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Inflation

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Further improvement necessary to entrench economic recovery.

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Update

China Overseas Property Holdings

(2669 HK/BUY/HK\$6.45/Target: HK\$9.83)

Acquisition of construction supervision subsidiary from 830 HK brings both risks and opportunities.

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JD.com (9618 HK/BUY/HK\$117.70/Target: HK\$183.00)

Negative impact on top-line growth in 2H23 due to restructuring; recovery in 2024.

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Asian Gems Corporate Highlights

MINISO Group Holding (9896 HK/NOT RATED/HK\$49.70)

Key takeaways from Asian Gems Conference.

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Minth Group (425 HK/BUY/HK\$20.10/Target: HK\$33.00)

Takeaways from Asian Gems Conference. Maintain BUY.

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HSI AND HS TECH INDEX OUTLOOK

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UOBKH EVENTS

Date	Corporate/Stock Code	Event
18 Oct	China Overseas Land & Investment Ltd (688 HK)	Virtual Meeting @ 4:30pm HKT

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
18 Oct	China	3Q GDP and Sep Economic Activities
20 Oct	China	Oct Loan Prime Rate

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33670.3	0.1	0.8	(2.7)	1.6
S&P 500	4327.8	(0.5)	0.4	(2.8)	12.7
FTSE 100	7599.6	(0.6)	1.4	(1.4)	2.0
AS30	7243.5	(0.6)	1.4	(3.2)	0.3
CSI 300	3663.4	(1.1)	(0.7)	(1.2)	(5.4)
FSSTI	3185.8	(1.0)	0.4	(2.9)	(2.0)
HSCEI	6115.9	(2.4)	2.4	(3.1)	(8.8)
HSI	17813.5	(2.3)	1.9	(2.0)	(9.9)
JCI	6926.8	(0.1)	0.6	(0.8)	1.1
KLCI	1444.1	0.0	1.9	(1.0)	(3.4)
KOSPI	2456.2	(1.0)	2.2	(5.6)	9.8
Nikkei 225	32316.0	(0.5)	4.0	(3.6)	23.8
SET	1450.8	(0.4)	(0.1)	(5.5)	(13.1)
TWSE	16782.6	(0.3)	3.1	(0.8)	18.7
BDI	1945	0.5	0.8	40.8	28.4
CPO (RM/mt)	3570	0.2	(1.4)	(2.2)	(11.8)
Brent Crude (US\$/bbl)	91	5.7	7.5	(1.1)	5.8

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
JD-SW	104.20	(11.5)	931.2
WUXI BIOLOGICS C	49.10	(1.1)	911.3
HKEX	292.40	(1.9)	908.3
SUNNY OPTICAL	60.75	(0.4)	797.8
XIAOMI CORP-W	12.60	(0.5)	754.3

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HANSOH PHARMACEU	11.34	2.3	39.3
CHINA UNICOM	5.60	0.9	79.9
SINOPHARM-H	22.50	0.7	96.2
BYD ELECTRONIC	39.95	0.5	244.1
LI NING CO LTD	35.00	0.0	514.0

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
JD-SW	104.20	(11.5)	931.2
CHINA RES CEMENT	1.93	(9.0)	23.2
BILIBILI INC-Z	108.00	(6.3)	229.0
ZHONGSHENG GROUP	19.54	(6.3)	43.7
GDS HOLDING-CL A	10.10	(5.8)	14.3

*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

ECONOMICS – CHINA

Inflation

Sep 23 CPI Inflation Lower On Moderating Food Inflation

Both CPI and PPI inflation came in slightly below expectations in September, at 0.0% yoy and -2.5% yoy respectively. However, CPI was still 0.2% higher mom, driven by higher energy cost and apparel prices, but travel-related costs fell as the summer holidays came to an end. The easing decline in upstream inflation was mainly driven by higher global commodity prices and should allay some concerns of renewed deflationary pressure.

OUR VIEWS

- **September consumer price inflation came in at 0.0% yoy**, below Bloomberg consensus forecast of 0.2% yoy and above August's 0.1% yoy. Both services and core inflation held steady on a yoy basis, while goods CPI and food CPI inflation fell to -0.9% yoy and -3.2% yoy respectively. That said, the headline CPI is still up 0.2% mom, driven by higher energy cost and apparel prices, but travel related cost fell mom with the end of summer holidays.
- **PPI fell 2.5% yoy**, over the same period, below Bloomberg consensus forecast of -2.4% yoy, but better than August's -3.0% yoy. The decline in producer goods PPI moderated to -3.0% yoy, helped by smaller yoy declines in global commodity prices. The latter, if sustained, should lead to further moderation in downside pressure on producer goods PPI. On the production end, consumer goods PPI inflation only eased slightly to -0.3% yoy, from -0.2% yoy the month before. Overall, the inflation data points to possible stabilisation of demand, after a series of weaker macro data releases.

CPI

(yoy % chg)	Sep 23	ppt chg	Aug 23	Jul 23
Headline CPI	0.0	-0.1	0.1	-0.3
Food	-3.2	-1.5	-1.7	-1.7
Core CPI	0.8	0.0	0.8	0.8
Goods	-0.9	-0.2	-0.7	-1.3
Services	1.3	0.0	1.3	1.2
Food, Tobacco And Liquor	-1.5	-1.0	-0.5	-0.5
Clothing	1.1	0.0	1.1	1.0
Residence	0.2	0.1	0.1	0.1
Daily Necessities And Services	-0.4	0.1	-0.5	-0.2
Transportation And Communication	-1.3	0.8	-2.1	-4.7
Recreational, Educational And Cultural Articles	2.5	0.0	2.5	2.4
Medical-Related Articles	1.3	0.1	1.2	1.2
Other Products And Services	3.9	0.1	3.8	4.1

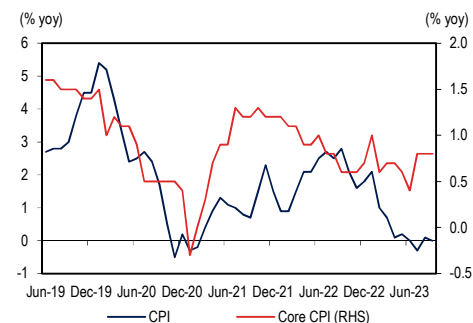
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Sep 23	ppt chg	Aug 23	Jul 23
Headline PPI	-2.5	0.5	-3.0	-4.4
Producer Goods	-3.0	0.7	-3.7	-5.5
Mining And Quarrying	-7.4	2.5	-9.9	-14.7
Raw Materials	-2.8	1.2	-4.0	-7.6
Processing	-2.8	0.3	-3.1	-3.8
Consumer Goods	-0.3	-0.1	-0.2	-0.4
Food	-0.3	-0.1	-0.2	-0.9
Clothing	0.8	-0.2	1.0	1.5
Articles For Daily Use	0.7	0.1	0.6	0.8
Durable Consumer Goods	-1.2	0.0	-1.2	-1.5
Purchasing Price Index	-3.6	1.0	-4.6	-6.1
Fuel And Power	-7.0	2.1	-9.1	-12.2
Ferrous Metal Materials	-3.4	2.2	-5.6	-8.1
Non-Ferrous Metal Materials And Wires	4.2	1.6	2.6	-0.1
Chemical Raw Materials	-7.3	3.1	-10.4	-13.3
Wood And Pulp	-7.1	-0.5	-6.6	-5.9
Building Materials And Non-Metallic	-6.6	-0.6	-6.0	-5.6
Other Industrial Raw Materials And Semi-Products	-1.8	0.0	-1.8	-1.8
Agricultural And Sideline Products	-4.2	-0.5	-3.7	-5.6
Textile Raw Materials	-1.3	1.1	-2.4	-3.8

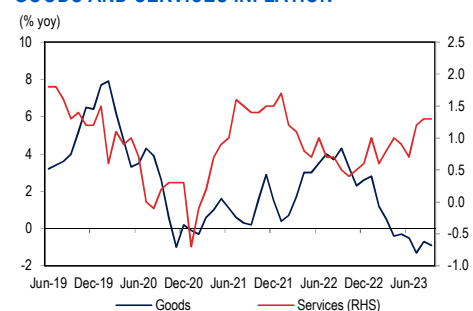
Source: NBS, Wind, UOB Kay Hian

CPI AND CORE CPI



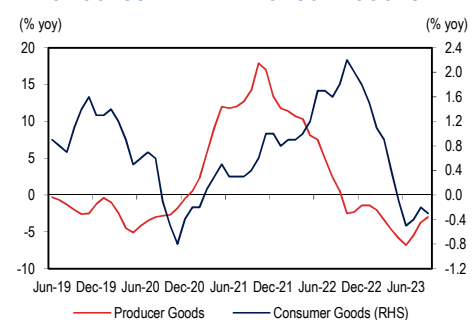
Source: National Bureau of Statistics of China (NBS), Wind, UOB Kay Hian

GOODS AND SERVICES INFLATION



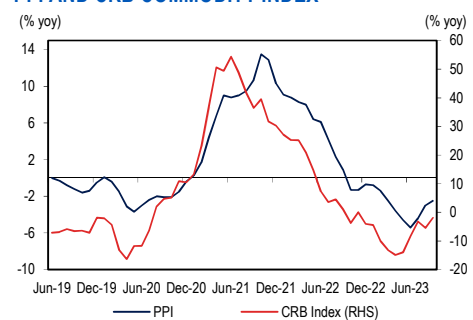
Source: NBS, Wind, UOB Kay Hian

PPI OF CONSUMER AND PRODUCER GOODS



Source: NBS, Wind, UOB Kay Hian

PPI AND CRB COMMODITY INDEX



Source: NBS, Wind, UOB Kay Hian

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ECONOMICS – CHINA

Money Supply

Further Improvement Necessary To Entrench Economic Recovery

Both M1 and M2 money supply growth came in below consensus forecasts, slowing to 2.1% yoy and 10.3% yoy respectively. New loans at Rmb2.31t were also below expectations and outstanding loans growth fell to 10.9% yoy. New TSF was the only beat (due to more government bond issuance) at Rmb4.12t. However, this was only enough to keep the outstanding TSF growth steady at 9.0% yoy. So overall the data are a mixed bag at best; further improvement in liquidity growth is necessary.

OUR VIEWS

- **M1 and M2 money supply growth slowed further in September**, coming in at 2.1% yoy and 10.3% yoy, which are below Bloomberg consensus estimates of 2.4% yoy and 10.6% yoy respectively. Similar to the previous month, the weaker M1 growth points to weak transactional demand for money, while the slowing M2 growth suggests that stronger bank loans growth is needed. New loans are higher mom at Rmb2.31t, but the higher base for comparison led to outstanding loans growth slowing to 10.9% yoy. That said, long-term loans to households saw a net increase of Rmb547b (from Rmb160b), while that to non-financial corporate rose to Rmb1.3t (from Rmb644b), which is encouraging.

KEY MONETARY INDICATORS

(yoy % chg)	Sep 23	Consensus	Aug 23	Jul 23
M0 Money Supply	10.7	-	9.5	9.9
M1 Money Supply	2.1	2.4	2.2	2.3
M2 Money Supply	10.3	10.6	10.6	10.7
Outstanding Bank Loans	10.9	-	11.1	11.1
Outstanding Total Social Financing	9.0	-	9.0	8.9
New Bank Loans (Rmbt)	2.31	2.50	1.36	0.35
New Total Social Financing (Rmbt)	4.12	3.70	3.12	0.53

Source: Wind, PBOC, UOB Kay Hian

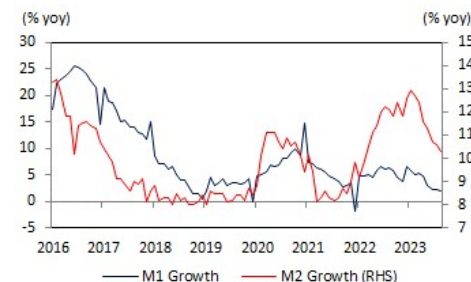
- **New TSF rose to Rmb4.12t**, lifted by better government bond issuance, which grew 12.2% yoy. Corporate bond issuance, equity raising and renminbi loans growth slowed, reflecting the challenges faced by the private sector. Despite the better new TSF, the growth of outstanding TSF growth only held steady at 9.0% yoy. Hence, further improvement in liquidity growth is necessary to entrench the recent improvement we saw in other macro data for September.

OUTSTANDING TSF

(yoy % chg)	Sep 23	Aug 23	Jul 23	2022
Renminbi Loans	10.7	10.9	11.0	10.9
Forex Loans	-19.3	-16.8	-17.8	-17.4
Entrusted Loans	1.3	2.4	4.0	3.4
Trust Loans	-1.4	-2.9	-3.6	-14.0
Bank Acceptances	-0.3	-8.2	0.0	-11.6
Corporate Bond	-0.3	-0.2	-0.4	3.6
Government Bond	12.2	11.5	10.1	13.4
Equity Issuance	9.4	10.2	10.6	12.4

Source: Wind, PBOC, UOB Kay Hian

M1 AND M2 GROWTH

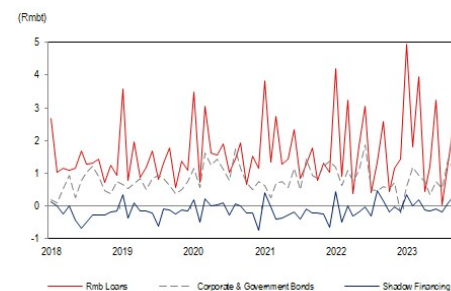


OUTSTANDING CREDIT GROWTH



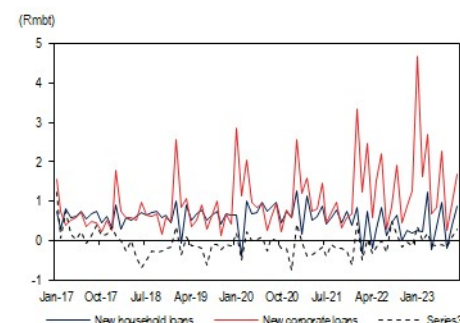
Source: PBOC, UOB Kay Hian

NEW TSF BREAKDOWN



Source: PBOC, UOB Kay Hian

NEW BANK LOANS BREAKDOWN



Source: PBOC, UOB Kay Hian

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ECONOMICS – CHINA

Trade

Trade On the Mend In Sep 23; Less Pressure On The Renminbi

China's trade performance showed further improvement in Sep 23, with both exports and imports growth beating consensus forecasts and coming in at -6.2% yoy. The trade surplus rose to US\$77.7b, compared with US\$68.2b a month earlier. With the manufacturing PMI new export orders showing improvements in Aug 23 and Sep 23, better trade data ahead is likely and near-term pressure on the renminbi should ease.

WHAT'S NEW

- **September exports decreased 6.2% yoy**, but were above Bloomberg consensus forecast of -8.0% yoy and August's 8.8% yoy drop. This is in line with the improvement in the manufacturing PMI new export orders in August and September. Exports growth to US, EU and Japan improved, but exports to Hong Kong and ASEAN deteriorated. Among the key products, exports of motor vehicles grew 53.2% yoy, reversing the declining trend that started in April.
- **Imports fell by 6.2% yoy in September** and were also better than market expectations of -6.3% yoy and August's -7.3% yoy. Imports of iron ore, copper ore and coal grew at a faster annual pace, but were below that recorded in August value-wise. Overall, the data suggests that the growth momentum may be stabilising and with that the downside pressure on the renminbi should ease.

EXPORTS AND IMPORTS DATA

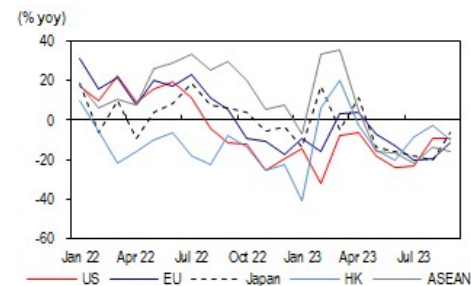
	(US\$b)		yoy % chg	
	Sep 23	Aug 23	Sep 23	Aug 23
Exports	299.1	284.8	-6.2	-8.8
Imports	221.4	216.6	-6.2	-7.3
Trade Surplus	77.7	68.2		
Exports to Key Markets				
US	46.0	45.0	-9.3	-9.5
EU	41.5	41.3	-11.6	-19.6
Japan	14.3	12.0	-6.4	-20.1
Hong Kong	27.6	21.5	-10.0	-2.5
ASEAN	44.0	42.8	-15.8	-13.4
Imports of Key Commodities				
Iron Ore	10.8	11.5	17.5	10.6
Crude Oil	28.8	30.6	-3.4	6.2
Copper Ore	4.9	5.9	31.5	28.7
Coal	4.0	4.1	7.7	2.8
Trade of Key Products				
Agricultural Products Imports	18.0	18.7	-12.0	-7.9
Integrated Circuits Imports	32.4	29.8	-17.0	-10.3
Motor Vehicle Exports	66.0	59.0	53.2	43.7
High-tech Products Exports	81.5	66.8	-8.3	-13.2
Mechanical & Electrical Products Exports	179.1	164.0	-6.1	-7.3

Source: Wind, CEIC, UOB Kay Hian

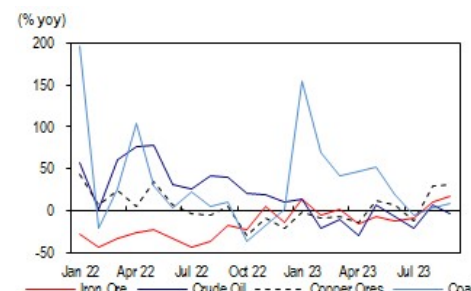
EXPORTS AND IMPORTS



EXPORTS TO KEY MARKETS



IMPORTS OF KEY COMMODITIES



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COMPANY UPDATE

China Overseas Property Holdings (2669 HK)

Acquisition Of Construction Supervision Subsidiary From 830 HK Bringing Both Risks And Opportunities

On 11 Oct 23, CPH announced the acquisition of a construction supervision subsidiary of CSCDHL (830 HK) at HK\$950m, implying 18x PE over the target company's guaranteed 2023 net profit of HK\$50m. The market is worried that the acquisition valuation was too high. However, we think this acquisition brings strategic benefits which could turn into financial benefits in the future. Maintain BUY. Lower target price by 15.9% to HK\$9.83 to factor in a higher beta.

WHAT'S NEW

- **COPH announced a acquisition with connect party.** On 11 Oct 23, China Overseas Property Holdings (COPH) announced the acquisition of a construction supervision subsidiary of CSCDHL (830 HK) at HK\$950m, implying 18x PE over the target company's guaranteed 2023 net profit of HK\$50m. The acquisition PE is: a) lower than the PE of COPH as of 11 Oct 23 (17.7x); b) lower than the average PE of A-listed comparable construction supervision companies (34.9x); but c) higher than the PE of 830HK (9.5x). The deal is still pending approval by EGM of 830 HK, and is expected to close by the end of this year.
- **Highlights of the target company.** The company: a) holds a Comprehensive Qualification in Engineering Supervision; b) currently has 128 projects under management; c) has been sourcing projects from within CSCEC and from third parties; d) is a national high-tech enterprise (enjoying tax incentives); and e) reported higher GP margin than COPH. At the conference call on 12 Oct 23, the management targets to achieve double-digit growth of the new business in the next few years.

STOCK IMPACT

- **Strategic benefits include** a) establishing COPH's presence in mainland construction supervision & consultancy market; b) preparing COPH for its future expansion into community maintenance/old village redevelopment business; and c) acquisition of high-tech enterprises will have a tax saving effect.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2021	2022	2023F	2024F	2025F
Net turnover	9,442.0	12,689.0	16,710.2	21,887.8	28,344.9
EBITDA	1,279.0	1,640.1	2,158.6	2,831.7	3,594.9
Operating profit	1,212.9	1,554.8	2,047.8	2,687.7	3,407.6
Net profit (rep./act.)	983.9	1,232.5	1,589.5	2,073.8	2,618.9
Net profit (adj.)	(1.9)	(43.7)	1,589.5	2,073.8	2,618.9
EPS (Fen)	(0.1)	(1.3)	48.4	63.1	79.7
PE (x)	n.m.	n.m.	13.0	10.2	9.4
P/B (x)	7.9	6.6	5.0	3.9	3.0
EV/EBITDA (x)	15.6	12.1	9.2	7.0	5.5
Dividend yield (%)	1.2	1.6	2.0	2.6	3.3
Net margin (%)	10.4	9.7	9.5	9.5	9.2
Net debt/(cash) to equity (%)	(109.9)	(102.6)	(84.6)	(68.1)	(77.2)
ROE (%)	38.2	37.3	38.1	38.1	36.9
Consensus net profit (HK\$ m)	-	-	1,668	2,110	2,634
UOBKH/Consensus (x)	-	-	0.95	0.98	0.99

Source: China Overseas Property Holdings, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E reflected as "n.m."

BUY

(Maintained)

Share Price	HK\$6.45
Target Price	HK\$9.83
Upside	+34.4%
(Previous TP)	HK\$11.69)

COMPANY DESCRIPTION

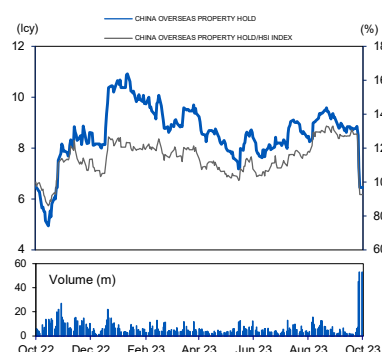
China Overseas Property Holdings is a subsidiary of China Overseas Holdings Limited and an avant-garde in the property management industry in China with first-class qualifications.

STOCK DATA

GICS sector	Real Estate			
Bloomberg ticker:	2669 HK			
Shares issued (m):	3,286.9			
Market cap (HK\$m):	23,829.7			
Market cap (US\$m):	3,047.0			
3-mth avg daily t'over (US\$m):	5.6			
Price Performance (%)				
52-week high/low	HK\$10.92/HK\$4.94			
1mth	3mth	6mth	1yr	YTD
(22.1)	(11.2)	(22.7)	7.1	(10.8)
Major Shareholders				%

FY23 NAV/Share (Hkd)	1.44
FY23 Net Cash/Share (Hkd)	1.22

PRICE CHART



Source: Bloomberg

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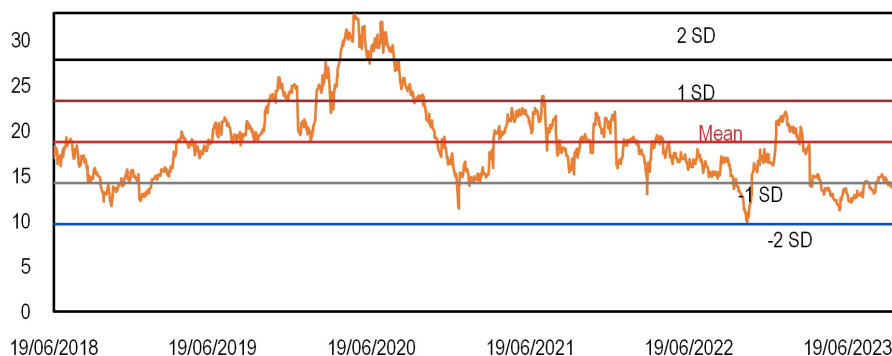
EARNINGS REVISION/RISK

- **Keep our earnings forecast unchanged.** The acquired company is expected to report no less than HK\$50m net profit in 2023, which is approximately 3.1% of CPH's estimated earnings. However, reduction in interest income and increase in inter-segment revenue may partially offset the increase of earnings from the new business. Thus, based on our current information, we keep our earnings forecast unchanged.

VALUATION/RECOMMENDATION

- **Maintain BUY with lower target price of HK\$9.83.** We lower our DCF-derived target price to HK\$9.83 on: a) higher beta to reflect higher volatility of CPH; and b) lower net cash after the acquisition. CPH is now trading at 10.2x 2024PE, which is close to 2SD below the mean. We maintain BUY as we believe the company will continue to deliver 30% earnings CAGR in the 14th FYP.
- **Recent stock correction may provide good entry point.** The company's shares have fallen 24.2% cumulatively on the two days after the announcement of the acquisition. However, we believe that although the acquisition price is not low, there are still several important strategic highlights: a) the acquisition target is an asset-light company, which is in line with CPH's business positioning; and b) it will generate synergies with CPH in the field of urban operation services in the future. In addition, considering: a) management's solid track record of beating earnings targets; and b) the ample market room of urban operation services, we expect to see stronger growth of the acquired company once the acquisition and merger is completed.

2FY PE

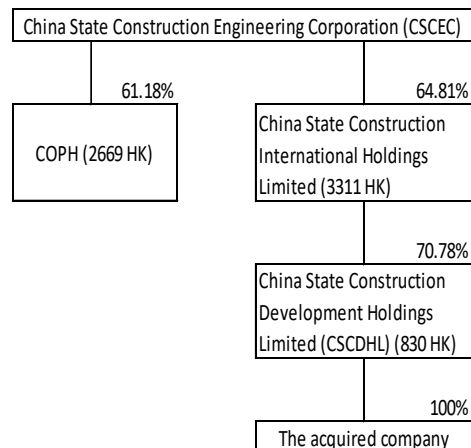


Source: Bloomberg, UOB Kay Hian

SHARE PRICE CATALYST

- Easing of demand-side industry policies.
- Faster-than-expected implementation of Housing Maintenance Fund.

SHAREHOLDING STRUCTURE OF CPH AND CSCDL



Source: CPH, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Net turnover	12,689.0	16,710.2	21,887.8	28,344.9
EBITDA	1,640.1	2,158.6	2,831.7	3,594.9
Deprec. & amort.	85.3	110.8	144.1	187.3
EBIT	1,554.8	2,047.8	2,687.7	3,407.6
Total other non-operating income	62.9	62.9	62.9	62.9
Associate contributions	4.9	6.3	8.2	10.7
Net interest income/(expense)	68.8	81.1	95.5	112.3
Pre-tax profit	1,637.7	2,132.4	2,782.0	3,514.0
Tax	(397.7)	(533.1)	(695.5)	(878.5)
Minorities	(7.5)	(9.8)	(12.7)	(16.6)
Net profit	1,232.5	1,589.5	2,073.8	2,618.9
Net profit (adj.)	(43.7)	1,589.5	2,073.8	2,618.9

BALANCE SHEET

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Fixed assets	323.2	420.2	546.2	710.1
Other LT assets	270.8	1,217.5	1,218.1	1,221.9
ST debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	3,705.9	3,994.8	4,205.0	6,183.8
Other current assets	5,821.4	7,696.2	8,730.6	11,570.8
Total assets	10,121.4	13,328.6	14,699.9	19,686.6
Other current liabilities	6,356.8	8,441.6	8,348.5	11,485.4
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	101.6	101.6	101.6	101.6
Shareholders' equity	3,611.4	4,724.0	6,175.6	8,008.9
Minority interest	51.6	61.4	74.2	90.7
Total liabilities & equity	10,121.4	13,328.6	14,699.9	19,686.6

CASH FLOW

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Operating	1,181.7	1,770.2	900.1	2,852.6
Pre-tax profit	1,678.3	2,132.4	2,782.0	3,514.0
Tax	(397.7)	(533.1)	(695.5)	(878.5)
Deprec. & amort.	85.3	110.8	144.1	187.3
Associates	7.5	9.8	12.7	16.6
Working capital changes	(151.2)	73.9	(1,304.5)	66.6
Non-cash items	(40.6)	(23.6)	(38.8)	(53.3)
Investing	(202.1)	(1,081.2)	(189.3)	(220.9)
Capex (growth)	(87.9)	(1,095.1)	(188.6)	(245.1)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(114.2)	13.9	(0.8)	24.2
Financing	(309.8)	(400.1)	(500.5)	(652.9)
Dividend payments	(295.8)	(381.9)	(476.8)	(622.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(14.0)	(18.2)	(23.7)	(30.8)
Net cash inflow (outflow)	669.7	288.9	210.2	1,978.8
Beginning cash & cash	3,298.2	3,705.9	3,994.8	4,205.0
Changes due to forex impact	(262.3)	0.0	0.0	0.0
Ending cash & cash equivalent	3,705.6	3,994.8	4,205.0	6,183.8
Ending cash & cash equivalent			12,300.1	13,649.5

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	12.9	12.9	12.9	12.7
Pre-tax margin	12.9	12.8	12.7	12.4
Net margin	9.7	9.5	9.5	9.2
ROA	13.4	13.6	14.8	15.2
ROE	37.3	38.1	38.1	36.9
Growth				
Turnover	34.4	31.7	31.0	29.5
EBITDA	28.2	31.6	31.2	27.0
Pre-tax profit	24.3	30.2	30.5	26.3
Net profit	25.3	29.0	30.5	26.3
Net profit (adj.)	n.a.	n.a.	30.5	26.3
EPS	n.a.	n.a.	30.5	26.3
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(102.6)	(84.6)	(68.1)	(77.2)
Interest cover (x)			44.0	91.1

COMPANY UPDATE

JD.com (9618 HK)

Negative Impact On Top-line Growth In 2H23 Due To Restructuring; Recovery In 2024

JD is expecting tempered top-line growth for 2H23 given the adverse impact from restructuring and a sluggish macro backdrop. However, 3Q23 GMV growth is projected be solid at 8-9% after stripping out the impact of reorganisation. In view of the weak visibility of macro improvement, we expect lukewarm consumer sentiment to continue into 4Q23 despite strong seasonality. JD continues to focus on its Low Price Strategy as the core strategic approach for Singles Day 2023. Maintain BUY with a lower target price of HK\$183.00 (US\$48.00).

WHAT'S NEW

- Top-line growth remains under pressure in 3Q23.** JD.com's (JD) revenue growth is guided at 0-1% yoy in 3Q23 (vs 7.6% in 2Q23) to Rmb246.6b, with -1% to 0% yoy growth from JD Retail (vs Alibaba's CMR growth of 4% yoy). The tempered top-line growth is primarily dampened by: a) lukewarm macro performance in various categories, b) organisational overhaul, c) weak seasonality, and d) high base of 3Q22. In terms of product categories, 3Q23 top-line growth was also hindered by weak air conditioner demand and smartphone sales, with the delayed release of new iPhones and Huawei's supply shortage. The adverse factors were partially offset by positive impacts from the delivery benefits to Plus members and lower free delivery for order values over Rmb59 from Rmb99 previously. After stripping out the impact of restructuring, JD's normalised gross merchandise value (GMV) growth in 3Q23 is forecasted to be high single-digit at 8-9% yoy. We expect JD's 3Q23 gross margin to hold up well at 15.6% (vs 14.9% in 3Q22), attributable to a higher contribution from 3P business. In 3Q23, 3P GMV yoy growth continues to outpace 1P GMV yoy growth. Take rate will remain flatish in 3Q23, underpinned by continuous merchant support in terms of commission rate to develop the 3P ecosystem.
- Cautious outlook for 4Q23 top-line growth momentum despite strong seasonality.** Top-line growth forecasts in 4Q23 are in line with 3Q23, with revenue growth estimated at 0-1% yoy to reach Rmb299.7 and JD Retail (JDR) revenue growth projected at -1% to 0% yoy. The lacklustre performance in 4Q23 continues to be dragged by reorganisation, but is partially offset by the Singles Day promotion. JD remains conservative given weak visibility on consumption recovery. For full-year 2023, JD's non-GAAP net profit is steadily increasing, while JDR margin remains stable yoy.
- Stable margin outlook for 3Q23.** With JD's ongoing efforts to streamline investments of new initiatives and prudent cost control, we expect 3Q23/2023 non-GAAP operating profit to come in at Rmb11.4b/Rmb37.9b with operating margin of 4.6%/3.5%. We estimate JD's 3Q23 adjusted net profit to drop 8% yoy, with net margin improving by 77bp yoy to 3.7% mainly due to narrowed losses in new businesses. Meanwhile, JDR's non-GAAP operating margin is projected at 4.5%.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	951,592.2	1,046,236.0	1,077,252.6	1,202,544.3	1,297,269.6
EBITDA	(720.7)	684.2	49,973.0	61,874.0	74,085.8
Operating profit	4,141.0	18,344.0	30,816.8	41,494.0	52,314.5
Net profit (rep./act.)	(3,543.2)	9,009.0	24,095.3	30,561.8	38,737.4
Net profit (adj.)	17,223.5	28,570.0	31,935.6	38,305.6	45,099.7
EPS (Fen)	553.7	899.0	1,005.8	1,171.3	1,338.9
PE (x)	19.8	12.2	10.9	9.4	8.2
P/B (x)	1.6	1.6	1.5	1.3	1.2
EV/EBITDA (x)	n.m.	524.0	7.2	5.8	4.8
Dividend yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	(0.4)	0.9	2.2	2.5	3.0
Net debt/(cash) to equity (%)	(20.9)	(11.9)	(19.7)	(31.5)	(41.3)
Interest cover (x)	n.a.	0.3	n.a.	24.5	36.9
ROE (%)	n.a.	4.2	10.7	12.1	13.4
Consensus net profit	-	-	32,960	38,460	45,399
UOBKH/Consensus (x)	-	-	0.97	1.00	0.99

Source: JD.com, Bloomberg, UOB Kay Hian

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

BUY

(Maintained)

Share Price	HK\$117.70
Target Price	HK\$183.00
Upside	+55.5%
(Previous TP)	HK\$199.00

COMPANY DESCRIPTION

JD.com is the leading online direct sales player in China.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9618 HK
Shares issued (m):	2,756.6
Market cap (HK\$m):	369,933.1
Market cap (US\$m):	47,301.2
3-mth avg daily t'over (US\$m):	156.5
Price Performance (%)	

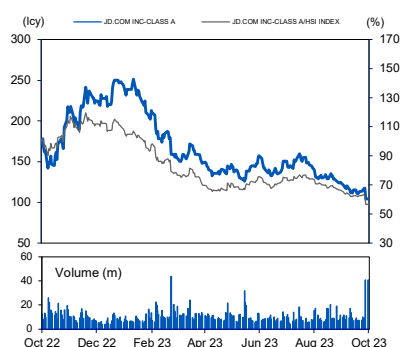
52-week high/low HK\$251.40/HK\$110.30

1mth	3mth	6mth	1yr	YTD
(5.6)	(16.9)	(23.1)	(36.5)	(46.5)

Major Shareholders

	%
Walmart Inc	10.5
BlackRock Inc	3.3
Vanguard Group Inc	3.1
FY23 NAV/Share (RMB)	75.09
FY23 Net Cash/Share (RMB)	14.78

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Overview of macro backdrop in Jul/Aug 23.** Based on NBS data, July/August national online physical goods GMV grew 5.0%/6.1% yoy (vs 12.1% yoy in 2Q23), while two-year CAGR was 6.3% (vs 5.7% in July). Communication equipment delivered resilient yoy growth of 3.0%/8.5% yoy, with home appliances and fast-moving consumer goods (FMCG) remaining soft yoy. Management guided a lacklustre top-line growth in Oct 23 given Golden Week and low seasonality.
- JD's target for 2024.** JD targets to achieve double-digit revenue growth for 2024. We forecast revenue and non-GAAP net profit to grow at 12% yoy and 20% yoy to Rmb1.2t and Rmb38.3b, translating to net margin of 3.2%. 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 key driver for expansion in the long term.
- Upcoming IPO to unlock value for JD.** Jingdong Property focuses on the development and management of logistics and business parks. By end-Dec 22, Jingdong Property's total asset management scale was valued at Rmb93.7b (US\$13.7b). Jingdong Property possessed a total gross floor area (GFA) spanning 23.3m sqm. According to the filing, Jingdong Property's portfolio included 219 logistics parks, 13 business parks and four data centres as of the conclusion of the previous year. Management guided that there is no significant change in value of property or managed assets. The estimated market capitalisation for Jingdong Property and Jingdong Industrials stood at Rmb54.9b and Rmb13.7b respectively.

EARNINGS REVISION/RISK

- We cut our 3Q23/2023 revenue estimates by 6.3%/3.3%,** representing revenue growths of 1.3%/3.0% yoy as our previous forecast had not factored in the early release of demand for the electronics & appliances and weaker visibility for consumption recovery. We lower our non-GAAP net profit forecasts for 3Q23/2023 by 9.0%/7.0% in view of the increased merchants support initiatives to capture consumer demand during Singles Day promotion. We expect JD's adjusted net margin for 3Q23/2023 to be 3.7%/3.0% respectively.
- Risks:** a) Consumption and logistics disruption from the pandemic in the coming quarters, b) intensified competition in the fresh produce and FMCG segments from peers, and c) weak consumption sentiment after the pandemic ends.

VALUATION/RECOMMENDATION

- Maintain BUY on JD with a lower target price of HK\$183.00 (US\$48.00),** based on our SOTP valuation to 2023. Our target price implies 0.4x of 2023F EV/sales, 15x 2023F PE, 1x PEG. We expect there to be room for margin improvement on better operating efficiency in its own ecosystem as well as margin expansion which should be supported by the 3P segment's growth. JD is trading at 0.2x EV/sales, 2SD below its historical mean. The company is currently trading at 8x 2024 PE, against 14% EPS CAGR over the next three years.

SHARE PRICE CATALYST

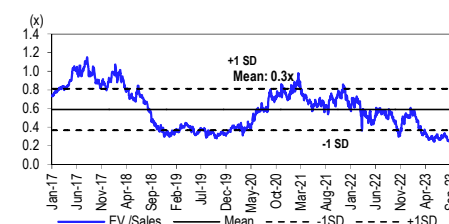
- Strong growth, continued new user margin expansion with improved operating efficiency and further extension of logistics services to internal and external customers.**

VALUATION

2023-24F	Revenue (Rmbm)	EBITDA (Rmbm)	EV/EBITDA (x)	To JD (HK\$)	JD stake (%)	To JD (20% discount)	HK\$/share	% of TP value
JD Retail	972,205	34,027	5	170,136	Majority	170,136	53	29
JD Logistics (mkt cap)				92,136	81%	59,704	19	10
JD Digital/Industrial/Real estate				117,450	37%	34,765	14	7
JD Health (mkt cap)			3x (PS)	62,810	67%	33,666	11	6
Key Investments						30,067	9	5
Net cash				228,142		228,142	78	42
SOTP value				670,674		556,480	183	

Source: JD.com, UOB Kay Hian

12-MONTH FORWARD EV/SALES BAND



Source: JD.com, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	1,046,236	1,077,253	1,202,544	1,297,270
EBITDA	684	49,973	61,874	74,086
Deprec. & amort.	(17,660)	19,156	20,380	21,771
EBIT	18,344	30,817	41,494	52,315
Total other non-operating income	(3,438)	86	0	0
Net interest income/(expense)	(2,418)	1,354	(2,526)	(2,006)
Pre-tax profit	12,488	32,257	38,968	50,308
Tax	(4,176)	(7,882)	(8,406)	(11,571)
Minorities	697	(280)	0	0
Net profit	9,009	24,095	30,562	38,737
Net profit (adj.)	28,570	31,936	38,306	45,100

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	57,819	37,254	61,960	68,156
Pre-tax profit	12,488	32,257	38,968	50,308
Tax	(4,176)	(7,882)	(8,406)	(11,571)
Deprec. & amort.	(17,660)	19,156	20,380	21,771
Associates	2	3	4	5
Working capital changes	28,477	(6,278)	11,018	7,647
Other operating cashflows	38,688	(3)	(4)	(5)
Investing	(54,026)	(21,545)	(24,051)	(25,945)
Capex (growth)	(4,476)	(21,545)	(24,051)	(25,945)
Capex (maintenance)	0	1	2	3
Investments	(27,484)	0	0	0
Proceeds from sale of assets	0	1	2	3
Others	(22,066)	(2)	(4)	(6)
Financing	1,180	(56,659)	(3,200)	(3,200)
Dividend payments	0	1	2	3
Issue of shares	4,454	0	0	0
Proceeds from borrowings	26,479	(56,659)	(3,200)	(3,200)
Loan repayment	0	1	2	3
Others/interest paid	(29,753)	(2)	(4)	(6)
Net cash inflow (outflow)	4,973	(40,950)	34,709	39,010
Beginning cash & cash	70,767	78,861	43,714	78,422
Changes due to forex impact	8,924	0	0	0
Ending cash & cash equivalent	78,861	43,714	78,422	117,433

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	55,080	57,469	61,140	65,314
Other LT assets	189,096	189,096	189,096	189,097
Cash/ST investment	78,861	43,714	78,422	117,433
Other current assets	272,213	275,016	290,772	303,221
Total assets	595,250	565,295	619,430	675,064
ST debt	0	0	0	0
Other current liabilities	266,561	263,086	289,860	309,956
LT debt	53,459	(3,200)	(6,400)	(9,600)
Other LT liabilities	1,107	1,107	1,107	1,108
Shareholders' equity	213,956	238,331	268,893	307,632
Minority interest	60,167	60,167	60,167	60,167
Total liabilities & equity	595,250	565,295	619,430	675,065

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	0.1	4.6	5.1	5.7
Pre-tax margin	1.2	3.0	3.2	3.9
Net margin	0.9	2.2	2.5	3.0
ROA	1.7	4.2	5.2	6.0
ROE	4.2	10.7	12.1	13.4
Growth				
Turnover	9.9	3.0	11.6	7.9
EBITDA	n.a.	7,204.3	23.8	19.7
Pre-tax profit	n.a.	158.3	20.8	29.1
Net profit	n.a.	167.5	26.8	26.8
Net profit (adj.)	65.9	11.8	19.9	17.7
EPS	62.4	11.9	16.5	14.3
Leverage				
Debt to total capital	16.3	(1.1)	(2.0)	(2.7)
Debt to equity	25.0	(1.3)	(2.4)	(3.1)
Net debt/(cash) to equity	(11.9)	(19.7)	(31.5)	(41.3)
Interest cover (x)	0.3	n.a.	24.5	36.9

ASIAN GEMS CORPORATE HIGHLIGHTS

MINISO Group Holding (9896 HK)

Key Takeaways From Asian Gems Conference

MINISO's business operations were on track in Oct 23 mtd, with domestic and overseas GMV growing 50% yoy and 40% yoy respectively. Management emphasised that overseas markets such as North America and Asia have great potential for future growth, especially the US market, of which revenue per store nearly doubled vs 2019's level, with the US market already profitable with net margin reaching 10%.

WHAT'S NEW

- MINISO Group Holding (MINISO) joined our Asian GEMs Conference. Key takeaways are as follows.

STOCK IMPACT

- Business operations in Oct 23 mtd on track.** MINISO achieved 50% GMV yoy growth in domestic market and 40% GMV yoy growth in overseas market mtd. The overall revenue per store has recovered to ~90% vs 2019's level. Average transaction value was up by low-single-digit yoy and the customer traffic has recovered to ~90% vs 2019's level in China.
- Profitability in domestic and overseas markets.** The overall gross margin of the domestic market stands at ~38%. In the domestic market, stores located in lower-tier cities generally achieve better profitability than stores located in Tier 1&2 cities, thanks to lower rents. Management estimates that net margins of stores in Tier-1, Tier-2 and lower tier cities are <7%/7~8%/~10% respectively. In 1H23, management saw that rent ratio in Tier 1&2 cities trended down, which benefited the company's store expansion in these cities. The overall gross margin of overseas market stands at ~45%. Specifically, for directly operated markets, gross margin is in the range of 45-55%, and for distributor markets, gross margin is ~35%.
- US market showed strong performance.** Management views North America and Asia as two regions of high potential. For North America, the US market continued to perform well. Revenue per store in the June quarter nearly doubled vs 2019's level, and profitability improved, recording EBITDA margin of 20% and net margin of 10%. For Asia, management stated that the India and Indonesia markets are cash cows, thanks to the lower expenses. In Indonesia, revenue per store has recovered to ~60% vs 2019's level.
- Dividend payout.** Management states that the company will maintain its 50% dividend payout ratio in the coming years. The company also adopted a new share buyback plan in Sep 23, targeting to repurchase up to US\$200m of shares in 12 months.

KEY FINANCIALS

Year to 30 Jun (Rmbm)	FY19	FY20	FY21	FY22	FY23
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 (Rmb)	(0.3)	(0.3)	(1.2)	0.5	1.4
P/E (x)	n.m.	n.m.	n.m.	n.m.	31.6
Book value per share	(0.1)	(0.3)	5.4	5.7	7.0
P/BV (x)	n.m.	n.m.	n.m.	n.m.	6.3
EBITDA	1,208	1,035	666	1,272	2,614
EV/EBITDA (x)	44.2	51.6	80.2	42.0	20.2
DPS (fen)	n.a.	n.a.	25.2	29.4	75.1
Dividend yield (%)	n.m.	n.m.	n.m.	n.m.	1.7
Net margin (%)	(3.1)	(2.9)	(15.6)	6.3	15.4
Net debt to equity (%)	n.m.	n.m.	(90.9)	(69.7)	(65.1)
Interest cover (x)	21.2	13.3	7.3	26.4	64.2
ROE (%)	n.m.	n.m.	(21.3)	9.1	19.9

Source: Miniso, Bloomberg, UOB Kay Hian
n.m.: not meaningful; negative P/E, P/B reflected as "n.m."

NOT RATED

Share Price	HK\$49.70
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 11 categories including perfumes, cosmetics and toys, while its TOP TOY brand sells collectible toys.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	9896 HK
Shares issued (m):	1,263.7
Market cap (HK\$m):	62,805.4
Market cap (US\$m):	8,164.7
3-mth avg daily t'over (US\$m):	14.1
Price Performance (%)	

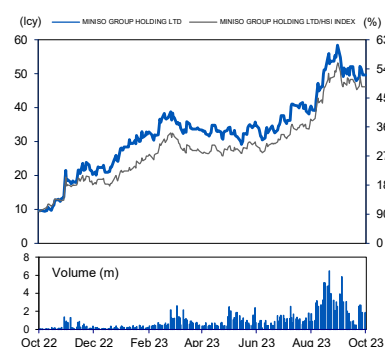
52-week high/low HK\$59.85/HK\$9.27

1mth	3mth	6mth	1yr	YTD
(9.5)	39.0	47.5	387.3	137.8

Major Shareholders	%
Mini Investment Limited	25.98
YYY MC Limited	20.40

FY23 NAV/Share (Rmb)	5.56
FY23 Net Debt/Share (Rmb)	(3.92)

PRICE CHART



Source: Bloomberg

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VALUATION

- The company trades at 25.4x one-year forward PE, per Bloomberg.

PROFIT & LOSS

Year to 30 Jun (Rmbm)	FY20	FY21	FY22	FY23
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	n.m.
Associate contributions	-	-	-	-
Net interest income/(expense)	32	15	-33	n.m.
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

CASH FLOW

Year to 30 Jun (Rmbm)	FY20	FY21	FY22	FY23
Operating	820	915	1,472	1,811
Pre-tax profit	81	-1,216	907	2,334
Tax	-211	-213	-267	-552
Depreciation/amortization	-269	-265	-390	-391
Associates	-	-	-	-
Working capital changes	411	4,039	-1,432	1,735
Non-cash items	936	1,814	88	-349
Other operating cashflows	-128	-3,244	2,566	-965
Investing	463	-519	-2,192	-439
Capex (growth)	-57	-180	-1,234	-174
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	520	-339	-958	-264
Financing	-115	3,522	-733	-232
FA	-330	-	-306	-371
Issue of shares	9	3	1	0
Proceeds from borrowings	411	0	-	470
Loan repayment	214	-632	-322	123
Others/interest paid	-419	4,151	-105	-455
Net cash inflow (outflow)	1,168	3,918	-1,453	1,141
Beginning cash & cash	1,686	2,854	6,772	5,348
Changes due to forex impact	-4	-16	-	94
Ending cash & cash equivalent	2,854	6,772	5,348	6,489

BALANCE SHEET

Year to 30 Jun (Rmbm)	FY20	FY21	FY22	FY23
Fixed assets	591	766	2,762	3,087
Long term investment	-	-	-	-
Other LT assets	259	740	447	456
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	-
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

KEY METRICS

Year to 30 Jun (%)	FY20	FY21	FY22	FY23
Profitability				
Gross margin	30.4	26.8	30.4	38.7
Pretax margin	0.9	-13.4	9	20.3
Net margin	-2.9	-15.6	6.3	15.4
ROA	-4.7	-17.1	5.7	13.2
ROE	n.m.	(21.3)	9.1	19.9
Growth				
Turnover	-4.4	1	11.2	13.8
Gross profit	-14.3	-35.7	91	105.5
Pre-tax profit	40.1	-1.4	47.1	0.3
Net profit	-24.6	-47.7	119.9	152
Net profit (adj)	-4.8	145.1	-99.5	n.m.
EPS (adj.)	(0.3)	(1.2)	0.5	1.4
Leverage				
Debt to total capital	146.4	11	8.6	9.1
Debt to equity	n.m.	12.4	9.4	10
Net debt to equity	n.m.	-90.9	-69.7	-65.1
Interest cover (x)	13.3	7.3	26.4	64.2

ASIAN GEMS CORPORATE HIGHLIGHTS

Minth Group (425 HK)

Takeaways From Asian Gems Conference

Minth joined our Asian GEM Conference last Friday. During the conference, Minth shared with us its recent business updates and outlook. Management maintains 2023 targets on revenue growth and net profit growth at 20% and 25% respectively. For 2024, they expect revenue growth to remain relatively steady. They also expect margin improvement in 2H23. We maintain 2023-25 net profit forecasts at Rmb1,928m/ Rmb2,317m/Rmb2,768m. Maintain BUY. Target price: HK\$33.00.

WHAT'S NEW

- **2023 revenue growth and net profit growth targets kept at 20% and 25%; 2024 revenue growth expected to remain steady.** During the 1H23 results briefing, management reiterated their 2023 revenue growth target of 20%. On the other hand, due to upbeat 1H23 earnings, they raised 2023 net profit growth target from 20% to 25%. During the Asian GEM Conference, they reiterated the revenue growth target of 20% and net profit growth target of 25% for 2023. Looking into 2024, Minth expects to see steady revenue growth based on the discussion with customers.
- **Despite the prospective slowdown of China's auto industry,** Minth's business growth will be driven by the EV-related products. These products include battery housings, aluminium structural chassis parts, exterior and interior parts for electric vehicles (EV). Minth targets to book c.Rmb14.3b in order intakes in 2023, of which Rmb5b or 35% will be those for battery housings. The revenue from battery housing sales is expected to double from Rmb2b in 2022 to Rmb4b in 2023 and more than double that to Rmb10b in 2025. Minth also booked Rmb200m in revenue from sales of aluminium structural chassis parts in 1H23, and the number is expected to reach Rmb500m in 2023 and double that in 2024.
- **Diversified customer base for the EV-related products.** The orders will be coming from leading EV companies such as Tesla and BYD as well as the EV divisions of established incumbents like Volkswagen, BMW and Daimler. As for the EV-related parts and components, Minth has more than 20 customers. Except Tesla and BYD, Minth is the sole supplier of battery housings for other customers.
- **Shorter product development cycle means faster turnover.** The product development cycle and product life cycle of EVs (especially Chinese branded EVs) are both much shorter than those of ICE-cars. In general, it only takes 8-12 months from the signing of orders with an OEM to the launch of the EV product, compared to at least 2-3 years for ICE-cars. Also, the product life cycle of Chinese branded EVs only ranges from three to four years, compared to five years for ICE-cars.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	13,919	17,306	21,300	26,000	31,000
EBITDA	3,009	3,153	3,892	4,533	5,199
Operating profit	2,087	2,032	2,593	3,074	3,631
Net profit (rep./act.)	1,497	1,501	1,928	2,317	2,768
Net profit (adj.)	1,078	1,494	1,928	2,317	2,768
EPS (fen)	137.1	133.0	169.4	203.5	243.1
PE (x)	13.7	14.1	11.1	9.2	7.7
P/B (x)	1.3	1.3	1.2	1.1	1.0
EV/EBITDA (x)	8.9	8.5	6.9	5.9	5.2
Dividend yield (%)	2.8	3.1	3.1	3.1	3.1
Net margin (%)	7.7	8.6	9.1	8.9	8.9
Net debt/(cash) to equity (%)	4.5	17.9	27.4	31.2	29.1
Interest cover (x)	7.9	7.7	8.7	9.5	10.4
ROE (%)	7.0	9.1	11.0	12.2	13.3
Consensus net profit	-	-	1,956	2,482	2,961
UOBKH/Consensus (x)	-	-	0.99	0.93	0.93

Source: Minth, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$20.10
Target Price	HK\$33.00
Upside	+64.2%

COMPANY DESCRIPTION

Minth Group manufactures body structural parts, decorative parts and trims of automobiles, and supplies to international automakers.

STOCK DATA

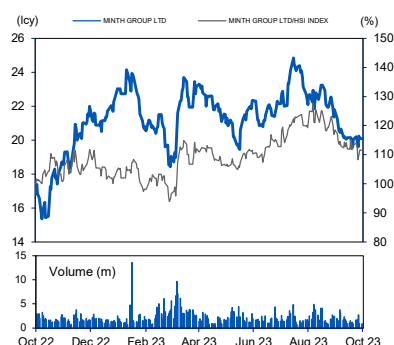
GICS sector	Automobile
Bloomberg ticker:	425 HK
Shares issued (m):	1,162
Market cap (HK\$m):	23,353
Market cap (US\$m):	3,013
3-mth avg daily t'over (US\$m):	5.4
Price Performance (%)	
52-week high/low	HK\$25.40/HK\$15.10

1mth	3mth	6mth	1yr	YTD
(8.2)	(9.9)	(11.6)	22.9	(5.0)

Major Shareholders	%
Chin Jong Hwa	38.74

FY23 NAV/Share (HK\$)	16.62
FY23 Net Cash/Share (HK\$)	4.59

PRICE CHART



Source: Bloomberg

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- **Margin improvement in 2H23.** Minth expects gross margin to improve from 1H23 to 2H23 based on the decline in raw material cost and the ramp-up of the battery housing business. Operating margin will probably improve even more than gross margin, due to economies of scale. Looking into 2024, Minth expects 2024 margins to remain steady vs 2H23.
- **Capex peaked in 2022.** Minth cut guidance on capex for 2023 to Rmb2.5b-3.0b, lower than Rmb3.4b in 2022. Looking into 2024, they expect capex to fall further to Rmb2.0b-2.5b. The capex for 2025 will pretty much depend on whether there are new product lines to add. If not, capex will probably remain flat yoy in 2025.
- **UAW's strike would probably cause a delay in the recognition of 8% of revenue,** based on the experience from UAW's previous strike in 2019. The strike would only cause suspension of production at the Big Three's plants in the US rather than cancellation of orders from customers. The Big Three's US plants jointly contribute 8% of Minth's total revenue.

STOCK IMPACT

- We maintain our estimates on 2023-25 revenue at Rmb21.3b/Rmb26.0b/Rmb31.0b, implying 21% CAGR.
- We maintain 2023-25 gross margin assumptions at 26.6%/26.6%/26.6%, vs 26.3% in 1H23.

EARNINGS REVISIONS/RISKS

- **We maintain our 2023-25 net profit forecasts** at Rmb1,928/Rmb2,317m/Rmb2,768m, based on intact guidance.

VALUATION/RECOMMENDATION

- **Maintain BUY with target price of HK\$33.00,** based on 15x 2024F PE, on a par with historic mean one-year forward PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	17,306	21,300	26,000	31,000
EBITDA	3,153	3,892	4,533	5,199
Depreciation & amortization	(1,121)	(1,298)	(1,459)	(1,568)
EBIT	2,032	2,593	3,074	3,631
Total other non-operating income	-	-	-	-
Associate contributions	10	20	30	40
Net interest income/(expense)	(263)	(298)	(323)	(348)
Pre-tax profit	1,779	2,315	2,781	3,323
Tax	(249)	(347)	(417)	(498)
Minorities	(30)	(39)	(47)	(56)
Net profit	1,501	1,928	2,317	2,768
Net profit (recurrent)	1,501	1,928	2,317	2,768

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	(3,037)	(3,395)	(2,934)	(2,430)
Pre-tax profit	1,779	2,315	2,781	3,323
Tax	(270)	(347)	(417)	(498)
Depreciation/amortization	1,121	1,298	1,459	1,568
Associates	(10)	(20)	(30)	(40)
Working capital changes	(1,190)	(900)	(1,171)	(1,246)
Non-cash items	(4,467)	(5,741)	(5,555)	(5,536)
Other operating cashflows	-	-	-	-
Investing	(3,037)	(3,395)	(2,934)	(2,430)
Capex (growth)	(3,432)	(3,630)	(3,130)	(2,630)
Investments	368	235	196	200
Proceeds from sale of assets	27	-	-	-
Others	-	-	-	-
Financing	(125)	(35)	(513)	(43)
Dividend payments	(616)	(672)	(673)	(674)
Issue of shares	8	-	-	-
Proceeds from borrowings	27,551	28,500	29,000	30,000
Loan repayment	(26,907)	(27,551)	(28,500)	(29,000)
Others/interest paid	(161)	(312)	(340)	(369)
Net cash inflow (outflow)	(1,306)	(1,014)	(690)	792
Beginning cash & cash	5,492	4,221	3,207	2,516
Change due to forex impact	35	-	-	-
Ending cash & cash equivalent	4,221	3,207	2,516	3,309

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	13,435	15,727	17,356	18,375
Other LT assets	3,844	3,898	3,961	4,034
Cash/ST investment	4,221	3,207	2,516	3,309
Other current assets	11,774	14,190	16,968	19,923
Total assets	33,274	37,021	40,802	45,641
ST debt	7,211	8,161	8,661	9,661
Other current liabilities	6,102	7,619	9,225	10,935
LT debt	1,087	1,087	1,087	1,087
Other LT liabilities	1,175	1,175	1,175	1,175
Shareholders' equity	16,918	18,174	19,818	21,912
Minority interest	780	806	836	872
Total liabilities & equity	33,274	37,021	40,802	45,641

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	18.2	18.3	17.4	16.8
Pre-tax margin	10.3	10.9	10.7	10.7
Net margin	8.6	9.1	8.9	8.9
ROA	4.7	5.5	6.0	6.4
ROE	9.1	11.0	12.2	13.3
Growth				
Turnover	24.3	23.1	22.1	19.2
EBITDA	4.8	23.4	16.5	14.7
Pre-tax profit	(3.6)	30.1	20.1	19.5
Net profit	0.3	28.5	20.1	19.5
Net profit (adj.)	38.6	29.0	20.1	19.5
EPS	(3.1)	27.4	20.1	19.5
Leverage				
Debt to total capital	24.9	25.0	23.9	23.5
Debt to equity	49.1	50.9	49.2	49.0
Net debt/(cash) to equity	17.9	27.4	31.2	29.1
Interest cover (x)	7.7	8.7	9.5	10.4

HANG SENG INDEX AND HANG SENG TECH INDEX OUTLOOK

WEEKLY CHART



DAILY CHART



Hang Seng Index

Last Close: 17,813.45

Expected moving range: 17,400 – 18,800

Technical View:

Weekly chart: The Hang Seng Index continued to fluctuate within the descending channel last week, rebounding at the bottom of the descending channel. It reached a high of 18,290 and a low of 17,447, with volatility of about 843 points. The main resistance level is around 18,800.

Daily chart: Last week, the Index rebounded and approached its 50-day moving average (red), but failed to stay above that level. The 10-day moving average (light blue) is pointing upwards. The 14-day RSI was slightly lower than the midline level of 50 and is now around 49, indicating that momentum is neutral. As for the MACD indicator, the MACD line is slightly lower than the signal line and both lines are in the bearish zone. This released a double bearish signal. The main resistance level is at 18,800, while the key support level is 17,400.

WEEKLY CHART



Chart by bloomberg

DAILY CHART



Chart by bloomberg

Hang Seng Tech Index

Last Close: 3,879.84

Expected moving range: 3,750 – 4,000

Technical View:

Weekly chart: The Hang Seng Tech Index continued to fluctuate in a sideways trading zone last week and has closed with a hammer pattern for three consecutive weeks. It reached a high of 4,038 and a low of 3,799 points, with volatility of about 239 points. The main resistance level is around 4,000.

Daily chart: The Index rebounded last week and approached its 100-day moving average (pink), but failed to stay above that level. The 10-day moving average (light blue) is pointing upwards. The 14-day RSI is below the midline level of 50 and is currently around 46, indicating that momentum is rather weak. As for the MACD indicator, the MACD line is higher than the signal line, showing a bullish crossover signal. The main resistance level is at 4,000, while the key support level is 3750.

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