consensus (x)	-	-	1.05	1.07	1.05

Source: Baidu Inc, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$107.40
Target Price	HK\$166.00
Upside	+54.6%
(Previous TP)	HK\$183.00)

COMPANY DESCRIPTION

Baidu Inc is a leading internet company that offers algorithmic search, enterprise search, news, voice assistance, online storage and navigation services.

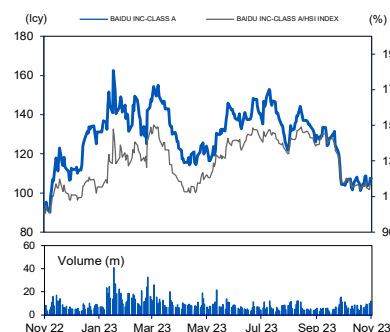
STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	9888 HK
Shares issued (m):	2,255.4
Market cap (US\$m):	300,373.9
Market cap (US\$m):	38,529.7
3-mth avg daily t'over (US\$m):	96.7

Price Performance (%)

52-week high/low				HK\$162.50/HK\$89.90	
1mth	3mth	6mth	1yr	YTD	
3.0	(11.9)	(10.5)	17.1	(3.8)	
Major Shareholders				%	
BlackRock Inc				6.7	
BBH & CO				4.9	
Vanguard Group Inc				4.0	
FY23 NAV/Share (Rmb)				88.74	
FY23 Net Cash/Share (Rmb)				38.79	

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Better visibility for AI cloud recovery in 4Q23.** Other revenue delivered 4% yoy growth, moderating from 14.7% yoy in 2Q23, and mainly dampened by lacklustre demand in intelligent transportation projects. AI Cloud revenue grew 15% yoy to Rmb5.2b, partially impacted by the delay in fee collection and cloud project completion. Baidu expects a positive rebound in AI cloud revenue during 4Q23, propelled by the growing momentum generated by AI-related dependency coupled with a lower base.
- **Emerging revenue stream for AI cloud and online ad.** Baidu updated its Ernie LLM 4.0 and opened API access to enterprise clients. The paid version of Ernie Bot was released in Oct 23, with a subscription fee of Rmb49.90 per month for auto-renewal subscriptions. The subscription allows users to make 100 enquiries every three hours via Ernie Bot 4. In addition, Baidu has developed an advertiser-facing marketing platform that helps to enhance advertiser ROI. The AI-driven ads tool targets to improve the billing system and increase in-app conversion/ROI. Advertisers utilising these capabilities likely achieved a high single-digit increase in income conversion in 3Q23.
- **Addressing concerns on US chip restrictions.** Baidu highlighted that the recent US export chip ban will not significantly impact Baidu in the near term. Baidu possesses a substantial reserve of AI chips for continuous enhancements of Ernie Bot over the next year or two.
- **Apollo Go provided 821,000 rides in 3Q23,** surging by 73% yoy. As of end-Sep 23, cumulative rides provided to the public by Apollo Go reached 4.1m. In 3Q23, the proportion of fully driverless orders of Baidu's total products exceeded 40%, vs 35% in 2Q23.

EARNINGS REVISION/RISK

- We lower 4Q23/2023 revenue estimates by 2%/2% in view of softer-than-expected ad and cloud revenue growth. We raise non-GAAP net profit forecast by 6% for 2023 after seeing the higher-than-expected margin improvement in 3Q23. We expect Baidu to deliver adjusted net profit of Rmb27.5b/Rmb28.3b in 2023/2024, which should translate into net margin of 20%/19%.
- Risk: a) Weaker advertising business due to the macro slowdown and fierce competition in China's advertising industry, b) uncertainties over the autonomous driving segment and robotaxi launch, and c) the US' ban on the supply of high-end chips to Chinese tech giants.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of HK\$166.00 (US\$171.00).** We lower our core PE to 8x from 10x for 2024 given the tempered growth rate. We remain cautiously optimistic on Baidu given its softer ad growth, despite it being bolstered by its early-mover advantage in scalable AIGC monetisation. Our target price implies 3x 2023F P/S and 14.6x 2023F PE. The company is currently trading at 10.4x 12-month forward PE, below its historical mean of 17x.

SHARE PRICE CATALYST

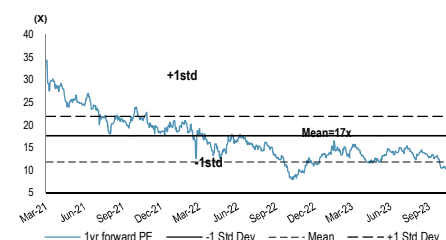
- a) Market share expansion in the AI cloud segment and autonomous driving segment, b) higher monetisation rates across all business units, and c) increase in synergies between Baidu's core business and new initiatives.

SOTP VALUATION

Segment (US\$m)	Rev 24F	NOPAT 24F	NOPAT 24F	P/E (x) 2024F	EV/S (x) 2024F	Valuation (Rmbm)	Valuation (US\$m)	Baidu's stake	To Baidu	\$/share	% of
Core, Advertising	80,553	24,234	3,854	8	0	209,653	30,831	100%	30,831	87.0	51%
Cloud (ex ADE)	1,789				5	60,822	8,944	100%	8,944	25.2	15%
iQiyi, long form video	5,210	136	294		1	21,419	3,150	56%	1,770	5.0	3%
Autos	1,600				4	93,946	13,816	82%	11,277	31.8	19%
- Apollo (ADE, Robotaxi)	1,267				5	55,587	8,175	100%	8,175	23.1	13%
- Intelligent EV	334				4	38,359	5,641	55%	3,103	8.8	5%
Xiaodu	680				2	13,600	2,000	60%	1,200	3.4	2%
Subtotal									54,023	152	89%
Total investments									4,595	13.0	8%
Core op. + investments									57,699	162.7	95%
Net cash									23,171	65.3	38%
NAV	22,213	2,912	3,622	23.0x	3.1x				80,869	228.1	133%
less holdco discount								25%	(20,217)	(57.0)	-33%
Total, in US\$m	22,213			17.0x	2.3x				60,652	171	
Total, in HK\$m									470,053	166	

Source: Baidu, UOB Kay Hian

12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	123,221	135,606	147,577	158,515
EBITDA	21,934	28,938	26,672	28,922
Deprec. & amort.	6,477	7,105	6,893	6,787
EBIT	15,457	21,833	19,778	22,135
Total other non-operating income	(6,527)	3,161	(427)	(603)
Associate contributions	(2,150)	(1,286)	(593)	(269)
Net interest income/(expense)	3,332	4,806	7,551	8,310
Pre-tax profit	10,112	28,513	26,309	29,572
Tax	(2,578)	(4,978)	(6,470)	(7,179)
Minorities	(25)	1,239	970	970
Net profit	7,534	23,536	19,839	22,393
Net profit (adj.)	20,680	27,545	28,246	31,472

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	22,213	45,712	40,081	44,011
Pre-tax profit	10,112	28,513	26,309	29,572
Tax	(2,578)	(4,978)	(6,470)	(7,179)
Deprec. & amort.	6,477	7,105	6,893	6,787
Working capital changes	(10,893)	(9,158)	(12,632)	(14,634)
Other operating cashflows	19,095	24,230	25,981	29,464
Investing	6,087	(16,081)	(16,851)	(18,873)
Capex (growth)	(9,915)	(11,403)	(13,113)	(15,080)
Others	16,002	(4,678)	(3,738)	(3,793)
Financing	10,906	(1,992)	335	335
Dividend payments	335	335	335	335
Issue of shares	0	335	335	335
Loan repayment	0	0	0	0
Others/interest paid	10,571	(2,662)	(335)	(335)
Net cash inflow (outflow)	39,206	27,639	23,565	25,473
Beginning cash & cash equivalent	47,671	86,877	114,516	138,081
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	64,486	114,516	138,081	163,554

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	23,973	23,373	23,275	22,928
Other LT assets	154,150	156,692	161,363	166,087
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	64,486	114,516	138,081	163,554
Other current assets	148,364	150,909	153,379	155,706
Total assets	390,973	445,490	476,098	508,275
ST debt	5,343	3,016	3,016	3,016
Other current liabilities	74,287	70,338	70,222	68,362
Other LT liabilities	73,538	73,538	73,538	73,538
Shareholders' equity	223,478	255,106	285,830	319,866
Minority interest	8,393	8,393	8,393	8,393
Total liabilities & equity	390,973	445,490	476,098	508,275

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	17.8	21.3	18.1	18.2
Pre-tax margin	8.2	21.0	17.8	18.7
Net margin	6.1	17.4	13.4	14.1
ROA	2.0	5.6	4.3	4.5
ROE	3.5	9.8	7.3	7.4
Growth				
Turnover	(1.0)	10.1	8.8	7.4
EBITDA	33.7	31.9	(7.8)	8.4
Pre-tax profit	(6.2)	182.0	(7.7)	12.4
Net profit	(0.8)	212.4	(15.7)	12.9
Net profit (adj.)	9.8	33.2	2.5	11.4
EPS	7.6	29.3	(0.4)	9.2
Leverage				
Debt to total capital	2.3	1.1	1.0	0.9
Debt to equity	2.4	1.2	1.1	0.9
Net debt/(cash) to equity	(26.5)	(43.7)	(47.3)	(50.2)

COMPANY RESULTS

Kuaishou Technology (1024 HK)

3Q23: Solid Earnings Beat; Key Beneficiary Of Adtech Tailwinds

Kuaishou's 3Q23 results saw a solid earnings beat. Revenue increased 21% yoy to Rmb27.9b, in line with the street's estimates. Gross profit margin improved 5ppt yoy to 52%. Non-IFRS profit for the period was Rmb3.2b, compared with Rmb2.7b in 2Q23, beating the street's estimates. Management also guided for a solid 4Q23 with mid-teens yoy revenue growth. The company remains confident about achieving Rmb2t in e-commerce GMV by 2025. Maintain BUY. Target price: HK\$97.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	QoQ	YoY	UOBKH	Var	Cons	Var
Total Net revenue	23,128	27,744	27,948	1%	21%	28,085	-0.5%	27,708	0.9%
Live streaming	8,947	9,968	9,719	-2%	9%	9,883	-1.7%		
Online marketing	11,590	14,347	14,690	2%	27%	14,370	2.2%		
Other services	2,592	3,429	3,539	3%	37%	3,832	-7.6%		
COGS	12,425	13,810	13,495	-2%	9%	14,029	-3.8%		
Gross profits	10,703	13,934	14,453	4%	35%	14,057	2.8%	14,025	3.1%
GPM	46%	50%	52%	3%	5 ppts	50.1%	2 ppts	51%	1.1 ppts
Non-IFRS OP	(904)	2,352	3,082	31%	441%	2,877	7.1%		
Non-IFRS OPM	-4%	8%	11%	3 ppts	15 ppts	10.24%	1 ppts		
Non-IFRS net income	(672)	2,694	3,173	18%	572%	2,791	13.7%	2,660	19.3%
Non-IFRS EPS (RMB)	(0.2)	0.6	0.7	14%	552%	0.64	11.1%	0.60	18.6%
Non-IFRS Net Margin	-3%	10%	11%	2 ppts	14 ppts	9.9%	1 ppts	9.6%	2 ppts

Source: Kuaishou, UOB Kay Hian

RESULTS

- Strong top-line growth momentum in 3Q23.** Kuaishou Technology's (Kuaishou) online marketing services revenue grew 27% yoy to Rmb14.7b in 3Q23 given enhanced monetisation efficiency. The number of active advertisers on Kuaishou's platform jumped by 140% yoy in 3Q23. Live-streaming revenue delivered a moderated growth of 9% yoy (2Q23: 16%; 3Q22: 16%), supported by a >40% growth in the number of streamers managed by talent agencies, while average daily live-streaming time of streamers ramped up by nearly 30% yoy. E-commerce gross merchandise value (GMV) grew 30% yoy while revenue jumped 37% yoy to Rmb3.5b, primarily attributed to the monetisation for product matching for key opinion leaders (KOL) through the KOL distribution channel. The number of monthly active merchants on Kuaishou's platform soared by 50% yoy.
- Strong 4Q23 growth momentum.** Looking into 4Q23, management guided for revenue to grow by mid-teens. Gross margin is expected to maintain above 50%. Operating profit will remain stable thanks to a decline in marketing expense and continuous narrowing in overseas loss. Adjusted net profit was guided to be around Rmb2.8b-2.9b, which implies net margin of 8.8%. We forecast 4Q23/2024 revenue growth to be at 17%/24% yoy.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	81,081.5	94,182.5	113,915.1	130,554.5	147,854.7
EBITDA	(20,816.3)	(6,072.3)	12,585.6	19,905.2	28,391.3
Operating profit	(27,701.3)	(12,558.0)	5,347.8	12,296.4	20,642.6
Net profit (rep./act.)	(78,077.1)	(13,689.4)	4,851.2	11,348.9	17,632.3
Net profit (adj.)	(18,851.8)	(5,751.4)	8,809.3	15,343.9	22,156.7
EPS (Fen)	(491.8)	(135.2)	204.1	352.0	503.3
PE (x)	n.m.	n.m.	26.2	15.2	10.6
P/B (x)	4.6	5.7	5.0	3.8	2.8
EV/EBITDA (x)	n.m.	n.m.	16.5	10.5	7.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(96.3)	(14.5)	4.3	8.7	11.9
Net debt/(cash) to equity (%)	(72.3)	(33.3)	(54.0)	(69.6)	(80.9)
Interest cover (x)	(540.2)	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	n.a.	11.2	21.0	24.2
Consensus net profit	-	-	7,891	14,605	21,910
UOBKH/Consensus (x)	-	-	1.12	1.05	1.01

Source: Kuaishou, Bloomberg, UOB Kay Hian

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

BUY

(Maintained)

Share Price	HK\$58.50
Target Price	HK\$97.00
Upside	+65.8%
(Previous TP)	HK\$100.00

COMPANY DESCRIPTION

Kuaishou Technology operates as a content community and social platform. The company helps users create, upload and watch short videos on mobile devices. Kuaishou Technology offers services worldwide.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	1024 HK
Shares issued (m):	3,590.4
Market cap (HK\$m):	254,757.2
Market cap (US\$m):	32,678.4
3-mth avg daily t'over (US\$m):	147.0

Price Performance (%)

52-week high/low HK\$79.85/HK\$48.10

1mth	3mth	6mth	1yr	YTD
3.4	(4.8)	16.9	9.0	(17.7)

Major Shareholders

	%
Tencent Holdings Ltd	19.0
Morningside Venture Capital Ltd	15.7
DCM LP	4.9
FY23 NAV/Share (RMB)	10.76
FY23 Net Cash/Share (RMB)	5.82

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Record-high DAU and MAU reflect increased user engagement.** Average daily active users (DAU) was 387m (+11m qoq and +23m yoy) while monthly active users (MAU) surged to 685m (+11m qoq and +59m yoy) in 3Q23. User engagement indicator DAU/MAU ratio was resilient at 56.5%, reflecting Kuaishou's closed loop community. Average daily time spent per DAU edged up 1% yoy to 130 minutes.
- **Margin overview.** Gross profit margin improved 5ppt yoy to 52%, the highest ever since its listing. Kuaishou continued to generate non-IFRS operating profit of Rmb3b in 3Q23, translating to non-IFRS operating margin of 11%. For the sixth consecutive quarter, Kuaishou's domestic business generated positive operating profit of Rmb3.2b, increasing sequentially from Rmb3b in 2Q23. Meanwhile, operating loss in the overseas segment narrowed by 62.4% yoy and 18.6% qoq, leading to an adjusted net profit of Rmb3.2b at the group level in 3Q23. Management targets to achieve gross margin of 55-60% in the long term.
- **4Q23 guidance breakdown.** Online marketing/live-streaming/other services revenue are guided to grow by 20%/flatish/40% yoy respectively. The strong online marketing revenue will be bolstered by solid internal advertising revenue growth and 30% yoy growth in e-commerce GMV. Live-streaming revenue growth will be dragged by enhanced governance of the live-streaming ecosystem. S&M expense ratio is projected at 31.6% in 4Q23, improving from 34.4% in 4Q22. In 4Q23, management targets to achieve low-to-mid single-digit yoy growth in DAU, with average daily time spent per DAU to be over 120 minutes.
- **Strong 11.11 performance.** During 11.11 this year, Kuaishou achieved a larger presale scale with a broader array of participating merchants and more extensive categories and SKUs. Kuaishou's presale GMV soared 84% yoy.
- **Resilient external ad recovery.** In 3Q23, Kuaishou's external ads grew by over 10% yoy, accelerating from 2Q23, driven by media information, education, training, and healthcare. Notably, advertising expenditure for paid short videos grew by around 300% yoy and 50% qoq growth during 3Q23. Meanwhile, the marketing spending for mini-programme games witnessed a substantial uptick of 40% yoy in 3Q23.

EARNINGS REVISION/RISK

- We keep our 4Q23/2023 revenue forecasts largely unchanged. We expect Kuaishou to deliver adjusted net profit of Rmb2.9b in 4Q23, which should translate into net margin of 8.8% vs -0.2% in 4Q22. We forecast 2023/2024 revenue growth of 21%/15% yoy and non-IFRS net profit of Rmb8.8b/Rmb15.3b respectively. This translates to a net margin of 7.7%/11.8% for 2023/2024.
- **Risks include:** a) soft advertisement demand due to the weak macro environment, b) increasing competition from Douyin, c) restrictions on the time spent on short-form videos (SFV) by minors, and d) expanding losses from the overseas business and local life services initiatives.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of HK\$97.00.** We remain optimistic on the company due to resilient growth in live-streaming and ad recovery momentum. Our target price implies 3x 2024F P/S. The company is currently trading at 2x 12-month forward EV/sales, below its historical mean of 4x.

SHARE PRICE CATALYST

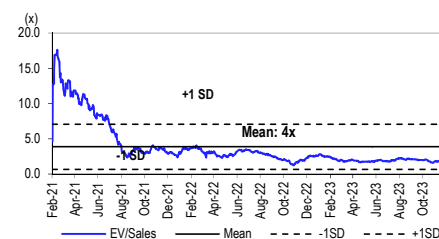
- a) Higher monetisation rates across all categories, b) less competition from peers, c) positive government policies to simulate consumption, and d) lifting of regulations on internet platforms.

SOTP VALUATION

2024F	Revenue (Rmb,m)	GMV (Rmb,m)	Net profit	PS	PE	To Kuaishou (HK\$)	HK\$/share
Live streaming	42,152		4,215	1x	8	36,082	8
Online marketing	70,450		14,090	4x	18	271,372	63
E-commerce	17,952	1,425,302	5,386		20	109,805	25
SOTP value			0.4%			417,260	97

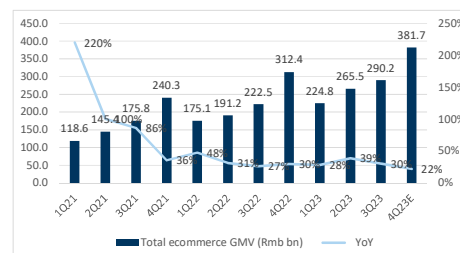
Source: UOB Kay Hian

12-MONTH EV/SALES BAND



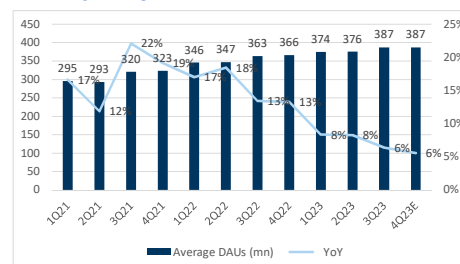
Source: Bloomberg, UOB Kay Hian

TOTAL GMV



Source: Kuaishou, UOB Kay Hian

AVERAGE DAU



Source: Kuaishou, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	94,183	113,915	130,555	147,855
EBITDA	(6,072)	12,586	19,905	28,391
Deprec. & amort.	6,486	7,238	7,609	7,749
EBIT	(12,558)	5,348	12,296	20,643
Total other non-operating income	0	0	0	0
Associate contributions	(139)	(58)	0	0
Net interest income/(expense)	166	433	570	900
Pre-tax profit	(12,531)	5,722	12,866	21,542
Tax	(1,158)	(871)	(1,518)	(3,910)
Minorities	0	0	0	0
Net profit	(13,689)	4,851	11,349	17,632
Net profit (adj.)	(5,751)	8,809	15,344	22,157

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	36	17,320	24,599	31,861
Pre-tax profit	(12,531)	5,722	12,866	21,542
Tax	(1,158)	(871)	(1,518)	(3,910)
Deprec. & amort.	6,295	7,008	7,345	7,450
Associates	0	0	0	0
Working capital changes	(545)	686	346	(1,720)
Other operating cashflows	7,975	4,775	5,559	8,498
Investing	(17,542)	(7,043)	(6,766)	(6,942)
Capex (growth)	(4,934)	(7,043)	(6,766)	(6,942)
Capex (maintenance)	0	0	0	0
Investments	(4,245)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(8,363)	0	0	0
Financing	(1,405)	1,121	61	(29)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(1,405)	1,121	61	(29)
Net cash inflow (outflow)	(18,910)	11,398	17,894	24,890
Beginning cash & cash equivalent	32,612	13,702	25,100	42,994
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	13,274	25,100	42,994	67,884

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	13,215	12,348	11,257	10,004
Other LT assets	29,965	30,804	31,269	31,950
Cash/ST investment	13,274	25,100	42,994	67,884
Other current assets	32,584	34,421	36,607	38,873
Total assets	89,039	102,673	122,127	148,711
ST debt	0	0	0	0
Other current liabilities	40,710	46,565	50,420	54,758
LT debt	0	0	0	0
Other LT liabilities	8,760	8,145	8,400	8,489
Shareholders' equity	39,830	46,439	61,783	83,939
Minority interest	8	8	8	8
Total liabilities & equity	89,039	102,673	122,127	148,711

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(6.4)	11.0	15.2	19.2
Pre-tax margin	(13.3)	5.0	9.9	14.6
Net margin	(14.5)	4.3	8.7	11.9
ROA	n.a.	5.1	10.1	13.0
ROE	n.a.	11.2	21.0	24.2
Growth				
Turnover	16.2	21.0	14.6	13.3
EBITDA	n.a.	n.a.	58.2	42.6
Pre-tax profit	n.a.	n.a.	124.8	67.4
Net profit	n.a.	n.a.	133.9	55.4
Net profit (adj.)	n.a.	n.a.	74.2	44.4
EPS	n.a.	n.a.	72.5	43.0
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	(33.3)	(54.0)	(69.6)	(80.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

Miniso (MNSO US)

1QFY24: Earnings Beat; Strong Growth From Overseas Market In 4Q23

MINISO's 1QFY24 results beat market expectations by 7%. The overseas market continued to be a bright spot. Specifically, GMV and revenue from directly operated markets recorded 80% and 89% yoy growth respectively. Management is optimistic on the December quarter, guiding for 40-45% revenue growth in 4Q23, with 50-60% growth for the domestic market and 30-40% growth for the overseas market.

1QFY24 RESULTS

Year to 30 Jun (Rmbm)	1QFY24	4QFY23	1QFY23	qoq chg (%)	yoy chg (%)
Revenue	3,791	3,252	2,772	16.6	36.7
Gross profit	1,584	1,296	989	22.2	60.2
Gross profit margin	41.8%	39.8%	35.7%	1.9ppt	6.1ppt
Operating profit	788	690	510	14.2	54.7
Operating profit margin	20.8%	21.2%	18.4%	-0.4ppt	2.4ppt
Adjusted net profit	642	571	417	12.4	53.8
Adjusted net profit margin	16.9%	17.6%	15.1%	-0.6ppt	1.9ppt

Source: MINISO, UOB Kay Hian

RESULTS

- 1QFY24 earnings beat.** MINISO reported revenue of Rmb3,791m (+37% yoy, +17% qoq) in 1QFY24, beating the street's estimates by 1%, mainly driven by the 41% yoy growth in MINISO's offline stores in China, 41% yoy growth in overseas markets, and 46% yoy growth from TOP TOY. Gross profit was Rmb1,584m (+60% yoy, +22% qoq), and gross profit margin was 41.8% (+6.1ppt yoy, +1.9ppt qoq), thanks to higher revenue contribution from overseas directly operated markets, brand upgrade in MINISO China market, and shift in product mix toward more profitable products for TOP TOY. Operating profit was Rmb788m (+55% yoy, +14% qoq) and operating margin was 20.8% (+2.4ppt yoy, -0.4ppt qoq). Adjusted net profit was Rmb642m (+54% yoy, +12% qoq), beating the street's estimates by 7%, and attributable net profit margin was 16.9% (+1.9ppt yoy, -0.6ppt qoq).

KEY FINANCIALS

Year to 30 Jun (Rmbm)	FY2019	FY2020	FY2021	FY2022	FY2023
Net turnover	9,395	8,979	9,072	10,086	11,473
Gross Profit	2,511	2,732	2,431	3,070	4,443
Operating Profit	1,017	767	401	882	2,223
Net Profit	(291)	(262)	(1,415)	638	1,769
EPS (cents)	(32.0)	(26.0)	(472.0)	212.0	568.0
P/E (x)	n.m.	n.m.	n.m.	11.5	4.3
Book value per share	(0.1)	(0.4)	29.7	22.2	28.2
P/BV (x)	n.m.	n.m.	0.8	1.1	0.9
EBITDA	1,208	1,035	666	1,272	2,614
EV/EBITDA (x)	46.6	54.3	84.5	44.2	21.5
DPS (fen)	n.a.	n.a.	19.5	21.5	41.2
Dividend yield (%)	n.m.	n.m.	0.7	0.8	1.5
Net margin (%)	(3.1)	(2.9)	(15.6)	6.3	15.4
Net debt to equity (%)	n.m.	n.m.	(90.9)	(69.7)	(71.6)
Interest cover (x)	21.2	13.3	7.3	26.4	64.2
ROE (%)	n.m.	n.m.	(212.5)	9.1	19.9

Source: MINISO, Bloomberg, UOB Kay Hian

NOT RATED

Share Price US\$27.66

Target Price n.a.

Upside n.a.

COMPANY DESCRIPTION

MINISO Group Holding is a global retailer of design-led lifestyle products. Its MINISO lifestyle brand covers various categories including perfumes, cosmetics and toys, while its TOP TOY brand sells collectible toys.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	MNSO US
Shares issued (m):	315.9
Market cap (HK\$m):	66,280.5
Market cap (US\$m):	8,738.4
3-mth avg daily t'over (US\$m):	6.6

Price Performance (%)

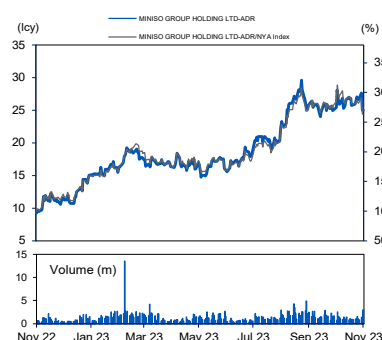
52-week high/low US\$29.92/US\$8.87

1mth	3mth	6mth	1yr	YTD
10.3	35.9	71.7	200.3	157.8

Major Shareholders

	%
Guofu Ye	62.50
FY23 NAV/Share (Rmb)	22.26
FY23 Net Debt/Share (Rmb)	(15.66)

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- China market: Expansion and recovery momentum on track.** During the September quarter, MINISO opened 198 stores on a net basis in China, of which 60% are located in tier 3 and lower cities, hitting the annual store opening target of 350-450 stores in 2023. Looking ahead, management is optimistic on opening another 100-200 new stores on a net basis in China over the rest of 2023. In 10M23, GMV per store of MINISO China recovered to 100% of 2021's level and 85% of 2019's level. On a comparable basis, ytd same-store sales of MINISO China recovered to 93% of 2019's level, and recorded a 9% increase compared to 2021's level and a >20% yoy increase.
- Overseas market: Rapid growth in directly operated markets.** In 1QFY24, revenue from overseas directly operated markets increased by 89% yoy, contributing 46% of overseas revenue (vs 34% in 1QFY23). GMV in overseas markets increased by 48% yoy, with 80% yoy growth in the directly operated markets and 39% yoy growth in the distributor market. During the September quarter, GMV per store in overseas markets recovered to 103% of 2019's level, of which the distributor markets recovered to 107% while the directly operated markets recovered to 93% of 2019's levels respectively. Specifically, GMV per store in North America nearly doubled that of 2019's level. MINISO added 126 stores in overseas markets during this quarter, accumulating 198 net openings since 2023 (vs annual target of 350-450 stores in 2023).
- Gross margin expansion driven by overseas market.** While gross margin of the China market remained stable at 37-38%, it saw significant improvement in the September quarter, reaching nearly 50% (vs 40-45% in the June quarter). Management attributed the margin expansion to directly operated markets, of which the overall gross margin saw mid- to high-single-digit increase qoq to > 60%, thanks to the contribution of IP products and product mix upgrade.
- Optimistic outlook for December quarter.** Management observed good sales momentum qtd in the domestic market, with sales posting 40% yoy growth in Oct 23 and 60% yoy growth in Nov 23. Looking ahead, management guided for 40-45% revenue growth in 4Q23, with 50-60% growth for the domestic market and 30-40% growth for the overseas market (60-80%/10-20% growth in directly operated/distributor markets respectively). The company expects gross margin/operating margin to be at 40%/20% in 4Q23, and net profit margin to be 15-16% or higher if there is a favourable exchange rate.
- Bullish outlook for the US market.** Management believes the company's growth driver next year is in overseas markets, with directly operated markets the key focus, especially the US, Canada and Indonesia. In the September quarter, GMV in the US market increased by +180% (+120% yoy in June quarter) and is expected to maintain triple digit growth yoy in 4Q23. As for now, there are 107 stores in US (with a target of 1,000 stores), primarily in California, New England and Texas. Per store efficiency in US improved 10% qoq and was 3.5x of that in domestic stores. Furthermore, management believes the Canada market has great potential, and aims to penetrate into the lower tier cities in Indonesia.

VALUATION/RECOMMENDATION

- Trading above historical valuation.** Per Bloomberg, MINISO is trading at 27.1x FY24F PE.

REVENUE BY SEGMENT

(Rmbm)	4QFY23	1QFY23	1QFY24	yoy	qoq
Revenue by segment					
Domestic Operations	2,137	1,852	2,496	35%	17%
- MINISO Brand	1,952	1,700	2,307	36%	18%
- MINISO China offline	1,791	1,519	2,144	41%	20%
- MINISO eCommerce	161	181	163	-11%	1%
- TOP TOY Brand	173	124	181	46%	4%
- Others	12	28	8	-71%	-34%
International Operations (Miniso)	1,115	920	1,295	41%	16%
- Distributor market	609	606	703	16%	15%
- Directly operated markets	506	314	592	89%	17%

Source: MINISO, UOB Kay Hian

NUMBER OF MINISO STORES

	1QFY23	4QFY23	1QFY24	4QFY23
China	3,269	3,604	3,802	3,604
(1) By Type				
Directly operated stores	19	15	20	15
Third party stores	3,250	3,589	3,782	3,589
(2) By Region				
Tier 1	464	474	499	474
Tier 2	1,369	1,496	1,554	1,496
Tier 3 and below	1,436	1,634	1,749	1,634
Overseas	2,027	2,187	2,313	2,187
Directly operated stores	131	176	202	176
Third party stores	1,896	2,011	2,111	2,011
Total	5,514	5,791	6,115	5,791

Source: MINISO, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (Rmbm)	FY2020	FY2021	FY2022	FY2023
Net turnover	8,979	9,072	10,086	11,473
EBITDA	1,035	666	1,272	2,614
Depreciation & amortization	(269)	(265)	(390)	(391)
EBIT	767	401	882	2,223
Total other non-operating income	654	1,602	8	0
Associate contributions	0	0	0	0
Net interest income/(expense)	32	15	(33)	(111)
Pre-tax profit	81	(1,216)	907	2,334
Tax	211	213	267	552
Minorities	2	(14)	2	13
Net profit	(262)	(1,415)	638	1,769
Net profit (recurrent)	(262)	(1,415)	638	1,769

BALANCE SHEET

Year to 30 Jun (Rmbm)	FY2020	FY2021	FY2022	FY2023
Fixed assets	591	766	2,762	3,087
Long term investment	0	0	0	74
Other LT assets	259	740	447	383
Cash/ST investment	2,854	6,772	5,348	6,489
Other current assets	2,133	2,427	2,724	3,415
Total assets	5,836	10,705	11,282	13,448
ST debt	401	14	0	0
Other current liabilities	2,908	3,469	3,788	3,886
Total current liabilities	3,310	3,483	3,789	3,886
LT debt	394	490	400	564
Other LT liabilities	2,456	80	66	80
Total non current liabilities	2,850	570	466	644
Shareholders' equity	(337)	6,659	7,032	8,901
Minority interest	14	(7)	(4)	17
Total liabilities & equity	5,836	10,705	11,282	13,448

CASH FLOW

Year to 30 Jun (Rmbm)	FY2020	FY2021	FY2022	FY2023
Operating	820	915	1,472	1,769
Pre-tax profit	81	(1,216)	907	2,334
Tax	(211)	(213)	(267)	(552)
Depreciation/amortization	(269)	(265)	(390)	(391)
Associates	0	0	0	0
Working capital changes	411	4,039	(1,432)	1,735
Non-cash items	936	1,814	88	147
Other operating cashflows	(128)	(3,244)	2,566	(1,504)
Investing	463	(519)	(2,192)	(439)
Capex (growth)	(57)	(180)	(1,234)	(174)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	520	(339)	(958)	(264)
Financing	(115)	3,522	(733)	(189)
FA	(330)	0	(306)	(371)
Issue of shares	9	3	1	0
Proceeds from borrowings	411	0	0	0
Loan repayment	214	(632)	(322)	(346)
Others/interest paid	(419)	4,151	(105)	527
Net cash inflow (outflow)	1,168	3,918	(1,453)	1,141
Beginning cash & cash equivalent	1,686	2,854	6,772	5,348
Changes due to forex impact	(4)	(16)	0	94
Ending cash & cash equivalent	2,854	6,772	5,348	6,489

KEY METRICS

Year to 30 Jun (%)	FY2020	FY2021	FY2022	FY2023
Profitability				
Gross margin	30.4	26.8	30.4	38.7
Pretax margin	0.9	(13.4)	9.0	20.3
Net margin	(2.9)	(15.6)	6.3	15.4
ROA	(4.7)	(17.1)	5.7	13.2
ROE	n.m.	(212.5)	9.1	19.9
Growth				
Turnover	(4.4)	1.0	11.2	13.8
Gross profit	8.8	(11.0)	26.3	44.7
Pre-tax profit	(72.0)	(1,604.9)	(174.6)	157.3
Net profit	(9.8)	n.m.	(145.1)	177.2
Net profit (adj)	(9.8)	n.m.	(145.1)	177.2
EPS (adj.)	n.m.	n.m.	(144.9)	167.9
Leverage				
Debt to total capital	146.4	11.0	8.6	9.1
Debt to equity	n.m.	12.4	9.4	10.0
Net debt to equity	n.m.	(90.9)	(69.7)	(71.6)
Interest cover (x)	13.3	7.3	26.4	64.2

COMPANY RESULTS

Trip.com (9961 HK)

3Q23: Earnings Beat; 2024 Prospects Fuelled By International And Outbound Travel

TCOM's 3Q23 net revenue soared 99.4% yoy to Rmb13.8b and was 31% above pre-COVID-19 levels, in line with the street's estimates. Non-GAAP net profit was Rmb4.9b, translating to a net profit margin of 35.6%, beating our and the street's estimates. TCOM guided for 4Q23 revenue growth of 100-110% yoy, or 20-26% above 4Q19 levels. We believe Trip.com's rapid growth and outbound travel recovery will be the core growth pillars for 2024. Maintain BUY with a higher target price of HK\$420.00 (US\$54.00).

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	qoq	yoy	UOB	Var	Cons	Var
Revenue	6,897	11,262	13,751	22.1%	99.4%	13,630.2	0.9%		
Accommodation	2,904	4,285	5,589	30.4%	92.5%	5,615.6	(0.5%)		
Transportation	2,623	4,814	5,367	11.5%	104.6%	5,338.7	0.5%		
Packaged tour	387	722	1,328	83.9%	243.2%	1,354.5	(2.0%)		
Corporate travel	370	584	591	1.2%	59.7%	573.5	3.1%		
Others	613	857	876	2.2%	42.9%	747.9	17.1%		
Net revenue	6,892	11,247	13,740	22.2%	99.4%	13,610.9	0.9%	13,710	0.2%
Gross profit	5,621	9,240	11,273	22.0%	100.6%	10,982.4	2.6%	11,067	1.9%
GPM	81.6%	82.2%	82.0%	-0.1 ppt	0.5 ppt	80.7%	1.4 ppt	80.7%	1.3 ppt
Non-gaap OP	1,205	3,474	4,418	27.2%	266.6%	3,768.6	17.2%	3,664	20.6%
Non-GAAP OPM	17.5%	30.9%	32.2%	1.3 ppt	14.7 ppt	27.7%	4.5 ppt	26.7%	5.4 ppt
Non-GAAP NP	1,035	3,434	4,897	42.6%	373.1%	3,064.8	59.8%	3,294	48.7%
Non-GAAP NPM	15.0%	30.5%	35.6%	5.1 ppt	20.6 ppt	22.5%	13 ppt	24.0%	12 ppt

Source: Trip.com, UOB Kay Hian

RESULTS

- **Top-line growth maintains strong momentum.** Trip.com's (TCOM) core business segments, namely accommodation/transportation ticketing/packaged tour/corporate travel, saw 93%/105%/243%/60% yoy growth, which was 155%/44%/-19%/76% vs pre-COVID-19 levels (3Q19). In 3Q23, domestic hotel bookings soared by 90% yoy and exceeded pre-pandemic levels by over 70%. Transportation ticketing revenue surged by 105% yoy and was 44% above pre-COVID-19 levels. In 3Q23, air ticket bookings on the company's global OTA platform surged by over 100% yoy vs 2019's level.
- **2024 outlook anchored by better visibility of outbound travel and rapid growth of Trip.com.** The outbound travel recovery pace in 4Q23 remains flattish sequentially from 3Q23, with the recovery in the industry's outbound air flight capacity/TCOM's air ticketing and hotel booking of outbound travel remaining at 50-55%/80% of pre-pandemic level, respectively. According to Civil Aviation Administration of China (CAAC), outbound recovery is expected reach 71% of pre-pandemic levels during end-Jan 24. Currently, air ticket price is still 20% higher than 2019's level, with room for price declines which lead to further market shares gain. In 3Q23, revenue contribution from Trip.com was at 6-7% and is expected to surpass revenue contribution from Skyscanner in 2024 and reach 20% of total group revenue. For the next 3-5 years, Trip.com is projected to maintain a robust mid-double-digit growth and contribute to 20% of total revenue.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	20,023.0	20,039.0	44,555.3	53,187.8	60,669.9
EBITDA	(529.4)	1,305.0	11,386.1	11,706.6	13,638.2
Operating profit	(1,411.0)	88.0	10,526.9	10,785.2	12,643.8
Net profit (rep./act.)	(550.0)	1,403.0	9,718.4	8,678.5	9,939.7
Net profit (adj.)	1,356.0	1,294.0	12,011.9	11,269.8	12,895.6
EPS (Fen)	209.8	196.5	1,634.7	1,518.5	1,737.6
PE (x)	122.9	131.3	15.8	17.0	14.8
P/B (x)	1.5	1.5	1.4	1.3	1.2
EV/EBITDA (x)	n.m.	124.4	14.3	13.9	11.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(2.7)	7.0	21.8	16.3	16.4
Net debt/(cash) to equity (%)	27.1	24.4	(4.1)	(17.3)	(27.5)
Interest cover (x)	n.a.	n.a.	65.8	58.5	n.a.
ROE (%)	n.a.	1.3	8.3	6.9	7.3
Consensus net profit	-	-	10,016	11,295	13,304
UOBKH/Consensus (x)	-	-	1.20	1.00	0.97

Source: Trip.com, Bloomberg, UOB Kay Hian

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

BUY

(Maintained)

Share Price	HK\$280.40
Target Price	HK\$420.00
Upside	+49.8%
(Previous TP)	HK\$418.00)

COMPANY DESCRIPTION

Trip.com is the largest online travel agency (OTA) in China. It offers direct booking for a range of travel products including hotel reservations, airline ticketing, packaged tours, and corporate travel.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9961 HK
Shares issued (m):	646.1
Market cap (HK\$m):	181,180.4
Market cap (US\$m):	23,242.3
3-mth avg daily t'over (US\$m):	46.0

Price Performance (%)

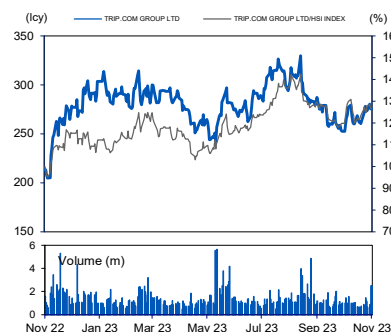
52-week high/low HK\$329.80/HK\$205.00

1mth	3mth	6mth	1yr	YTD
11.0	(6.4)	8.3	24.2	2.5

Major Shareholders

	%
Baidu Holdings Ltd	9.5
Naspers Ltd	5.1
T Rowe Price Group Inc	4.8
FY23 NAV/Share (Rmb)	186.56
FY23 Net Cash/Share (Rmb)	7.64

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- 3Q23 margin overview.** Gross margin grew 1ppt yoy to 82% in 3Q23, 3ppt above pre-COVID-19 levels, sustained from the historical high in 2Q23, mainly attributed to cost control and AI support in customer service. Non-GAAP operating margin was 32.2% (3Q19: 25.2%) as TCOM remained vigilant in cost control. Sales and marketing as a share of revenue fell to 20% (3Q22: 20%, 3Q19: 23%) given enhanced conversion and cross-selling efforts. In 3Q23, non-GAAP net margin was 35.6%, up meaningfully from 15%, as a result of from heightened average daily rate (ADR).
- Concerns on tourism consumption trade-down.** TCOM did not observe any signs of downward consumption in both packaged tours and corporate travels, with average travel expenditures on its platform persistently above 2019 levels, both for new and existing users. In addition, we opine booking and revenue growth during the Golden Week has been accounted for in 3Q23, dragged by 2ppt yoy growth in 4Q23.
- 4Q23 guidance breakdown.** We expect accommodation/transportation booking revenue to rise 33%/20% vs 2019's level and reach Rmb4.0b/Rmb4.2b respectively. In 4Q23, packaged tour and corporate travel are forecasted to decline 14% and grow 60% vs 2019's level. Gross margin and non-GAAP operating margin are estimated at 79% and 18% respectively. Domestic hotel booking and revenue are estimated to surge 60% and 40-50% above 2019's level, respectively. Domestic hotel take rate remains at 8-10%, primarily dragged by higher proportion of low-star hotels and lower tier cities. Both outbound hotel booking and revenue recovered to 80% of 2019's level. Trip.com hotel booking maintained triple-digit growth, while air ticket booking moderated to 80-90% of pre-pandemic levels. We forecast domestic air ticketing booking and revenue to ramp up 10-20% and 20-30% respectively, above 2019's level. The narrowed gap is due to a shift of focus to cross selling and air ticketing prices being higher than 2019's level. Outbound air ticket booking recovered to 80% of 2019's level, while air ticket revenue fully recovered to 2019's level.
- Positive outlook for 2024.** Overall revenue growth target remains unchanged at 15% yoy, mainly bolstered by a 30% yoy growth in international travel and a full recovery in outbound travel, partially offset by softer domestic travel. In 2024, Skyscanner will maintain stable at mid-teens growth, while Trip.com will moderate to mid-double digit. Gross margin is guided at 79-80%, mainly dragged by recovery in packaged tour. Sales & marketing (S&M) ratio is projected at 25% in 2024, resulting from increased investment for Spring Festival and Trip.com. Operating margin is expected to normalise to 25% from 1H23.

EARNINGS REVISION/RISK

- We keep our 4Q23/2023 revenue forecasts largely unchanged** with revenue growth remaining intact at 24.4%/25% above 2019's level, respectively. We raise our 4Q23/2023 earnings by 16%/21% respectively due to streamlined personnel-related costs. We forecast TCOM's 2023/24 revenue to grow 25%/49% above 2019's level and non-GAAP net margin at 27%/21% despite elevated marketing investment in overseas markets.
- Risks:** Softer travel consumption spending power; normalised domestic travel demand.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of HK\$420.00 (US\$54.00).** TCOM stands to benefit from strong outbound and international travel demand amid the normalised pace in domestic travel activities. Our new target price implies 2.2x/1.2x 2023/24F PEG over the next three years, compared with 1.2x before the pandemic.

SHARE PRICE CATALYST

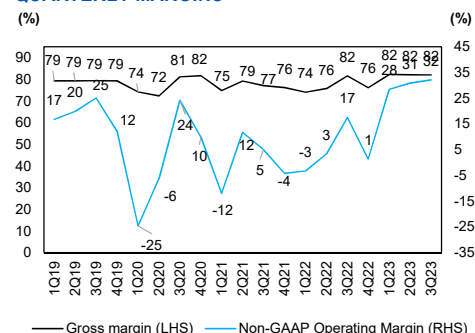
- Implementation of travel bubbles and increased outbound flight capacity.

SOTP VALUATION

Segment (HK\$m)	FY24E Revenue	FY24E NPAT	PE (x)	EV / EBITA	Value	% Tcom holding	Value to Tcom	HK\$ per share
Core Travel biz								
Travel - accommodation/transport	46,607	8,576	18		154,361	100%	154,361	248.4
Travel - package tour/corporate travel/others	11,255	2,071		16	33,134	100%	33,134	53.3
Key equity investees (HK\$m) 10% holdco discount							18,764	30.2
Net cash					54,741	100%	54,741	88.1
Total							261,000	420.0

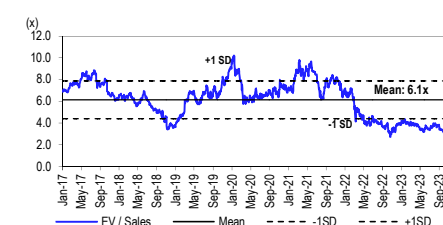
Source: UOB Kay Hian

QUARTERLY MARGINS



Source: Trip.com, UOB Kay Hian

12-MONTH FORWARD EV/Sales BAND



Source: Trip.com, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Net turnover	20,039	44,555	53,188	60,670
EBITDA	1,305	11,386	11,707	13,638
Deprec. & amort.	1,217	859	921	994
EBIT	88	10,527	10,785	12,644
Total other non-operating income	2,015	336	0	0
Net interest income/(expense)	532	(173)	(200)	200
Pre-tax profit	2,635	10,690	10,585	12,844
Tax	(682)	(1,659)	(2,329)	(2,954)
Minorities	36	(34)	22	50
Net profit	1,403	9,718	8,678	9,940
Net profit (adj.)	1,294	12,012	11,270	12,896

CASH FLOW

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Operating	(5,506)	29,717	19,706	18,343
Pre-tax profit	2,635	10,690	10,585	12,844
Tax	(682)	(1,659)	(2,329)	(2,954)
Deprec. & amort.	790	596	664	742
Associates	0	0	0	1
Working capital changes	(6,902)	19,106	10,129	7,459
Non-cash items	0	0	0	1
Other operating cashflows	(1,347)	984	657	251
Investing	(5,516)	(1,559)	(2,074)	(2,285)
Capex (growth)	(532)	(1,183)	(1,412)	(1,611)
Capex (maintenance)	0	0	0	1
Investments	(4,984)	(375)	(662)	(674)
Proceeds from sale of assets	0	0	0	1
Others	0	0	0	0
Financing	12,517	6,500	0	0
Dividend payments	0	0	0	1
Issue of shares	16,437	0	0	0
Proceeds from borrowings	(5,108)	6,500	0	0
Loan repayment	0	0	0	1
Others/interest paid	1,188	0	0	(2)
Net cash inflow (outflow)	1,495	34,658	17,632	16,058
Beginning cash & cash equivalent	21,196	22,691	57,349	74,982
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	18,487	57,349	74,982	91,040

BALANCE SHEET

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Fixed assets	6,023	6,610	7,358	8,226
Other LT assets	124,233	124,621	125,025	125,448
Cash/ST investment	18,487	57,349	74,982	91,040
Other current assets	17,403	24,629	27,747	30,625
Total assets	191,691	238,754	260,657	280,884
ST debt	32,674	32,674	32,674	32,674
Other current liabilities	29,099	55,431	68,677	79,015
LT debt	13,177	19,677	19,677	19,677
Other LT liabilities	3,722	3,997	3,997	3,997
Shareholders' equity	112,283	122,035	130,691	140,581
Minority interest	736	736	736	736
Total liabilities & equity	191,691	238,754	260,657	280,884

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	6.5	25.6	22.0	22.5
Pre-tax margin	13.1	24.0	19.9	21.2
Net margin	7.0	21.8	16.3	16.4
ROA	0.7	4.5	3.5	3.7
ROE	1.3	8.3	6.9	7.3
Growth				
Turnover	0.1	122.3	19.4	14.1
EBITDA	n.a.	772.5	2.8	16.5
Pre-tax profit	n.a.	305.7	(1.0)	21.3
Net profit	n.a.	592.7	(10.7)	14.5
Net profit (adj.)	(4.6)	828.3	(6.2)	14.4
EPS	(6.4)	732.1	(7.1)	14.4
Leverage				
Debt to total capital	28.9	29.9	28.5	27.0
Debt to equity	40.8	42.9	40.1	37.2
Net debt/(cash) to equity	24.4	(4.1)	(17.3)	(27.5)
Interest cover (x)	n.a.	65.8	58.5	n.a.

TRADERS' CORNER



Chart by Bloomberg

Kuaishou Technology (1024 HK)

Trading Buy range: HK\$56.00-58.50

Last price: HK\$58.50

Target price: HK\$61.00/HK\$63.00

Protective stop: Breaks below HK\$53.00

Stock Highlights:

In 3Q23, revenue increased 20.8% yoy to Rmb27.948b. The company achieved a turnaround with a profit of Rmb2.182b in 3Q23, compared with a loss of Rmb2.712b in 3Q22.

Technical View:

Share price found support after testing HK\$50.00 in mid-October. It has now risen above its 10-day (light blue) and 20-day (orange) moving averages, but is restricted by the 100-day moving average (pink). The 14-day RSI is higher than the midline level of 50 and is now around 52, indicating that momentum has gradually strengthened. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by Bloomberg

China Southern Airlines Company (1055 HK)

Trading Buy range: HK\$3.78-3.88

Last price: HK\$3.89

Target price: HK\$4.05/HK\$4.15

Protective stop: Breaks below HK\$3.60

Stock Highlights:

The group announced its latest operating data for October this year. Passenger capacity increased 194.89% yoy. Passenger capacity for domestic routes, regional routes and international routes increased 161.11%, 312.5% and 563.53%, respectively.

Technical View:

Share price rebounded after hitting a low with a Doji candle pattern on 24 Oct 23. It has now risen above its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages, but is restricted by the 100-day moving average (pink). The 14-day RSI is higher than the midline level of 50 and is now around 59, indicating that momentum has gradually strengthened. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.

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