WHAT HAPPENED LAST NIGHT

US stocks were higher on Wednesday, as the gains in the consumer staples, financials and materials sectors led shares higher. At the close of the NYSE, the DJIA rose 0.47% while the S&P 500 index was up by 0.16%, and the NASDAQ Composite index rose 0.03%. Advancing stocks outnumbered declining ones on the NYSE by 1,587 to 1,275 and 88 ended unchanged; on the Nasdaq Stock Exchange, 2,439 declined and 1,829 advanced, while 195 ended unchanged. (Source: WSJ, Bloomberg)

WHAT'S IN THE PACK

China/HK Economics Update:

Economic Activity - Stronger retail sales in Oct 23, but FAI stays weak.

October's economic data was a mixed bag, as retail sales came in stronger at 7.6% yoy, but FAI growth weakened to...

China/HK Company Initiation:

Longfor Group Holdings - Leading developer and TOD mall operator in China's Tier 1 and 2 cities.

(960 HK/BUY/HK$13.04/Target: HK$17.68)

Longfor will be a key beneficiary of the government's supportive policies for POEs and the property sector…

China/HK Company Results:

JD.com - 3Q23: Tempered top-line growth; 4Q23 outlook to be anchored by resilient 11.11 performance.

(9618 HK/BUY/HK$105.90/Target: HK$186.00)

JD's 3Q23 revenue edged up 2% yoy to Rmb248b, in line with our and consensus estimates. Gross profit margin…

Tencent Holdings - 3Q23: Earnings beat driven by meaningful margin expansions.

(700 HK/BUY/HK$322.60/Target: HK$425.00)

Tencent's 3Q23 results are in line with our expectations. Revenue grew 10.4% yoy to Rmb154.6b, in line with…

China/HK Company Results:

XPeng Inc - 3Q23: Net loss topped a record Rmb3,887m. Maintain SELL. Target price: HK$18.00.

(9868 HK/SELL/HK$67.80/Target: HK$18.00)

XPeng's 3Q23 net loss topped a record Rmb3,887m (+64% yoy, +39% qoq), worse than our and consensus…

Singapore Company Results:

Valuetronics - 1HFY24: Above expectations; poised to benefit from new customers. Upgrade to BUY.

(VALUE SP/BUY/S$0.55/Target: S$0.72)

VALUE's 1HFY24 net profit of HK$82.1m (+42% yoy/+26% hoh) was above our expectations, making up 61% of…

Singapore Technical Analysis:

Wilmar International (WIL SP) - Trading BUY

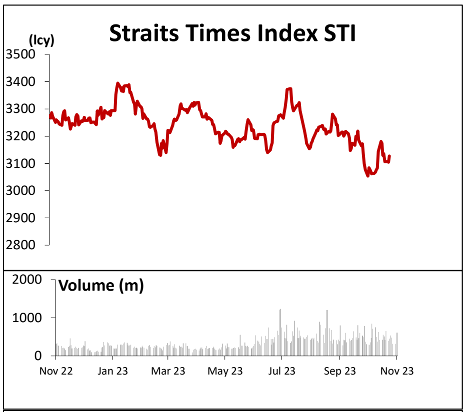
The price rebounded from the base line which is acting as support at the moment. Conversion and base lines remain…

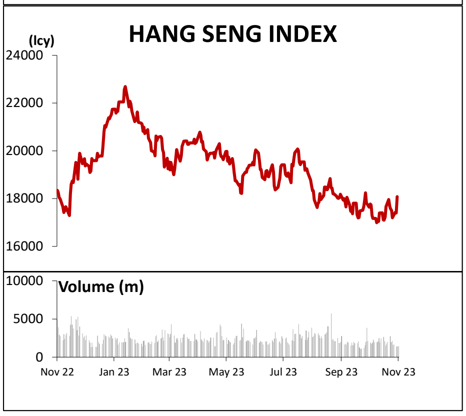
ISDN Holdings (ISDN SP) - Trading BUY

The price rebounded from the Fibonacci 62% correction point. There is a bullish conversion and base lines crossover…

Get up to speed by learning from our experts - Sign up for a seminar today!

PRICE CHART





KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34991.2	3.9	5.6
S&P 500	4502.9	4.0	17.3
FTSE 100	7486.9	(1.5)	0.5
AS30	7316.7	1.4	1.3
CSI 300	3607.3	(0.5)	(6.8)
FSSTI	3132.1	(1.0)	(3.7)
HSCEI	6204.2	2.6	(7.5)
HSI	18079.0	2.5	(8.6)
JCI	6958.2	0.9	1.6
KLCI	1466.8	1.9	(1.9)
KOSPI	2486.7	2.1	11.2
Nikkei 225	33519.7	5.9	28.5
SET	1415.2	(0.8)	(15.2)
TWSE	17128.8	2.9	21.2
BDI	1688	(13.2)	11.4
CPO (RM/mt)	3735	2.6	(7.7)
Brent Crude (US$/bbl)	81	(10.8)	(5.6)

Source: Bloomberg

YESTERDAY IN SINGAPORE

The Straits Times Index (STI) closed 27.46pt lower to 3,132.12. Among the top active stocks were Genting Singapore (+2.1%), Seatrium (+0.9%), Thaibev (+0.9%), SATS (+2.3%) and Rex International (+3.5%). The FTSE ST Mid Cap Index rose 2.9%, while the FTSE ST Small Cap Index was down 2.7%. The broader market saw 426 gainers and 234 losers with total trading value of S$1.37b.

SINGAPORE

TOP TRADING TURNOVER

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
DBS Group Holdings	32.42	(0.6)	124.6
Singapore Telecommunications	2.38	1.3	84.8
United Overseas Bank	27.31	(0.1)	68.6
Oversea-Chinese Banking Corp	12.88	(0.5)	63.4
Genting Singapore	0.96	2.1	45.6

TOP GAINERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
ESR-Logos Reit	0.30	9.1	3.8
Nio Inc-Class A	7.86	7.4	1.2
Mapletree Pan Asia Com Trust	1.42	6.8	14.9
Keppel Dc Reit	1.92	6.7	14.3
CapitaLand China Trust	0.84	6.3	5.6

TOP LOSERS

Company	Price (S$)	Chg (%)	5-day ADT (S$m)
Sinarmas Land	0.18	(4.8)	0.0
Hour Glass Ltd/The	1.67	(2.9)	0.6
Top Glove Corp	0.22	(2.3)	0.4
Yangzijiang Shipbuilding	1.46	(1.4)	28.9
Singapore Exchange	9.60	(1.0)	21.1

**ADT: Average daily turnover*

HONG KONG

TOP TRADING TURNOVER

Stock	Price (HK$)	Chg (%)	5-day ADT (HK$m)
Tracker Fund Of Hong Kon-Hkd	18.20	3.8	907,647
Country Garden Holdings Co	0.79	6.8	423,675
China Construction Bank-H	4.63	3.1	409,225
Bank Of China Ltd-H	2.88	2.5	368,947
Xiaomi Corp-Class B	16.80	5.9	180,687

TOP GAINERS

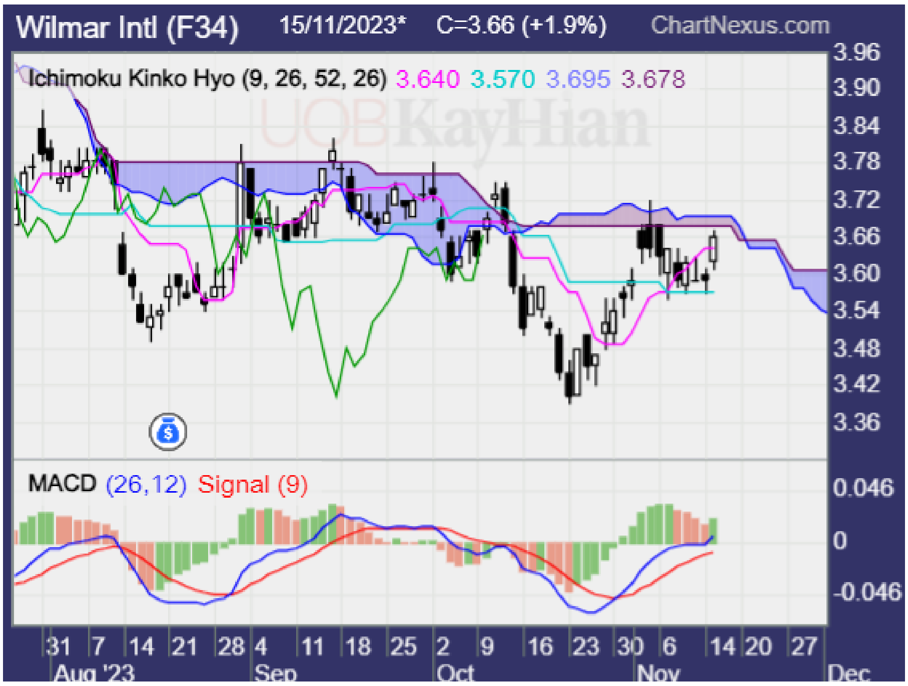
Stock	Price (HK$)	Chg (%)	5-day ADT (HK$m)
Techtronic Industries Co Ltd	81.75	10.5	7,603
Jd Logistics Inc	9.91	8.4	12,135
Xinyi Solar Holdings Ltd	5.31	7.5	42,393
Country Garden Holdings Co	0.79	6.8	423,675
Country Garden Services Hold	7.38	6.6	32,654

TOP LOSERS

Stock	Price (HK$)	Chg (%)	5-day ADT (HK$m)
Smoore International Holding	6.63	(0.7)	11,081
Haidilao International Holdi	16.80	0.4	17,481
Cgn Power Co Ltd-H	1.89	1.1	26,872
Cosco Shipping Holdings Co-H	7.98	1.3	21,704
Sensetime Group Inc-Class B	1.56	1.3	155,917

*ADT: Average daily turnover

SINGAPORE TRADERS' CORNER



Wilmar International (WIL SP)

Trading buy range: S$3.63-3.64

Last price: S$3.66

Target price: S$4.00

Protective stop: S$3.55

The price rebounded from the base line which is acting as support at the moment. Conversion and base lines remain in a bullish crossover that hints at potential upside ahead. The MACD is bullish and is rising. These could increase chances of the stock price moving higher.

We see increasing odds of stock price testing S$4.00. Stops could be placed at S$3.55.

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

Our institutional research has a fundamental HOLD and target price of S$3.80.

ISDN Holdings (ISDN SP)

Trading buy range: S$0.340-0.345

Last price: S$0.350

Target price: S$0.395

Protective stop: S$0.325

The price rebounded from the Fibonacci 62% correction point. There is a bullish conversion and base lines crossover that hints at potential upside ahead. The MACD is rising towards the zero line. These could increase chances of the stock price continuing to move higher.

We see increasing odds of stock price testing S$0.395. Stops could be placed at S$0.325.

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

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FROM THE REGIONAL MORNING NOTES...

Economic Activity

Stronger Retail Sales in Oct 23, But FAI Stays Weak

October's economic data was a mixed bag, as retail sales came in stronger at 7.6% yoy, but FAI growth weakened to 1.1% yoy as property FAI fell 11.1% yoy. Industrial production edged higher to grow 4.6% yoy. Taking the September data into consideration as well, it seems that the economic growth momentum could be bottoming out. The key risk to the recovery is weak FAI, and as such, resolving the local government and real estate financing in the coming months would be critical.

ECONOMIC ACTIVITY DATA (MONTHLY)

(yoy % chg)	Oct 23	Consensus	Sep 23
FAI YTD	2.9	3.1	3.1
FAI*	1.1	-	2.3
Property FAI YTD	-9.3	-9.1	-9.1
Industrial Production	4.6	4.5	4.5
Surveyed Unemployment Rate (%)	5.0	5.0	5.0
Retail Sales (Sep 23)	7.6	7.0	5.5

** Estimates by UOBKH*
Source: NBS, Wind, UOB Kay Hian

WHAT'S NEW

- **Retail sales growth jumped to 7.6% yoy in Oct 23,** above Bloomberg consensus forecast of 7.0% yoy and September's 5.5% yoy. This could have been partly helped by a low base for comparison, brought about by China's COVID-19 lockdown(s) a year ago. Excluding automobiles, retail sales rose 7.2% yoy, and catering activities increased 17.1% yoy. Goods retail sales was up 6.5% yoy, with better sales education and recreation articles, tobacco and alcohol, and handsets.

- **Industrial production growth edged higher to 4.6% yoy,** above September's and market expectations of 4.5% yoy. This was supported by a 10.8% yoy growth in automobile production, and 9.8% yoy growth in electrical machinery and instruments. However, the number of units of industrial robots and microcomputers produced declined 17.7 % yoy and 17.9% yoy respectively. Industrial production has stabilised over the past 2-3 months, but the risk of a further slowdown remains as global manufacturing PMI new orders have stayed below 50% for 16 consecutive months.

- **FAI growth fell to an estimated 1.1% yoy in October,** after briefly rebounding to 2.3% in September, from August's 1.8% yoy. The weakest link is still real estate FAI, which fell 11.1% yoy over the same period. Private FAI fell 4.0% yoy in October, as subdued demand capped the overall need for new capacity.

- **Overall unemployment rate held steady at 5.0%,** with the average number of hours worked remaining unchanged at 48.7, in line with the steady growth in industrial production. Taking the September data into consideration as well, economic growth momentum seems to be bottoming out. A key risk to the recovery is the weak FAI, and as such, resolving the local government and real estate financing in the coming months would be critical.

FROM THE REGIONAL MORNING NOTES…

Longfor Group Holdings (960 HK)

Leading Developer And TOD Mall Operator In China's Tier 1 And 2 Cities

Longfor will be a key beneficiary of the government's supportive policies for POEs and the property sector. For 2023/24/25, we expect Longfor to achieve: a) Rmb180b/185b/190b in contracted sales, implying a 1.1%/1.2%/1.3% market share; and b) a 27% CAGR in the retail sales of malls and a 15% CAGR in rental income. Initiate coverage with BUY and an SOTP-based target price of HK$17.68.

INVESTMENT HIGHLIGHTS

- **Key beneficiary of supportive policies for POEs and property sector.** In Jul 23, China issued the first top-level document indicating support for POEs. At the Politburo meeting, Xi Jinping urged for the easing of demand-side policy as the property sector is at a turning point. Longfor Group Holdings (Longfor) will be the key beneficiary of this round of easing.

- **Rising share of China's new home market.** For the 14th Five-Year Plan (FYP) , some core demand drivers (population growth, urbanisation, etc) have decelerated. We estimate basic housing demand at 762m sqm/year for the 14th FYP, 40% less than that of the 13th FYP. Supported by rising upgrading demand, annual new home sales could reach 1,037m sqm, 29.5% less than that of the 13th FYP. We expect Longfor to achieve Rmb180b/185b/190b in contracted sales in 2023/24/25, implying a market share of 1.1%/1.2%/1.3%, backed by solid saleable resources and an above 50% sell-through rate.

- **China's top TOD mall operator to capture value of growing traffic.** The shopping mall industry may see acclerated new openings in 2024, but we expect market share to be further concentrated in the hands of the top mall operators. As a leading tranport-oriented-development (TOD) mall operater with 81 malls covering 7.62m sqm GFA under management, Longfor is expected to benefit from the foot traffic recovery in 2023 and beyond. For 2023-25, we expect Longfor's malls to achieve a 27% CAGR in retail sales and 15% CAGR in rental income, backed by an average occupancy cost ratio of 18%.

- **A closer look at the balance sheet.** We used a broader set of indicators to score the resilience of developers' balance seets. Longfor ranked eighth among the 20 develoers on our radar and ranked second among the 10 POE and quasi developers we had selected. We also think Longfor's bond maturity in the coming one year is managable.

Click here for Blue Top dated 15 Nov 23

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	223,375.5	250,565.1	215,187.1	189,718.4	182,160.4
EBITDA	41,375.0	41,066.7	33,916.5	31,205.5	31,387.0
Operating profit	40,886.4	40,629.2	33,479.0	30,768.0	30,949.5
Net profit (rep./act.)	23,853.7	24,362.0	19,817.0	18,194.8	18,230.8
Net profit (adj.)	21,106.3	21,734.6	19,817.0	18,194.8	18,230.8
EPS (Fen)	352.7	361.6	315.7	289.8	290.4
PE (x)	3.4	3.3	3.8	4.2	4.2
P/B (x)	0.6	0.5	0.5	0.4	0.4
EV/EBITDA (x)	6.9	7.0	8.4	9.2	9.1
Dividend yield (%)	14.1	9.4	7.9	7.2	7.2
Net margin (%)	10.7	9.7	9.2	9.6	10.0
Net debt/(cash) to equity (%)	69.1	86.4	70.0	61.6	59.5
ROE (%)	20.4	18.2	13.3	11.2	10.4
Consensus net profit	-	-	21,075	21,603	23,759
UOBKH/Consensus (x)	-	-	0.94	0.84	0.77

Source: Longfor, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Longfor will be a key beneficiary of supportive policies on developers' financing.** It is also noteworthy that in Pan Gongsheng's speech on 8 Nov 23, Pan also mentioned that PBOC will stablise the bank and bond financing for developers and try to meet the financing needs of both SOEs and POEs. We expect to see more positive news on developers' financing. We expect Longfor will be a key beneficiary as a POE with solid debt servicing record and strong balance sheet.

EARNINGS REVISION/RISK

- **Key risks include:** a) PBOC's low cost funding for urban village redevelopment program being weaker than expected; b) regulators' policy support for developers' financing being weaker than expected; and c) worse-than-expected economic slowdown in China.

VALUATION/RECOMMENDATION

- **Initiate coverage with BUY and SOTP-based target price of HK$17.68.** We expect net profit to fall at a CAGR of 6% during 2023-25, dragged by a contraction in property development. The contribution from recurring income is expected to reach 50% by 2025. We apply a target PE of 9x/3x to recurring earnings and property development earnings. Our target price implies 5.5x 2024F PE, a 5.6% 2024 dividend yield and a 48% NAV discount.

- **SOTP valuation.** As the DP, property investment (IP) and property management (PM) businesses should be valued differently, we adopt the SOTP valuation method. We estimate that 41% of 2024 underlying profit will likely be contributed by recurring income. We conservatively apply a target PE of 9.0x, which implies a CAP rate of 11.1%. 59% of 2024 underlying profit will likely be contributed by the DP business. We apply a target PE of 3.0x to reflect the risks facing POE developers. As a result, we have a target price of HK$17.68 that implies 5.5x 2024F PE, a 5.6% 2024 dividend yield and a 48% NAV discount.

FROM THE REGIONAL MORNING NOTES…

JD.com (9618 HK)

3Q23: Tempered Top-line Growth; 4Q23 Outlook To Be Anchored By Resilient 11.11 Performance

JD's 3Q23 revenue edged up 2% yoy to Rmb248b, in line with our and consensus estimates. Gross profit margin improved 1ppt yoy to 15.6% in 3Q23 on strong 3P business revenue growth. Non-GAAP operating profit soared 13% yoy to Rmb11.1b, translating to non-GAAP operating profit margin of 4.5%. Non-GAAP net profit came in at Rmb10.6b, 14% above consensus estimate, as a result of streamlining of operations. Maintain BUY with a higher target price of HK$186.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	qoq	yoy	UOBKH	Var	Cons	Var
Total Net revenue	243,535	287,931	247,698	-14%	2%	246,594	0.4%	246,806	0.4%
Online direct sales	197,027	233,855	195,304	-16%	-1%	192,525	1.4%		
Services and Others	46,508	54,076	52,394	-3%	13%	54,069	-3.1%		
Gross profits	36,196	41,433	38,751	-6%	7%	38,541	0.5%	37,769	2.6%
GPM	14.9%	14.4%	15.6%	125 bps	78 bps	15.6%	2 bps	15.3%	34.1 bps
Non-GAAP OP	9,817	8,676	11,120	28%	13%	11,439	-2.8%		
Non-GAAP OPM	4.03%	3.01%	4.49%	148 bps	46 bps	4.64%	(15 bps)		
GAAP net income	5,963	6,581	7,936	21%	33%	7,022	13.0%		
Non-GAAP net income	10,040	8,557	10,637	24%	6%	9,239	15.1%	9,300	14.4%
Non-GAAP Net Margin	3.72	4.15	5.01	21%	35%	4.42	13.2%		

Source: JD.com, UOB Kay Hian

RESULTS

- **3Q23 top-line growth remained under pressure amid weak seasonality.** JD.com's (JD) 3Q23 revenue showed decelerated growth of 1.7% yoy vs 7.6% yoy in 2Q23, in line with management's previously guided range. Electronics and home appliances' revenue delivered flattish growth (2Q23: +11%), dragged by the delayed release of new iPhones and Huawei's supply shortage. General merchandise's revenue declined 2% yoy (2Q23: -9%) primarily due to strong recovery in supermarket growth which is expected to sustain into 4Q23. Marketplace and ad revenue edged up 3% (2Q23: +9%) as 3P advertising revenue sustained its double-digit growth in 3Q23 due to increased engagement of new merchants, but this was partially offset by a decline in 3P commission revenues. JD Retail revenue remained flat yoy in 3Q23 while EBIT grew 1% yoy. This translates to EBIT margin of 5.2%, improving sequentially from 3.2% in 2Q23 as a result of strategic refocus.

- **Promising 2024 outlook underpinned by supermarket category.** JD's target to achieve double-digit revenue growth for 2024 remains unchanged. JD is confident in outpacing the national total retail sales of consumer goods in 2024. Despite challenges in the supermarket category in 2023 due to restructuring, post-pandemic recovery, and a high base in the previous year, JD anticipates gradual recovery and normalisation to a healthy growth trajectory. JD continues to refine the product categories mix, enhance the sales channel structure and bolster operational capabilities. JD highlighted that the supermarket category remains a crucial driver for expansion in the long term, and it is projected to outpace the overall online retail market in 2024.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	951,592.2	1,046,236.0	1,082,131.9	1,176,554.6	1,269,204.5
EBITDA	(720.7)	684.2	53,399.9	61,942.5	76,068.7
Operating profit	4,141.0	18,344.0	34,219.3	41,674.3	54,521.5
Net profit (rep./act.)	(3,543.2)	9,009.0	28,098.9	30,593.7	39,336.6
Net profit (adj.)	17,223.5	28,570.0	37,382.6	38,135.8	45,504.8
EPS (Fen)	553.7	899.0	1,179.3	1,168.0	1,353.1
PE (x)	17.8	10.9	8.3	8.4	7.3
P/B (x)	1.5	1.4	1.3	1.2	1.1
EV/EBITDA (x)	n.m.	466.6	6.0	5.2	4.2
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(0.4)	0.9	2.6	2.6	3.1
Net debt/(cash) to equity (%)	(20.9)	(11.9)	(20.6)	(31.7)	(41.7)
Interest cover (x)	n.a.	0.3	n.a.	23.6	36.7
ROE (%)	n.a.	4.2	12.3	11.9	13.4
Consensus net profit	-	-	32,429	36,932	42,724
UOBKH/Consensus (x)	-	-	1.15	1.03	1.07

Source: JD.com, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative EV/EBITDA reflected as "n.m."

STOCK IMPACT

- **Margin overview.** Gross margin expanded 1ppt in 3Q23 despite its investment in low price strategy and user experience (such as extended free shipping service). Non-GAAP operating margin inched up 46bp yoy to 4.5%, given continuous investment to encourage a stronger user engagement. EBIT margins of the JD Retail/JD Logistics/new business segments came in at +5.2%/+1%/-3.7%, vs +3.2%/+1.2%/24.6%, in 3Q22. The operating loss of new business was primarily attributed to scaling back of JD's international business.

- **Better visibility on 4Q23 performance.** According to data from the National Bureau of Statistics (NBS), China's e-commerce gross merchandise volume (GMV) for physical goods grew 5% yoy in October. In terms of category, communication equipment and home appliances grew significantly by 14.6% and 9.6% yoy in Oct 23 respectively, mainly driven by pre-sales for 11.11. As such, we forecast 4Q23 revenue growth at 2.7% yoy, mainly supported by reinvestment in the merchant ecosystem and new user acquisition. We estimate revenue growth of 3% yoy in 2023, with JD Retail revenue growth at 1.6% yoy. The gap between growth in total revenue and JD Retail's revenue will be narrowed as the acquisition impact of Deppon will be fully digested in 2H23. JD saw 3P GMV contribution to the total Rmb10b discount programme increase to over 60%.

- **Encouraging trends in user shopping behavior.** JD PLUS maintained double-digit growth in its number of members, with members continuing to show higher loyalty and strong spending power. Annual ARPU was 8x of that of non PLUS members in 3Q23. In view of the shift in consumer behaviour to more rational consumption, the strategic increase in product diversity from merchants and the reduction of the free shipping threshold have resulted in accelerated growth in the number of orders, particularly those with low average order value, surpassing the overall order volume growth.

- **Overview of 11.11 performance; Yanxi LLM boosts efficiency in 11.11.** The JD Procurement and Sales Manager Live-streaming initiative was one of the key highlights during 11.11. As of 11 Nov 23, JD's transaction volume, order volume and user engagement had reached all-time highs. JD's live broadcast sales were exceptionally popular, with the total number of views surpassing 380m. We estimate JD to deliver GMV growth of c.4% yoy for its 11.11 campaign. Management highlighted that it will balance growth and margin by improving efficiency, optimising procurement costs, expanding product selection and enhancing various services. During 11.11, JD also enhanced its three major merchant tools by using Yanxi LLM, which encompasses multi-modal digital humans, intelligent outbound calling, and Jingxiaozhi customer service.

EARNINGS REVISION/RISK

- We raise our 4Q23/2023 revenue forecasts marginally by 1%/1%, factoring in the solid demand recovery across electronics and home appliances products seen during 11.11. We trim our 4Q23 non-GAAP net profit by 1% and raise our 2023 non-GAAP net profit by 17%. For full-year 2023/24, we forecast a 3%/9% yoy revenue growth. We expect 2024 adjusted net profit to edge up 2% yoy, translating to net margin of 3.2% (vs 2023: 3.5%).

- **Risks:** Intensified competition from PDD in the fresh produce and the fast-moving consumer goods segment, and slowing GMV growth and weaker consumption sentiment.

VALUATION/RECOMMENDATION

- **Maintain BUY with a slightly higher target price of HK$186.00 (US$50.00) as we roll our valuation base forward to the next 12 months.** Our target price implies 13.6x 12-month forward PE. JD is trading at 10.6x 12-month forward PE.

SHARE PRICE CATALYST

- a) Strong new user growth, b) continued margin expansion with improved operating efficiency, and c) further extension of logistics services to internal and external customers.

VALUATION

2023-24E	Revenue (Rmb m)	EBITDA (Rmb m)	EV/EBITDA (x)	To JD (HK$)	JD stake	To JD (20% discount)	HK$/share	% of TP value
JD Retail	991,609	39,664	5	198,322	Majority	178,490	56	30%
JD Logistics (mkt cap)				60,834	81%	39,421	12	7%
JD Digital/Industrial/Real estate				109,620	37%	32,448	13	7%
JD Health (mkt cap)			3x (PS)	70,194	67%	37,624	12	6%
Key Investments						30,067	9	5%
Net cash				250,453		250,453	84	45%
SOTP value				689,423		568,502	186	

Source: JD.com, UOB Kay Hian

FROM THE REGIONAL MORNING NOTES...

Tencent Holdings (700 HK)

3Q23: Earnings Beat Driven By Meaningful Margin Expansions

Tencent's 3Q23 results are in line with our expectations. Revenue grew 10.4% yoy to Rmb154.6b, in line with consensus estimates. Gross margin expanded 5.2ppt yoy to 49.5%, better than consensus forecasts. Non-GAAP operating profit surged 35.6% yoy, and non-GAAP OPM expanded 6.7ppt yoy to 35.9%, beating our estimates. Non-IFRS net profit increased 39.3% yoy, 12.4% above consensus forecasts, given a positive revenue mix shift. Maintain BUY with a slightly higher target price of HK$425.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22A	2Q23A	3Q23A	UOBKHE	QoQ	YoY	Var	Cons	Var
Revenue	140,093	149,208	154,625	157,274	3.6%	10.4%	-1.7%	154,885	-0.2%
Social networking	29,827	29,711	29,748	30,303	0.1%	-0.3%	-1.8%		
Online games	42,900	44,500	46,000	46,945	3.4%	7.2%	-2.0%		
Online ads	21,443	25,003	25,721	27,356	2.9%	20.0%	-6.0%		
Fintech and Cloud	45,923	49,994	53,156	52,671	6.3%	15.8%	0.9%		
Gross profit	61,983	70,840	76,523	73,006	8.0%	23.5%	4.8%	73,400	4.3%
Non-GAAP Operating profit	40,907	50,122	55,483	45,821	10.7%	35.6%	21.1%		
Non-GAAP net income	32,254	37,548	44,921	38,777	19.6%	39.3%	15.8%	39,977	12.4%
GPM	*44.2%*	*47.5%*	*49.5%*	*46.4%*	*2.0 ppts*	*5.2 ppts*	*3.1 ppts*	*47.4%*	*2.1 ppts*
Non-GAAP OPM	*29.2%*	*33.6%*	*35.9%*	*29.1%*	*2.3 ppts*	*6.7 ppts*	*6.7 ppts*		
Non-GAAP NPM	*23.0%*	*25.2%*	*29.1%*	*24.7%*	*3.9 ppts*	*6.0 ppts*	*4.4 ppts*	*25.8%*	*3.2 ppts*

Source: Tencent, UOB Kay Hian

RESULTS

- **Elevated momentum in domestic game revenue; international games remain intact.** Tencent Holdings' (Tencent) online games revenue growth came in at Rmb46b in 3Q23 (+7.2% yoy, +3.4% qoq), driven by the 5% yoy growth in domestic game revenue and solid international games (28.9% of game revenue) growth of 14% yoy (or +7% yoy, excluding the impact of currency fluctuations), primarily propelled by the strong performance of PUBG Mobile, Goddess of Victory: NIKKE, Valorant and Triple Match 3D. Domestic game revenue growth was supported by new games such as PC titles Valorant and Lost Ark and the meaningful recovery in legacy games such as Honour of Kings and DnF. The company is confident in its mini-game development and expects the upcoming new game license approval to stimulate further innovation.

- **Encouraging growth trajectory in online ad revenue.** Online advertising revenue saw moderated growth of 20% and came in at Rmb25.7b, driven by Weixin's robust closed-loop advertising ecosystem. Revenue from mini-programs, video accounts, official accounts and WeCom grew 30% yoy and accounted for over 50% of Weixin advertising revenue. The local services and FMCG categories also delivered notable demand growth in advertising. Despite rising advertising for long-form video content, the slightly slower ad revenue growth stems from negative seasonality for e-commerce advertising spending during 3Q23.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	560,118	554,552	616,929	686,910	769,655
EBITDA	324,617	272,470	208,393	222,959	253,780
Operating profit	271,620	235,706	171,029	184,995	215,216
Net profit (rep./act.)	224,822	188,243	121,330	148,052	164,828
Net profit (adj.)	123,788	115,649	156,576	175,529	195,614
EPS (Fen)	1,269.8	1,183.5	1,617.1	1,812.8	2,016.3
PE (x)	23.6	25.3	18.5	16.5	14.9
P/B (x)	3.5	4.0	3.2	2.8	2.4
EV/EBITDA (x)	9.0	10.7	14.0	13.1	11.5
Dividend yield (%)	0.5	0.5	0.7	0.8	0.8
Net margin (%)	40.1	33.9	19.7	21.6	21.4
Net debt/(cash) to equity (%)	(12.2)	2.6	2.0	(6.0)	(12.9)
Interest cover (x)	45.6	29.1	17.3	20.6	23.5
ROE (%)	29.8	24.6	15.0	15.4	15.0
Consensus net profit	-	-	149,188	176,162	200,843
UOBKH/Consensus (x)	-	-	1.05	1.00	0.97

Source: Tencent Holdings, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **FBS segment.** The fintech and business services' (FBS) segment delivered accelerated revenue growth of 16% yoy (3Q22: +4% yoy, 2Q23: +15%) to Rmb52b. Fintech services recorded double-digit yoy growth in 3Q23, supported by heightened commercial payment activities and higher revenues from wealth management services. Business Services achieved an accelerated yoy revenue growth vs 2Q23, benefitting from cloud services restructuring undertaken in prior periods, as well as higher e-commerce technology service fees within video accounts.

- **Social network revenue remained flattish at Rmb29.7b,** resulting from revenue growth from long-form video and music subscriptions, app-based in-game virtual item sales and mini-game platform service fees, offset by revenue declines from music-related and game-related live streaming services

- **Margins expansion across the board.** Gross profit was Rmb76.5b, up 23% yoy with gross margin expanding 5.2ppt yoy to 49.5%. By segment, VAS gross margin grew 3.8ppt yoy to 55.5%, on reduced costs associated with music-related and game-related live streaming services. Online advertising gross margin was 52.3% vs 46.3% in 3Q22, as a result of long-form video cost optimisation. Fintech and business services' gross margin increased 8.4ppt yoy to 38.3% due to increased commercial payment activities. Adjusted operating margin improved by 7ppt yoy to 35.9%, thanks to optimisation of operating costs.

- **Upgrades of Hunyuan LLM and AI applications in online advertising.** On 26 Oct 23, Tencent's Hunyuan LLM underwent a comprehensive update which made it accessible to the public. In 3Q23, Tencent expanded its advertising AI models with more parameters to increase targeting and attribution accuracy, and Tencent believes that the LLM has generated tangible revenue for its advertising business. Tencent's future focus of LLM will be in empowering its Software as a Service (SaaS) and Platform as a Service (PaaS). From the user's perspective, it serves as an application gateway connecting to a vast user base.

EARNINGS REVISION/RISK

- **We trim our 4Q23/2023 revenue estimates by 1%/1% respectively.** We model revenue growth of 11% in 2023, driven by yoy growth of 7.3%/23%/16%/4% in online game/advertising/FBS/social network revenue. We raise our non-GAAP net profit forecasts for 4Q23/2023 by 6%/6%, implying a 40%/35% yoy growth with net margin of 26%/25% respectively. For full-year 2024, we expect revenue growth to remain intact at 11% yoy. We estimate 2024 non-GAAP net profit to grow 12% yoy, translating to net margin of 26%.

- **Risks:** Regulatory risks and slowing growth from game revenue.

VALUATION/RECOMMENDATION

- **We maintain BUY on Tencent with a slightly higher target price of HK$425.00** as we roll over our SOTP valuation to 2024. Our target price implies 24x 2024PE. The company currently trades at 16x 12-month forward PE, 1.6SD below its historical mean of 27x.

SHARE PRICE CATALYST

- a) Improving online advertising from Wechat video account, b) game licence approval, and c) collaboration with various internet platform operators on Tencent's WeChat ecosystem.

SOTP DETAILS

	2023F							
(Rmbm)	Revenue	Non-GAAP earnings	Valuation	Value (lcy b)	% Tencent holding	Est. fair value to Tencent (Rmbb)	Fair value to Tencent (US$ b)	Fair value / share (HK$)
Online game (PC + Mobile game)	197,256	66,629	15x PE	999	100%	999	143	114
Social networking (QQ + Wexin VAS)	131,042	44,263	15x PE	664	100%	664	95	75
Online ads (Portal + Video + Social ads)	116,667	30,412	16x PE	487	100%	487	70	55
Payment	187,348	37,470	18x PE	674	100%	674	97	77
Cloud	54,596		5x PS	273	100%	273	39	31
Total EV	444,966	178,774	12x PE	2,150	100%	2,150	262	352
2024F cash per share (HK$)								11
Target price (HK$)								425

Source: UOB Kay Hian

FROM THE REGIONAL MORNING NOTES...

XPeng Inc (9868 HK)

3Q23: Net Loss Tops A Record Rmb3,887m

XPeng's 3Q23 net loss topped a record Rmb3,887m (+64% yoy, +39% qoq), worse than our and consensus estimates, due to sustained negative gross margin despite a plunge in lithium carbonate prices and the unexpected Rmb972m in fair value loss on derivative liabilities. We expect XPeng's bottom line to be weighed by price cuts. We maintain our 2023-25 net loss estimates at Rmb13.14b/Rmb7.85b/Rmb6.17b respectively. Maintain SELL. Target price: HK$18.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Deliveries ('000 units)	29.570	23.205	40	35.3	72.4	120.757	75.1
ASP (Rmb'000/unit)	211	191	196	(7.1)	2.8	131	(55.3)
Net profit per vehicle (Rmb'000/unit)	(80.4)	(120.9)	(97.1)	20.9	(19.6)	(74.8)	(23.9)
Total revenue	6,823	5,063	8,530	25.0	68.5	17,626	(18.8)
Total gross profit	923	(197)	(228)	(124.7)	15.5	(358)	n.a.
Overall gross margin (%)	13.5	(3.9)	(2.7)	(16.2)	1.2	(2.0)	(14.2)
EBIT	(2,177)	(3,090)	(3,161)	45.2	2.3	(8,836)	42.8
EBIT margin (%)	(31.9)	(61.0)	(37.1)	(32.9)	3.1	(50.1)	(21.6)
Net profit	(2,376)	(2,805)	(3,887)	63.6	38.6	(9,028)	33.2
Net margin (%)	(34.8)	(55.4)	(45.6)	(19.1)	2.5	(51.2)	(20.0)

Source: XPeng, UOB Kay Hian

RESULTS

- **3Q23 net loss topped a record Rmb3,887m (+64% yoy, +39% qoq),** bigger than our estimate of Rmb3b and consensus estimate of Rmb2.75b. Despite the 35%/72% qoq rebound in deliveries, net loss increased by 39% qoq in 3Q23, with price cuts pressuring margins.
- **Results miss lies in margins and fair value loss on derivative liabilities.** Gross margin only edged up by 1.2ppt qoq to -2.7% in 3Q23, still in negative trajectory despite the halving of lithium carbonate price during the quarter. EBIT margin rose 3.1ppt qoq to -37.1% in 3Q23 due to drop in the R&D expenses/revenue ratio and SG&A/revenue ratio. Operating loss increased 2% qoq to Rmb3,161m.

  The unexpected Rmb972m in fair value loss on derivative liabilities boosted net loss by 39% qoq to Rmb3,887m.

  XPeng achieved positive free cash flow of >Rmb1b in 3Q23, as accounts and notes payable surged by Rmb5.26b during the quarter, covering the operating loss. As such, all the cash came from suppliers.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	20,988	26,855	29,019	51,862	61,335
EBITDA	(5,742)	(7,295)	(11,594)	(5,785)	(3,663)
Operating profit	(6,579)	(8,706)	(13,435)	(7,977)	(6,211)
Net profit (rep./act.)	(4,863)	(9,139)	(13,136)	(7,848)	(6,174)
Net profit (adj.)	(4,863)	(9,139)	(13,136)	(7,848)	(6,174)
EPS (fen)	(284.1)	(533.1)	(766.2)	(457.8)	(360.2)
PE (x)	n.a.	n.a.	n.a.	n.a.	n.a.
P/B (x)	2.4	2.7	4.3	6.3	10.4
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Price/Sales (x)	4.8	3.8	3.5	1.9	1.6
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(23.2)	(34.0)	(45.3)	(15.1)	(10.1)
Net debt/(cash) to equity (%)	(88.0)	(58.3)	(35.5)	(27.9)	8.2
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	(12.7)	(23.1)	(43.3)	(39.5)	(48.1)
Consensus net profit	-	-	(10,330)	(7,318)	(4,315)
UOBKH/Consensus (x)	-	-	n.a.	n.a.	n.a.

Source: XPeng, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Maintain 2023-24 delivery estimates at 140,000 units/280,000 units/350,000 units.** Management guided for 4Q23 revenue at between Rmb12.7b (+147% yoy, +49% qoq) and Rmb13.6b (+165% yoy, +59% qoq), and deliveries at between 59,500 units (+168% yoy, +49% qoq) and 63,500 units (+186% yoy, +59% qoq). The 4Q23 growth in deliveries will be driven by the production ramp-up of G6. XPeng will roll out an all-electric seven-seat MPV X9 targeting families on at the Guangzhou Auto Show on 17 Nov 23, and start the deliveries from the beginning of 2024. Additionally, XPeng has just acquired the smart electric vehicle (EV) business from Didi, and will launch an A-segment electric car at around Rmb150,000 under a new brand by 3Q24. As for the partnership with Volkswagen (VW), XPeng is developing a new electric SUV based on the same platform with G9 for VW.
- **We maintain our 2023-25 ASP assumptions at Rmb190,000/Rmb175,000/Rmb165,000 and gross margin assumptions at -5%/2.5%/3.3% respectively.** We remain cautious on XPeng's ASP and margin outlook given the 20% price cut on new G9 vs the old one, the intensifying price competition and deteriorating sales mix.

EARNINGS REVISION/RISK

- **We maintain our 2023-25 net loss forecasts at Rmb13.14b/Rmb7.85b/Rmb6.17b respectively.**
- **Risks** include intense competition in China's smart EV industry, fluctuations in raw material cost and chip shortage.

VALUATION/RECOMMENDATION

- **Maintain SELL with a target price of HK$18.00,** based on our 10-year DCF (WACC: 20.5%; terminal growth: 4%).

SHARE PRICE CATALYSTS

- Disappointing monthly deliveries.
- Announcements of price cuts.

FROM THE REGIONAL MORNING NOTES…

Valuetronics (VALUE SP)

1HFY24: Above Expectations; Poised To Benefit From New Customers

VALUE's 1HFY24 net profit of HK$82.1m (+42% yoy/+26% hoh) was above our expectations, making up 61% of our estimate. 1HFY24 revenue (-15% yoy) declined due to lower customer demand. However, margins have improved from better supply chain visibility and reduced labour costs. A mixed outlook is maintained amid market uncertainties, but four new customers are looking promising, of which two will start contributing in 2HFY24. Upgrade to BUY with a 29% higher target price of S$0.72.

1HFY23 RESULTS

Year to 31 Mar (HK$m)	1HFY24	1HFY23	yoy % chg	2HFY23	hoh % chg
Revenue	891.3	1,051.6	(15.2)	962.1	(7.4)
Gross Profit	138.9	131.2	5.8	130.5	6.4
Gross Margin (%)	15.6	12.5	3.1ppt	13.6	2.0ppt
Net profit	82.1	57.9	42.0	65.1	26.1
Net margin (%)	9.2	5.5	3.7ppt	6.8	2.4ppt

Source: Valuetronics, UOB Kay Hian

RESULTS

- **Results above expectations; other income doubled from rate hikes.** Valuetronics' (VALUE) 1HFY24 net profit of HK$82.1m (+42% yoy, +26.1% hoh) was above our expectations, making up 61% of our full-year estimate. Revenue fell 15.2% yoy due to lower demand from some of its industrial and commercial electronics (ICE) customers. Gross margin improved by 3.1ppt due to: a) lower material costs from component shortage relief as the group's supply chain visibility has improved, and b) lower labour costs in China, stemming from stabilisation in the labour supply as well as depreciation of the Renminbi. The surge in other income to HK$28.8m (+123% yoy), mainly from rising interest income as a result of the US Fed rate hikes, also led to net margin expansion to 9.2% (+3.7ppt yoy).

- **ICE segment's revenue fell but margins expanded.** The ICE segment's revenue declined by 18.5% yoy to HK$656.6m, due to a fall in demand from some of its customers. This was partially offset by revenue contribution from its new customers. On the consumer electronics (CE) front, revenue declined by a smaller extent to HK$234.7m (-4.6% yoy). This is mainly due to poorer demand in end-markets. However, group margins have improved from better supply chain visibility and reduced labour costs.

- **Special dividend proposed on top of interim dividend.** VALUE has declared an interim dividend of 4 HK cents/share for 1HFY24 (4 HK cents/share in 1HFY23) and a special dividend of 4 HK cents/share to reward its shareholders. This represents an attractive payout ratio of 67.4%.

KEY FINANCIALS

Year to 31 Mar (HK$m)	2022	2023	2024F	2025F	2026F
Net turnover	2,027	2,014	1,792	1,936	2,090
EBITDA	188	188	244	247	252
Operating profit	126	133	181	192	205
Net profit (rep./act.)	114	123	160	170	181
Net profit (adj.)	114	123	160	170	181
EPS (HK$ cent)	26.0	29.1	38.8	41.2	43.8
PE (x)	12.1	10.8	8.1	7.7	7.2
P/B (x)	1.0	1.0	0.9	0.9	0.9
EV/EBITDA (x)	1.6	1.6	1.2	1.2	1.2
Dividend yield (%)	4.4	4.4	7.6	8.2	9.0
Net margin (%)	5.6	6.1	8.9	8.8	8.7
Net debt/(cash) to equity (%)	(68.4)	(74.2)	(77.0)	(79.9)	(82.2)
Interest cover (x)	322.5	370.0	236.9	222.1	209.9
ROE (%)	8.4	9.0	11.5	11.7	11.9
Consensus net profit	-	-	133	147	160
UOBKH/Consensus (x)	-	-	1.20	1.16	1.13

Source: Valuetronics, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Future prospects for Vietnam plant with two new customers contributing in 2HFY24.** Upon VALUE's newly-constructed Vietnam campus commencing operations, the group has consolidated its facilities into one campus site since Jun 22 to optimise operations and costs. The group has since acquired two new customers – a hardware provider customer for retail chain stores and a customer providing cooling solutions for high performance computing environments – and successfully commenced initial shipments at end-FY23. With full-year contribution expected from the two new customers in FY24, we maintain a positive outlook on the segment going forward.

- **Contributions from new ICE and CE customers.** Initial shipments to the abovementioned two new customers began in end-FY23, and higher earnings are expected from the first full-year contribution in FY24. More recently, VALUE has acquired another two new customers, including an electronic products supplier for a global entertainment conglomerate and a Canada-based customer providing network access solutions that are from the CE and ICE segments respectively. Management expects to have shipments scheduled in 2HFY24 and production ramp-up in FY25.

- **Cautious outlook due to various potential headwinds.** Despite significant improvement in component supply chain visibility which has stabilised material costs, VALUE remains conservative on its outlook. Lower customer demand may prevail, as consumer purchasing power and business confidence weaken from: a) the Russia-Ukraine conflict, b) US Fed rate hikes, and c) rising inflationary pressures.

EARNINGS REVISION/RISK

- **We raised our FY24/25/26 earnings forecasts by 20%/17%/13%** after increasing our gross margin estimates by 2.6ppt to 15.6%/15.6%/15.6% to account for better supply chain conditions which have led to more favourable raw material price and reduced labour costs. Also, we have increased our interest income estimates by around 100% to HK$52m-HK$54m to account for the more favourable interest rate for the huge cash balance of VALUE amounting to HK$1.1b.

VALUATION/RECOMMENDATION

- **Upgrade to BUY with a 29% higher PE-based target price of S$0.72,** pegged to 10.6x PE for FY24. This is based on 1SD above VALUE's historical PE mean to account for potential strong demand from its four new customers.

- **VALUE has strong cash balance of HK$1.1b** that is equivalent to around 90% of its market cap. VALUE is currently trading at only 1x FY24 ex-cash PE and offers an attractive FY24 dividend yield of around 7.7%.

SHARE PRICE CATALYST

- Winning of more new customers and higher-than-expected contributions of new customers.

- Higher-than-expected dividends and share buybacks.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 15 Nov 23 (lcy)	Market Cap (US$m)	PE 2023 (x)	PE 2024 (x)	P/B 2023 (x)	P/B 2024 (x)	EV/EBITDA 2023 (x)	EV/EBITDA 2024 (x)	ROE 2023 (%)	Yield 2023 (%)	Net Gearing (%)
Aztech	AZTECH SP	SGD	0.95	544	7.7	7.0	2.0	1.7	4.2	3.9	29.1	5.8	(65.1)
Fu Yu	FUYU SP	SGD	0.125	70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(38.8)
Hon Hai	2317 TT	TWD	100.5	43,596	10.8	9.3	0.9	0.9	5.1	4.6	8.6	5.2	(16.6)
Sanmina	SANM US	USD	49.81	2,850	9.3	9.4	1.2	n.a.	4.6	5.3	15.0	0.0	(14.2)
Venture	VMS SP	SGD	12.88	2,775	13.9	13.3	1.3	1.3	8.3	8.1	9.4	5.8	(31.1)
Average					10.4	9.8	1.4	1.3	5.6	5.5	15.5	4.2	(33.2)
Valuetronics	VALUE SP	SGD	0.55	169	8.1	7.7	0.9	0.9	1.2	1.2	11.5	7.6	(83.6)

Source: Bloomberg, UOB Kay Hian

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