

WHAT'S IN THE PACK

China/HK Strategy Update:

Alpha Picks – September Conviction Calls: We focus on stocks with pricing power or sustainable margins against a weakening macro backdrop. Add Giordano, KE Holdings and Trip.com.

Both the MSCI China and HSI fell about 8.5% in August as the lack of significant stimulus announcements dampened market sentiment ...

Small-Mid Cap Biweekly – Consumer discretionary 1H23 earnings growth outpaced the HSMI and HSSI. Highlights are Samsonite International and Huitongda Network.

China/HK Sector Update:

Commodities – Weekly: Hopeful on demand recovery as we enter the peak consumption season.

China's disappointing 2Q23 GDP growth has hampered the demand outlook for base metals. 1H23 property sales fell 5.3% yoy and new home prices ...

China/HK Results Update:

Venus Medtech (Hangzhou) Inc – 1H23: Results miss; targeting 5,000 TAVR implants in 2023. Downgrade to HOLD.

(2500 HK/HOLD/HK\$5.01/Target: HK\$5.00)

Venus Medtech reported slower-than-expected revenue growth of 21.7% yoy and a net loss of Rmb350m in 1H23, missing our and consensus estimates ...

Singapore Sector Update:

REITs – S-REITs monthly update (Aug 23).

S-REITs have to weather headwinds as interest rates are expected to stay higher for longer. We focus on blue-chip S-REITs with resilient ...

Singapore Technical Analysis:

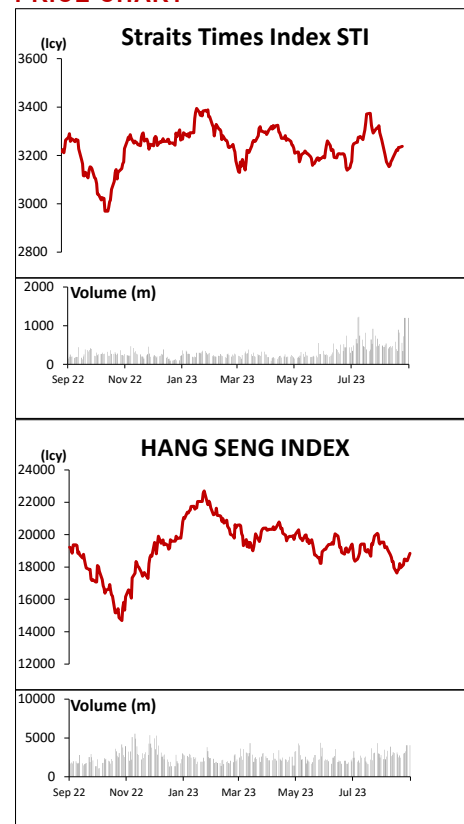
Isdn Holdings (ISDN SP) - Trading BUY

Price rebounded after forming a base low at S\$0.37. It moved and closed above the middle Bollinger band, aka the 20MA. The RSI is rising above its neutral level...

Venture Corp (VMS SP) - Trading BUY

Price could have formed a base low at S\$12.60. There is potential divergence warning given from the RSI that hints at potential upside ahead...

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34837.7	(0.6)	5.1
S&P 500	4515.8	0.8	17.6
FTSE 100	7452.8	(1.5)	0.0
AS30	7525.7	(0.1)	4.2
CSI 300	3849.0	(4.3)	(0.6)
FSSTI	3239.0	(1.6)	(0.4)
HSCEI	6533.5	(3.0)	(2.6)
HSI	18844.2	(3.6)	(4.7)
JCI	6996.8	2.1	2.1
KLCI	1462.7	1.2	(2.2)
KOSPI	2584.6	(0.7)	15.6
Nikkei 225	32939.2	2.3	26.2
SET	1548.7	1.2	(7.2)
TWSE	16789.7	(0.3)	18.8
BDI	1083	(4.7)	(28.5)
CPO (RM/mt)	3889	2.0	(3.9)
Brent Crude (US\$/bbl)	89	3.2	3.6

Source: Bloomberg

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YESTERDAY IN SINGAPORE

The Straits Times Index (STI) closed 5.67pt higher to 3,238.97. Among the top active stocks were Seatrium (+0.7%), Yangzijiang Shipbuilding (-3.6%), Genting Singapore (+1.7%), Rex International (+5.6%) and SIA (+0.9%). The FTSE ST Mid Cap Index fell 0.4%, while the FTSE ST Small Cap Index slid 0.4%. The broader market saw 300 gainers and 267 losers with total trading value of S\$1.23b.

SINGAPORE

TOP VOLUME

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.15	0.7	481,514
Yangzijiang Shipbuilding	1.63	(3.6)	57,581
Sembcorp Industries	5.17	(3.4)	44,410
Genting Singapore	0.89	1.7	24,425
OUE Commercial REIT	0.24	2.1	21,663

TOP GAINERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Sri Trang Agro-Industry	0.62	9.8	30
Nio Inc	10.96	4.2	120
Shangri-La Asia	5.60	3.7	0
Yanlord Land Group	0.70	3.0	2,076
Hutchison Port Holdings Trust	0.17	2.4	2,448

TOP LOSERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
Yangzijiang Shipbuilding	1.63	(3.6)	57,581
Sembcorp Industries	5.17	(3.4)	44,410
Lendlease Global Commercial	0.56	(2.6)	12,203
Hong Fok Corp	0.95	(2.6)	319
Wilmar International	3.69	(2.4)	7,427

HONG KONG

TOP VOLUME

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Country Garden Holdings Co	1.02	14.6	1,728,005
China Construction Bank-H	4.34	3.3	504,688
Sensetime Group Inc-Class B	1.68	7.7	466,065
Bank Of China Ltd-H	2.73	2.6	389,315
Tracker Fund Of Hong Kon-Hkd	19.42	2.6	327,944

TOP GAINERS

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Ke Holdings Inc-CI A	48.55	19.4	2,330
Country Garden Holdings Co	1.02	14.6	1,728,005
Semiconductor Manufacturing	21.85	10.9	119,077
China Resources Land Ltd	36.45	10.0	38,672
Yankuang Energy Group Co-H	13.54	9.9	60,777

TOP LOSERS

Stock	Price (HK\$)	Chg (%)	Vol ('000)
Enn Energy Holdings Ltd	59.15	(3.8)	15,873
Huaneng Power Intl Inc-H	3.82	(2.6)	79,912
China Mobile Ltd	65.45	(2.5)	22,487
China Unicom Hong Kong Ltd	5.41	(2.3)	40,729
Ck Hutchison Holdings Ltd	41.95	(1.9)	6,805

SINGAPORE TRADERS' CORNER



ISDN Holdings (ISDN SP)

Trading buy range: S\$0.385-0.390

Last price: S\$0.415

Target price: S\$0.445

Protective stop: S\$0.370

Price rebounded after forming a base low at S\$0.37. It moved and closed above the middle Bollinger band, aka the 20MA. The RSI is rising above its neutral level. These could increase chances of the stock price moving higher.

We see increasing odds of stock price testing S\$0.445. Stops could be placed at S\$0.37.

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



Venture Corp (VMS SP)

Trading buy range: S\$12.95-12.98

Last price: S\$12.98

Target price: S\$14.00

Protective stop: S\$12.55

Price could have formed a base low at S\$12.60. There is potential divergence warning given from the RSI that hints at potential upside ahead. The RSI is rising from the oversold zone. These could increase chances of the stock price moving higher.

We see increasing odds of stock price testing S\$14.00. Stops could be placed at S\$12.55.

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\$14.60.

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FROM THE REGIONAL MORNING NOTES...

Alpha Picks: September Conviction Calls

Both the MSCI China and HSI fell about 8.5% in August as the lack of significant stimulus announcements dampened market sentiment. The August earnings season also saw relatively conservative management guidance and emphasis on cost efficiencies and asset light strategies. Against this backdrop, we focus on stocks with pricing power or sustainable margins; we add Giordano, KE Holdings and Trip.com to our BUY list.

WHAT'S NEW

- **Review of August.** The MSCI China and HSI fell 8.5% respectively in August, almost erasing the gains from July as the lack of significant stimulus announcements dampened investors' sentiment. Having carried over our optimism from July, we were wrong footed. For August, most of our stock picks faced price corrections due to market weakness. Among them, COPH (2669 HK/BUY) was the best performer among our stock picks, having increased 5.6% after reporting a better-than-expected 1H23 results.
- **September could see similar levels of volatility.** There could be further supportive policy announcements, which may only provide short-lived rallies, that are dampened by weak macro data. August was also the 2Q/1H23 earnings season, and at the time of writing, about 60% of the 2Q23 earnings on CSI300 have been tabulated. Only 25% of the stocks on CSI300 surprised on the upside and overall earnings are 6.4% below consensus estimates. There were also more companies disappointing on the top-line as well, and managements have generally stressed on further efforts to raise efficiency and focus on asset-light strategies. With no signs of a major stimulus push in the near term, we would like to focus on stocks with pricing power or sustainable margins. We add Giordano, KE Holdings and Trip.com to our BUY list.

ACTION

- **Add Giordano (709 HK) to our BUY list** as we expect it to see strong growth momentum in emerging markets and further recovery in Mainland China in 2H23.
- **Add KE Holdings (2423 HK) to our BUY list** as we believe Beike's housing transaction business will benefit from the recent policy easing on the property market, thus fuelling the company's valuation. Continuous margin expansion will also be fostered by optimised resource utilisation and streamlined personnel structure.
- **Add Trip.com (9961 HK) to our BUY list** as we believe TCOM is well-positioned to benefit from strong pent-up demand for outbound travel and continuous solid domestic travel demand during the summer holiday and National Day in 2H23.
- **Take profit** on Li Auto (2015 HK) from our BUY list.
- **Cut losses** on Aier Eye Hospital (300015 CH), COSCO Shipping Ports (1199 HK), CR Beer (291 HK), and Tencent (700 HK).
- **Maintain BUY** on Baidu (9888 HK), BYD (1211 HK), CATL (300750 CH), COPH (2669 HK), CR Land (1109 HK), Inovance (300124 CH), Kuaishou (1024 HK), Moutai (600519 CH), Ping An Insurance (2318 HK), Sands China (1928 HK).

VALUATION OF ANALYSTS' ALPHA PICKS

Company	Ticker	Rec	Price	Target	Last	PE			Yield	ROE	Market	Price/
			4 Sep 23 (lcy)	Price (lcy)	Year End	2023F (x)	2024F (x)	2025F (x)	2023F (%)	2023F (%)	Cap. (LC\$m)	NTA ps (x)
BUY												
Baidu	9888 HK	BUY	144.20	192.00	Dec 22	14.7	15.5	14.0	0	7.0	403,295	1.5
BYD	1211 HK	BUY	253.40	590.00	Dec 22	28.2	17.8	12.5	0.7	19.6	278,233	6.5
CATL	300750 CH	BUY	237.65	410.00	Dec 22	24.5	15.9	11.2	0.8	21.9	1,044,834	6.5
COPH	2669 HK	BUY	9.50	11.69	Dec 22	22.4	19.5	14.9	1.5	37.9	30,798	6.5
CR Land	1109 HK	BUY	36.45	47.48	Dec 22	8.1	8.0	7.0	4.6	10.5	236,391	0.8
Giordano International	709 HK	BUY	3.01	3.89	Dec 22	12.7	11.3	10.1	10.6	16.6	4,825	1.4
Inovance	300124 CH	BUY	68.98	82.00	Dec 22	38.2	32.2	27.6	0.7	19.2	182,521	11.1
KE Holdings	2423 HK	BUY	48.55	64.00	Dec 22	24.7	20.3	17.4	1.1	7.4	182,505	2.2
Kuaishou	1024 HK	BUY	65.50	100.00	Dec 22	35.3	18.9	12.3	0	-8.8	285,294	5.7
Moutai	600519 CH	BUY	1,866.00	2,520.00	Dec 22	32.0	27.5	23.3	1.6	41.7	2,344,065	9.8
Ping An Insurance	2318 HK	BUY	50.10	73.00	Dec 22	6.8	6.1	5.5	5.2	5.2	969,674	1.0
Sands China	1928 HK	BUY	27.35	36.00	Dec 22	30.1	14.1	11.6	0	167.0	221,349	114.1
Trip.com	9961 HK	BUY	329.80	411.00	Dec 22	24.7	20.3	17.4	0	5.1	213,100	1.7

Source: Bloomberg, UOB Kay Hian

*P/B instead of PE

**PEV instead of PE

Baidu – BUY (Julia Pan/Ming San Soong)

- Looking into 2H23, Baidu's advertising revenue is guided to grow sequentially in 3Q23 and 4Q23. For 2H23, advertising revenue growth as compared with 2H21 is expected to surpass 3%. In 3Q23, Baidu Core's non-GAAP operating profit and non-GAAP operating margin are both expected to sustain positive yoy growth. In 3Q23, Baidu Core's non-GAAP operating profit is expected to sustain its positive yoy growth and yoy improvement in non-GAAP operating margin. In 2Q23, Baidu's core search revenue climbed 14% yoy to Rmb26.4b. Online marketing revenue growth continued to accelerate and increased 15% yoy compared to 6% in 1Q23, coming in 2% better than our expectations, primarily due to macro recovery and continuous strong recovery in verticals with high offline exposure. In Jun 23, Baidu App's monthly active users reached 677m, up 8% yoy. Other revenue delivered 14% yoy growth in 2Q23, sustaining from 14.7% yoy in 1Q23, mainly due to the resilient AI-powered businesses and cloud business. AI Cloud delivered a decelerated growth of 13% yoy to Rmb4.8b, partially impacted by the delay in fee collection and cloud project completion. On 31 August, Baidu's generative AI Ernie bot was unveiled to the general public, implying more relaxed policy approach towards AI. On 16 Aug 23, Baidu updated its Ernie LLM 3.5, which it claims is well-recognised by its cloud customers, AI developers and industry experts. Ernie LLM 3.5 has achieved a 3x faster training speed and 30x faster inference speed.
- Maintain BUY on Baidu with a target price of HK\$192.00. The company now is trading at 12.2x 12-month PE, below its historical mean of 17.8x. Our target price implies 16.5x 2023F PE against 32% EPS CAGR over the next three years.

SHARE PRICE CATALYST

- Event: a) Market share expansion in the AI Cloud and AD segments, b) higher monetisation rates across all business units, c) synergies between Baidu's core business and new initiatives.
- Timeline: 2H23.

BYD – BUY (Ken Lee)

- BYD posted in-line 2Q23 net profit of Rmb6,824m (+145% yoy/+65% qoq), at the mid-point of its guidance range of Rmb6.37b-7.57b. 1H23 net profit grew 205% yoy to Rmb10,954m, vs guidance range of Rmb10.5b-11.7b, our estimated 2023 net profit of Rmb23.8b (+43% yoy) and consensus 2023 net profit of Rmb23.6b (+42% yoy) for full-year 2023. We expect sales and earnings to grow qoq in 3Q-4Q23 along with the sales ramp-up of the models launched in 2Q23 and the debuts of new models in 2H23, including Seal DM-i, Song L, Denza N7/N8, Fang Cheng Bao 5, Yangwang U8/U9.

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- Maintain BUY with target price of HK\$590.00 based on 10-year DCF (WACC: 12%/terminal growth: 4%).

SHARE PRICE CATALYST

- Event: a) Growth of monthly EV sales volume, and b) upbeat 3Q23 results.
- Timeline: Sep-Oct 23

CATL – BUY (Ken Lee)

- CATL posted upbeat 2Q23 net profit of Rmb10,859m (+63% yoy/+11% qoq) and 1H23 net profit of Rmb20,717m (+154% yoy), compared with our estimate of Rmb42,570m (+39% yoy) and consensus' estimate of Rmb45.57b (+48% yoy). CATL has been launching multiple brand-new battery products in 2023, including Qilin battery, M3P battery, condensed battery, and sodium-ion battery. We expect revenue to grow at 30% CAGR in 2023-25F, based on 44% CAGR in battery sales volume and a 14% p.a. drop in ASP. Gross profit per wh will likely remain steady at Rmb0.16-0.17, based on the plunge in the prices of lithium carbonate and other battery materials and the ramp-up of the company's upstream projects, including lithium, nickel and cobalt.
- Maintain BUY with target price of Rmb410.00 based on 10-year DCF (WACC: 12%/terminal growth: 4%).

SHARE PRICE CATALYST

- Event: a) Growth in monthly EV battery shipments, b) drop in lithium carbonate prices, and c) 3Q23 results.
- Timeline: Sep-Oct 23.

China Overseas Property Holdings – BUY (Jieqi Liu/Damon Shen)

- CPH released better-than-expected interim results, underpinned by strong expansion capacity and effective cost control. CPH's attributable net profit grew by 39.2% yoy to HK\$726m, beating expectations. In 1H23, CPH further increased gross profit margin of property management services and lowered SG&A ratio. Community VAS resumed strong growth with relatively stable margin. Engineering services rose as the new driver, but margin has yet to stabilise. Management reiterated its target of 30% CAGR earnings during 2021-25. We expect CPH to be a pioneer to unlock value of existing homes (maintenance, transaction, etc). CPH currently is trading at 14.4x 2024F PE, which is 1SD below mean.
- Maintain BUY on CPH with a target price of HK\$11.69.

SHARE PRICE CATALYST

- Event: a) Easing of demand-side industry policies, and b) faster-than-expected implementation of Housing Maintenance Fund (HMF).
- Timeline: 3Q23-4Q23.

China Resources Land – BUY (Jieqi Liu/Damon Shen)

- In Aug 23/8M23, China Resources Land's (CR Land) contracted sales decreased by 8.8% and increased 21.2% yoy to Rmb20.3b/Rmb 207.7b respectively. In August, CR Land continued its pace of land acquisition, winning three land plots for a total land consideration of Rmb5.1b. We expect CR Land to maintain strong competitiveness in 2H23. CR Land's interim results also beat expectations, and further strengthened its market-leading position. Core attributable net profit increased by 10.9% yoy to Rmb11.3b, better than our 2023 earnings growth forecast of 5.9%. Interim dividend is Rmb0.198/share, up 8.8% yoy. CR Land is currently trading at 0.8x 2023F P/B, 8x 2023PE and with 2023 dividend yield of 4.6%. As a top SOE developer and leading mall

operator, we think CR Land will continue to increase its market share and is among the best proxies to invest in China's property sector.

- Maintain BUY on CR Land with a target price of HK\$47.48.

SHARE PRICE CATALYST

- Event: Further easing of policies in property industry.
- Timeline: 3Q23.

Giordano International – BUY (Kate Luang)

- Giordano's 1H23 net profit surged by 96% yoy to HK\$190m, underpinned by a successful Mainland China turnaround and proactive franchise expansion in emerging markets. We believe online sales and the addition of franchise stores will fuel the growth in Mainland China in 2H23, and we see proactive franchise expansion in emerging markets as the key growth driver going forward. We like Giordano given: a) its improving brand image globally, thanks to continuous product upgrades, localised marketing strategies, and ongoing store optimisation; b) competitive advantage from nimble supply chain management that continues to support strong cash flow generation; and c) generous dividend payout policy that offers attractive dividend yield.
- BUY with target price of HK\$3.89 based on 10-year DCF, implying 8.2% dividend yield in 2023 and 16.4x 2023F PE. Giordano is currently trading at 12.7x 2023F PE, 0.9SD below its pre-pandemic historical mean of 15.6x in 2014-18. We believe that Giordano's valuation has not fully captured its growth momentum in emerging markets and strong cash flow generating capabilities.

SHARE PRICE CATALYST

- Event: a) Franchise expansion in Mainland China, especially from October onwards; b) store relocation to primer locations in Hong Kong; and c) strong same-store sales growth in 3Q23.
- Timeline: 2H23

Inovance – BUY (Johnny Yum)

- Inovance managed to rise to the top selling servo and low-current inverter brand in China in 2Q23, while registering robust share gains in small-sized PLC and industrial robots during the quarter as well. We believe the import substitution trend is irreversible, and we expect further share gains in the long term as domestic leaders expand their product offerings and close the technological gap. Inovance may also be a potential beneficiary of the upcoming government stimulus due to its exposure to consumer electronics and property market (through its elevator business), as we believe that the positive policies can improve the manufacturer's investment sentiment. Moreover, Inovance is now exploring new businesses such as linear guide equipment, and expanding into the overseas market, which should both serve as key growth drivers in the mid-long term.
- Maintain BUY and target price of Rmb82.00, which is based on 38.3x 2024F PE, on a par with its historical mean PE.

SHARE PRICE CATALYST

- Event: Improvements in official industrial output data.
- Timeline: Sep 23.

KE Holdings – BUY (Julia Pan/ Ming San Soong)

- KE Holdings' (Beike) 3Q23 revenue is guided to reach Rmb16b, down 10-15% yoy, with a 20% yoy decline in GTV. Its existing housing transaction revenue is forecasted to decline

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10-15% qoq, mainly due to a high base in July and Aug 22. The new housing transaction services revenue is expected to decline by 30-35% yoy and 40% qoq in 3Q23. 2Q23 revenue reported a positive growth of 41% yoy (1Q23: +62%). Existing home transaction revenue growth decelerated to 16% yoy (1Q23: +49%), supported by a 16% yoy increase in gross transaction value (GTV) served by connected agents on the Beike platform. New home transaction services revenue growth remained intact at 45% yoy to Rmb8.7b. 2Q23 non-GAAP operating income sustained its positive trajectory with non-GAAP operating margin expanding by 16ppt yoy to 11%, mainly underpinned by optimised resource utilisation and more streamlined personnel structure. The company expects 3Q23 to be the bottom and expects the Beike housing transaction business to benefit from the recent policy easing on the property market, thus fuelling the company's valuation. On 31 Aug 23, the PBOC and the China Banking and Insurance Regulatory Commission issued notices to adjust and optimise the current differentiated housing credit policy, with the target of cutting downpayment ratios and interest rates for individual housing loans to better meet the demands for both essential and improved housing.

- Maintain BUY with a target price of HK\$64.00 (US\$23.00), using 20x PE against average earnings of 2023/24, implying 1.7x 2023 EV/Sales. Beike is trading at 1.2x 12-month forward EV/sales, 0.8SD below its historical mean of 2.3x.

SHARE PRICE CATALYST

- a) Higher monetisation rates, b) less competition, c) positive policies issued by the government to simulate housing transactions and a better funding environment for property developers, and d) household income recovery after China's reopening.
- Timeline: 2H23

Kuaishou – BUY (Julia Pan/ Ming San Soong)

- Kuaishou guided a better-than-expected 3Q23 and full-year 2023 outlook. 3Q23 revenue is estimated to ramp up by high teens to twenties, with online marketing/live-streaming/other services are forecasted to grow at about 21%/mid-single digit/30% yoy respectively. Live-streaming revenue growth is expected to be flat yoy in 4Q23, mainly impacted by the enhanced governance of the live-streaming ecosystem since Jun 23. The strong online marketing revenue is bolstered by solid brand advertising revenue recovery (10+% in 2Q23) and mid-thirties yoy growth in e-commerce gross merchandise value (GMV). Gross profit is estimated to inch up by 4ppt yoy, translating to gross margin of 50%. Operating profit is expected to remain stable sequentially, while net profit is guided to be around Rmb2b, thanks to lowering marketing expenses and continuous narrowing of overseas losses. For full-year 2023, the company expects yoy revenue growth of 20% and to achieve non-GAAP net profit of Rmb7b-7.5b. In 2Q23, Kuaishou's online marketing services revenue grew 30% yoy to Rmb14.3b, fuelled by enhanced monetisation efficiency. The number of active advertisers on Kuaishou's platform almost doubled yoy in 2Q23. Live-streaming revenue delivered a slightly moderated growth of 16% yoy (1Q23: 19%; 2Q22: 19%), bolstered by double-digit yoy growth in monthly ARPPU as well as enhanced array of live-streaming content and optimised live-streaming ecosystem. E-commerce GMV grew 39% yoy while revenue jumped 58% yoy to Rmb3b, primarily attributed to the implementation of a scoring mechanism and monetisation for product matching for key opinion leaders (KOL) through the KOL distribution channel.
- Maintain BUY on the company with a target price of HK\$100.00. Our target price implies 3x 2023F PS. The company is currently trading at 2x 12-month forward EV/Sales (15.6x 2024F PE), below its historical mean of 4x.

SHARE PRICE CATALYST

- Event: a) Higher monetisation rates across all categories, b) less competition from peers, positive government policies to simulate consumption, and d) lifting of regulations on internet platforms.
- Timeline: 2H23.

Moutai – BUY (Jo Yee Ng/Stella Guo)

- Despite the tepid overall baijiu market, the demand for premium baijiu, particularly Moutai, remains rigid. This is evident from the solid revenue growth in 2Q23, low success rate of purchases made through the i-Moutai app and the stable wholesale prices. We remain confident on the company being able to achieve full-year revenue growth target of 15% yoy and its improving profitability with a net margin expansion of 0.5ppt yoy, which will be driven by: a) rising sales volume of Moutai products from capacity expansion, b) product line extension (such as Moutai 24 Solar Term series and Moutai Chinese Zodiac series), and c) expansion in direct sales channels. Moutai stands out with its strong brand reputation and earnings visibility.
- Maintain BUY. Our DCF-based target price of Rmb2,520 implies 43.4x 2023F PE.

SHARE PRICE CATALYST

- Event: Increasing wholesale prices leading up to the Mid-Autumn Festival and National Day holidays.
- Timeline: 3Q23.

Ping An Insurance – BUY (Greater China Research Team)

- The new business value (NBV) of Ping An in 1H23 recorded an impressive 45% yoy (second-highest among peers) growth to Rmb25,960m, with NBV of the agent channel and the bancassurance channel surging 43.0% and 174.7% yoy respectively. Ping An also defended its margin well due to its industry-leading NBV margin from bancassurance channel, attributed to the cost synergy generated from the cooperation with its subsidiaries, Ping An Bank. Additionally, we believe Ping An will continue to deliver a high-single digit NBV growth in 2H23 even after the suspension of life insurance with a 3.5% rate, due to the continuous resilient saving insurance products demand and Ping An's integrated finance business model to increase its customer stickiness as shown in increasing of contracts per customer. We continue to like Ping An given: a) success of its "4 channels + 3 products" life reform strategy as shown by the increasing productivity of agent and rapid growth in bancassurance distribution channel via increasing Private Wealth Adviser teams, b) competitive advantage from its "integrated finance + healthcare" business model, c) strong premium growth momentum to persist in 2H23 due to a low-base effect, and d) the positive policy measures to boost capital market may improve Ping An's investment yield.
- BUY with target price of HK\$73.00, implying 0.7x 2024F P/EV. We believe that Ping An's valuation has not fully captured the recovery of its fundamentals, especially after we saw a strong turnaround in 1H23.

SHARE PRICE CATALYST

- Event: a) Success of life reform to deliver more sustainable NBV growth in 2H23, and b) recovery of capital market
- Timeline: 2H23.

Sands China – BUY (Ng Jo Yee/Stella Guo)

- Sands China will be the largest beneficiary of the mass market recovery with the return of group tours and increasing visitations from non-Guangdong provinces and international countries. In Jun 23, the company's mass GGR recovered to 97% of 2019's level (vs the 85% level in 2Q23). We expect a sequential mom improvement and expect its mass GGR to fully recover in 3Q23 on the back of full operating capacity, amid the summer peak season and an uplift in international flight frequency. We also expect its EBITDA margin to continue rising in the coming quarters as mass and non-gaming revenue recover.
- Our target price of HK\$36.00 implies 13.6x 2024F EV/EBITDA.

SHARE PRICE CATALYST

- Event: Better-than-expected GGR during the summer peak holiday.
- Timeline: 3Q23.

Trip.com – BUY (Julia Pan/Ming San Soong)

- Trip.com (TCOM) is well-positioned to benefit from strong pent-up demand for outbound travel and continuous domestic travel demand during the summer holiday and National Day in 2H23. According to the Ministry of Culture and Tourism, summer tourism market in 2023 is expected to surpass 2019's level. According to the China Tourism Academy's forecast, during July and August, the number of domestic tourists is expected to reach 1.3b, accounting for 20.2% of the total annual domestic tourism trips. However, the growth in China's domestic travel is expected to moderate slightly after the summer and National Day holidays due to seasonality. However, the gradual expansion in capacity of outbound flights is anticipated to drive further outbound demand and contribute to sustained growth throughout 2023. For 2024, the full recovery in outbound travel will lift revenue growth to 15-20%, according to TCOM. The company also observed the divergent industry trends in per capita spending on its platform (grew 10% from pre-COVID-19 levels) due to increased frequency. We forecast 2Q23 revenue to surge 169% yoy to Rmb10.8b, or 25% above the 2Q19 level. Gross margin was guided at 80-81%, edging up marginally from 2019 levels. Non-GAAP operating profit is guided at Rmb3.1b for 2Q23, translating to non-GAAP operating margin of 29%. For full-year 2023, revenue is guided to grow over 20% above 2019's level, mainly bolstered by the release of domestic travel demand. Operating margin for 2023 is projected at about 25%.
- We maintain BUY with a target price of HK\$411.00 (US\$54.00), which implies 1x/0.8x 2023/24F PEG over the next three years, and compares with 1.2x before the pandemic.

SHARE PRICE CATALYST

- Continuous penetration of OTA platforms into domestic offline and lower-tier cities travel market, implementation of travel bubbles and capacity expansion of outbound flights.
- Timeline: 2H23.

FROM THE REGIONAL MORNING NOTES...

Small-Mid Cap Biweekly

KEY CALLS

2023 Interim Results Review

- The Hang Seng Composite Mid-Cap Index (HSMI) and Hang Seng Composite Small-Cap Index (HSSI) saw 1H23 aggregate sales grow at -1% yoy and 2% yoy respectively, vs 2% yoy for the HSI, while aggregate earnings growth came in at -8% yoy and -19% yoy respectively, vs -2% yoy for the HSI.

- For the HSMI, the consumer discretionary sector recorded the highest aggregate earnings growth at 154% yoy.

Samsonite's (1910 HK) 1H23 attributable net profit surged 172% yoy to US\$153m due to: a) strong sales across all regions, and b) an improving cost structure as evidenced by the lower fixed SG&A vs the 2019 level. Management expects robust sales in 2H23, and guides a higher gross margin of 59% (previously 58%) and a higher adjusted EBITDA margin of 19% (previously 18%) in 2023, due to a lower fixed cost base (about 1,000 stores currently, vs 1,300 stores before the COVID-19 pandemic).

- For the HSSI, the industrials sector recorded an aggregate earnings growth of 6% yoy. Huitongda Network's (9878 HK) bottom line grew 117% yoy to HK\$245m in 1H23, primarily driven by: a) a 0.1ppt yoy gross margin expansion for the commerce business, thanks to lower supply chain costs; b) a 9ppt yoy rise in gross margin for its service business, driven by its strategic focus on high-margin projects; and c) a 0.2ppt yoy decrease in the SG&A to sales ratio.

UPDATES

Crystal International (2232 HK/NOT RATED/ HK\$2.59)

- As a leading garment supplier to global sportswear and casual wear companies, Crystal continues to focus on order share gains from key sportswear customers, such as Adidas, Nike and PUMA, and targets revenue growth from key sportswear customers at a CAGR of 44-71% in 2023-25.
- Crystal's vertical integration remains on track. The company has begun fabric production at its acquired fabric mill in Vietnam, which focuses on synthetic fabrics. Currently, Crystal produces 20% of the fabrics used in Under Armour and PUMA products. Management expects mass production of cotton fabric products at its acquired fabric mill in Bangladesh to commence in 2024.
- Management foresees customer procurement normalising in 4Q23 and 2H23 revenue recording a mild yoy decline. Gross margin is expected to improve hoh from 19.1% in 1H23, thanks to a higher utilisation rate and higher material costs. Management guides for mid-teens % yoy revenue growth in 2024 on the back of a strong sales recovery and targets revenue to recover to its 2022 level of US\$2.49b.
- The company targets a 60% dividend payout in the long term (2022: 35%) as it expects US\$200m free cash flow per year. Crystal expects: a) dividend payout ratio to increase by 5ppt every 1-2 years, and b) DPS to increase yoy in absolute terms (2022: 16.8 HK cents). It does not rule out the possibility of paying a special dividend.
- Catalyst: Fabric certification from key sportswear customers, such as Under Armour, PUMA and Lululemon.
- Valuation: Currently trading at 5.1x 2023F PE, which is below its historical mean of 8.4x.

Click [here](#) for Blue Top dated 4 Sep 23

China State Construction Development (830 HK/NOT RATED/ HK\$2.42)

- China State Construction Development's (CSCD) 1H23 revenue rose 24% yoy to HK\$4.72b. Revenue from Hong Kong & Macau/Mainland China increased 27%/49% yoy respectively, representing 52%/21% of total revenue in 1H23.

Gross profit grew 26% yoy to HK\$675m on expansion in Hong Kong & Macau, which had a higher gross margin of more than 20% (vs 15% for the facade contracting business).

- CSCD won HK\$6.6b worth of orders in 1H23, up 10% yoy, representing 55% of its full-year target of HK\$12b new orders for 2023 (2022: HK\$10.1b). New orders from Hong Kong & Macau/Mainland China grew 0%/51% yoy respectively, representing 64%/22% of total new orders in 1H23.

The company had a HK\$15.3b order backlog as of Jun 23, of which 84% came from the facade contracting business. The order backlog from Hong Kong & Macau/Mainland China went up 29%/29% yoy to HK\$9.0b/3.5b respectively.

- The company plans to expand to Singapore, which has an estimated curtain wall market of HK\$20b-30b. Management is confident in its ability to achieve HK\$3b-5b in revenue per year (10-25% market share) in Singapore with its advanced technology and outstanding track record.
- Interim dividend declared was 5.5 HK cents, representing a 28% dividend payout ratio. Dividend yield was 3.3% in the past 12 months.
- Catalyst: Technology breakthrough in curtain wall production and construction.
- Valuation: Trading at 7.3x 2023F PE, which is slightly below its historical mean of 8.1x.

Haitian International (1882 HK/NOT RATED/HK\$16.84)

- Haitian International's (Haitian) 1H23 revenue fell 2% yoy to Rmb6.38b, 8% below consensus. Gross margin increased 1.3ppt yoy to 32% due to lower raw material costs. Attributable net profit was up 5% yoy to Rmb1.36b, 5% above consensus.

- Management expects August orders to grow at a double-digit % yoy, primarily driven by continued growth momentum in overseas markets and improvement in domestic orders. The company focuses on market share gains in China through: a) proactive marketing; b) minor price adjustments for mid-range to low-end products; and c) more customised products across different downstream operations, such as EV, 3C and home appliances.

- Management is confident about achieving a double-digit % yoy revenue growth in 2H23 on the back of the recent order wins, and expects sales of the Jupiter series to remain resilient in 2H23, thanks to the continued growth momentum of EV. The company is confident about maintaining its gross margin in 2H23 (1H23: 32%).

- No interim dividend was declared. Note that Haitian maintains its dividend payout policy at no less than 33%. Dividend payout in 2022 was 34%, which translates into a 3.0% dividend yield.

- Catalyst: Stronger-than-expected PMI.

- Valuation: Trading at 8.7x 2023F PE, which is slightly below its historical mean of 11.7x.

FROM THE REGIONAL MORNING NOTES...

Commodities – China

Weekly: Hopeful On Demand Recovery As We Enter Peak Consumption Season

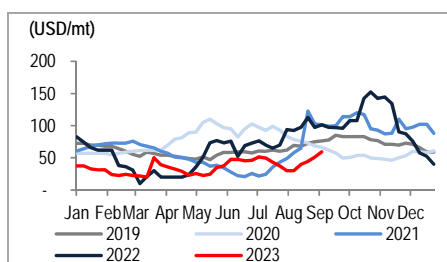
China's disappointing 2Q23 GDP growth has hampered the demand outlook for base metals. 1H23 property sales fell 5.3% yoy and new home prices reversed down in Jun 23, with no signs of property market stabilisation yet. Steel production output continued hovering at high levels as 64.07% of steel mills are currently profit-making. The unregulated production is expected to accelerate inventory build-up. Cement prices are bottoming out as inventory level is falling and production output has moderated further.

WHAT'S NEW

• **Metals (maintain MARKET WEIGHT):** China's property policy easing and the US' cooling job data supported base metal prices.

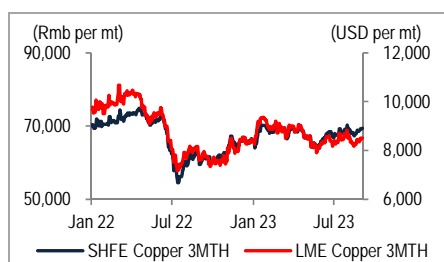
- COMEX gold/LME copper three-month futures were up 2.0%/1.7% w/w to US\$1,948 per t oz/US\$8,501 per mt. The US' Aug 23 unemployment rate of 3.80% (consensus: 3.50%) has boosted hopes that the Fed would pause its rate hike cycle. The US' 10-year treasury yield rebounded by 9bp to 4.18% while the US dollar index also edged up 0.6% to 104.24 subsequent to the data release.
- Copper led the base metals higher subsequent to the announcement of real estate policy easing by the PBOC, which includes cutting the downpayment ratio for first-home purchases to 20% and easing mortgage rules. Furthermore, China Caixin manufacturing PMI unexpectedly returned to expansionary territory at 51.0 in Aug 23, beating market expectations with consensus looking at 49.3.
- China Yangshan Copper premium continued to rebound as the widening price difference between London and Shanghai copper prices opens up room for profit. Strong performance of SHFE copper price was fuelled by optimism on demand pick-up brought about by the policy, and as the peak consumption season approaches.
- According to CME FedWatch Tool, the market has priced in 94.0% odds of the Fed maintaining interest rate at 5.25-5.50% in Sep 23, and 42.8%/58.7% odds of the Fed cutting interest rate in Mar 24/May 24.

CHINA YANGSHAN COPPER PREMIUM



Source: Bloomberg, UOB Kay Hian

SHFE COPPER 3-MONTH VS LME COPPER 3-MONTH



Source: Bloomberg, Wind, UOB Kay Hian

PEER COMPARISON

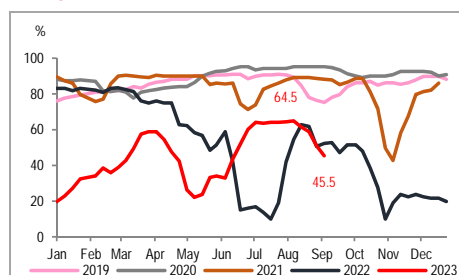
----- PE -----													----- P/B -----		----- EV/EBITDA -----		
Company	Ticker	Rec	Price @ 4 Sep 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (lcy m)	2022F (x)	2023F (x)	2022F (x)	2023F (x)	2022F (x)	2023F (x)	ROE (%)				
Anhui Conch	914 HK	BUY	23.25	28.30	21.7	147,698.2	9.6	8.9	0.6	0.6	8.5	7.6	6.4				
Baosteel	600019 CH	BUY	6.63	7.10	7.1	147,598.4	14.2	10.6	0.7	0.7	5.9	5.1	5.2				
CR Cement	1313 HK	HOLD	2.73	3.10	13.6	19,063.4	10.1	7.9	0.4	0.4	7.7	6.2	3.8				
Zijin Mining	2899 HK	BUY	13.34	15.00	12.4	369,378.7	14.0	12.0	3.0	2.6	11.0	9.6	23.7				

Source: Bloomberg, UOB Kay Hian

- **Steel (maintain UNDERWEIGHT):** Optimism on consumption recovery drives price rebound.

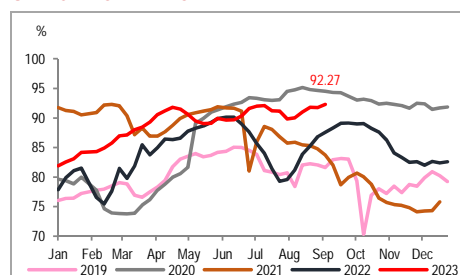
- **Sentiment lifted by recent policy easing.** The recent policy easing aimed at supporting the property market has boosted market sentiment. SGX iron ore was up 2.1% wow/7.8% mom to US\$113.99, with concerns on the production curbs starting to fade in the absence of further updates/confirmations on its scope and timeline. Domestic spot prices of key steel products rebounded last week upon the announcement of property policy easing, with rebar/hot-rolled coil steel (HRC)/cold-rolled coil steel (CRC) recording +3.4%/+0.8%/+0.6% wow changes.

247 SAMPLED STEEL MILLS PROFIT-MAKING RATIO



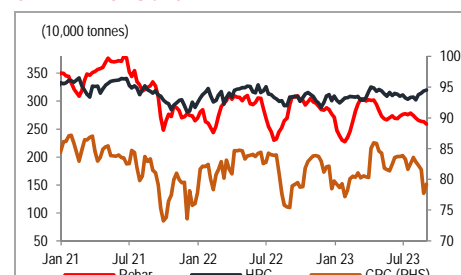
Source: Wind, UOB Kay Hian

247 SAMPLED STEEL MILLS BLAST FURNACE UTILISATION RATIO



Source: Wind, UOB Kay Hian

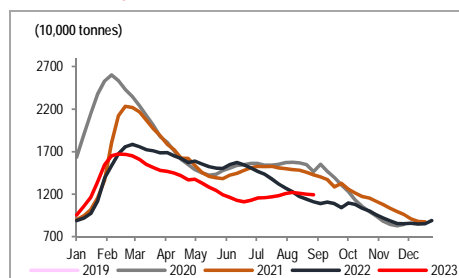
WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

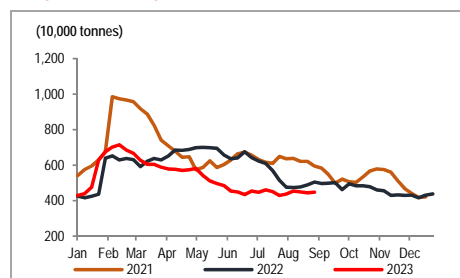
- **Robust production eroded steel mills' margins.** The recent rebound in steel prices has helped support the margins of long products. Weekly average of HRC/CRC/rebar steel-raw materials spread was -0.4%/+0.8%/+9.6% wow. However, margins were heavily eroded in the past few weeks as steel mills maintained high levels of production activities throughout the traditional low season. Mysteel's survey indicated that 45.5% of steel mills are currently profit-making (-5.6 ppt wow), slumping from end-Jul 23's 64.5%.
- **Production activities accelerated further.** Steel production activities expanded further last week as some steel mills have resumed operations upon completion of their scheduled maintenance. The blast furnace capacity utilisation rate of 247 domestic steel mills has expanded to 92.27% (+0.5ppt wow) while the weekly average daily molten iron production has also ticked up to 2.4692m tonnes (+0.5% wow), the highest level thus far this year. Weekly output of five major steel products has slowed down this week to 9.2963m tonnes (-0.8% wow).
- **Strong downstream consumption offsetting high production output.** Despite the robust production output, the rebound in downstream consumption since mid-Aug 23 that was mainly driven by rebar and wire rods, has resulted in inventory level reversing down again. The downtrend of overall steel inventory since mid-Aug 23 continued last week, declining 0.26% wow to 16.39m tonnes (+1.5% yoy).

INVENTORY OF FIVE MAJOR STEEL PRODUCTS AT TRADERS



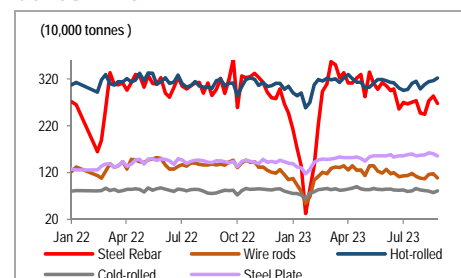
Source: Wind, UOB Kay Hian

INVENTORY OF FIVE MAJOR STEEL PRODUCTS AT STEEL MILLS



Source: Wind, UOB Kay Hian

STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



Source: Wind, UOB Kay Hian

- **Cement (maintain MARKET WEIGHT):** Awaiting signs of stabilization post rainy season.

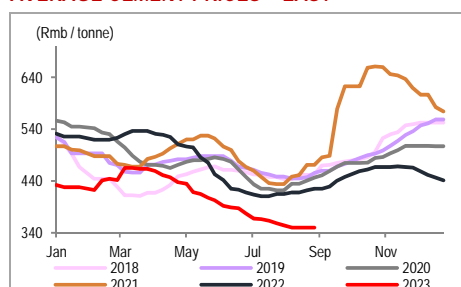
- **Cement prices still finding footing.** National average PO42.5 cement price (bulk) was last reported at Rmb354.50 per tonne, down 1.2% wow. Average cement prices for the eastern/central/southern regions saw changes of flat/-2.9%/-2.7% wow.

Retail Market Monitor

Tuesday, 05 September 2023

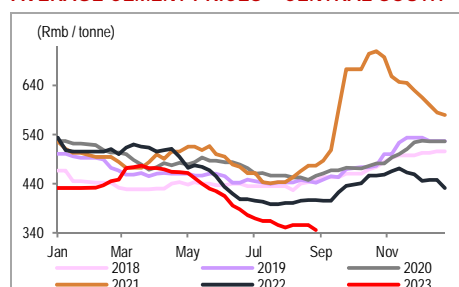
- **Cement-coal spread deteriorated further.** Cement-coal spread has deteriorated further to Rmb244.65 per tonne (-2.3% wow), due to cement prices declining further and thermal coal strongly rebounding in recent weeks. Mine output was affected as: a) some domestic coal mines have started scheduled maintenance at end-Aug 23, and b) safety inspections have been stricter.

AVERAGE CEMENT PRICES – EAST



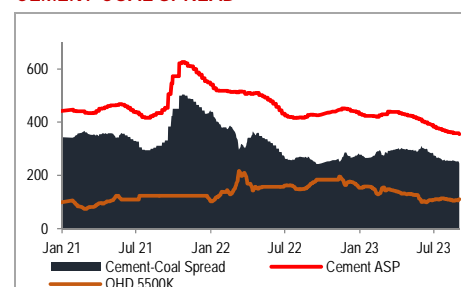
Source: CEIC, UOB Kay Hian

AVERAGE CEMENT PRICES – CENTRAL-SOUTH



Source: CEIC, UOB Kay Hian

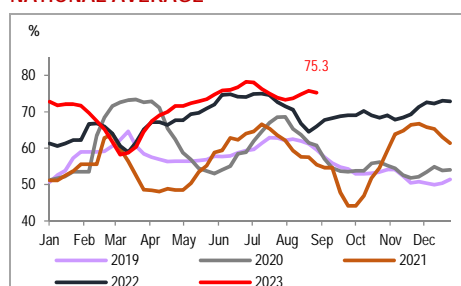
CEMENT-COAL SPREAD



Source: CEIC, UOB Kay Hian

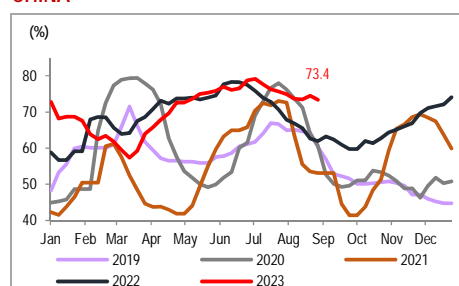
- **Shipment slowed by rainy weather.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 23-29 Aug 23 was 5.5645m tonnes (-1.15% wow, -32.33% yoy). By region, the eastern/central/southern regions' shipment volume was +0.55%/-3.86%/-2.46% wow (-35.63%/-30.81%/-32.44% yoy) respectively. Shipment for infrastructure projects was 2.15m tonnes (-0.92% wow/-12.96% yoy).
- **Inventory level eased further.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation rebounded to 52.3% last week (+2.58ppt wow). However, the slower clinker production in end-Aug 23 has helped to ease inventory pressure. National average cement storage capacity ratio was down 0.5ppt to 75.3%. Inventory levels for the east/central-south China regions were last reported at 73.4%/76.8% (-1.1 ppt/-1.2 ppt wow). The easing inventory pressure should help to stabilise cement prices in the following weeks.

CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



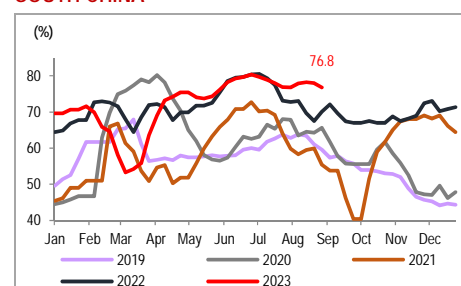
Source: CEIC, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – EAST CHINA



Source: CEIC, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – CENTRAL-SOUTH CHINA



Source: CEIC, UOB Kay Hian

ESSENTIALS

- **We maintain MARKET WEIGHT on the cement sector.** We expect construction activities to continue to normalise in the following weeks as the rainy season is coming to an end. However, construction progress of infrastructure projects would still hinge on the pace of local government special purpose bond (LGSB) issuance, of which the utilisation of annual quota was slower than the previous year.
- **We maintain UNDERWEIGHT on the steel sector.** The recent policy easing has lifted market sentiment. Apparent consumption since mid-Aug 23 has also been encouraging, which saw steel products' inventory continue to trend down since then. We are hopeful on downstream consumption as we enter the traditional peak season, which coupled with the potential production curbs, should result in fundamentals continuing to improve in the following weeks.

FROM THE REGIONAL MORNING NOTES...

Venus Medtech (Hangzhou) Inc (2500 HK)

1H23: Results Miss; Targeting 5,000 TAVR Implants In 2023

Venus Medtech reported slower-than-expected revenue growth of 21.7% yoy and a net loss of Rmb350m in 1H23, missing our and consensus estimates. It targets 5,000 TAVR implants in China and revenue from the overseas business of US\$10m in 2023. We are concerned that the challenging business environment may possibly slow its revenue growth in 2023. Downgrade to HOLD with a lower target price of HK\$5.00.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	1H23	yoy % chg
Revenue	210.0	255.6	21.7%
TAVR products	196.6	229.8	16.9%
VenusP-Valve	9.1	25.2	176.6%
Others	4.3	0.6	-85.7%
Gross profit	164.2	201.2	22.6%
Selling expenses	-123.4	-157.9	28.0%
G&A expenses	-54.7	-77.9	42.3%
R&D expenses	-220.3	-294.7	33.8%
Operating profit (EBIT)	-230.7	-349.5	51.5%
Profit attributed to shareholders	-199.9	-350.2	75.2%
Ratios (%)	1H22	1H23	yoy ppt chg
GP margin	78.2%	78.7%	0.5
Selling expense	58.8%	61.8%	3.0
G&A expense	26.1%	30.5%	4.4
R&D expense	104.9%	115.3%	10.4
EBIT Margin	-109.9%	-136.7%	-26.8
Net margin	-95.2%	-137.0%	-41.8

Source: Venus Medtech, UOB Kay Hian

RESULTS

- **1H23 results missed.** Venus Medtech (Hangzhou) Inc's (Venus Medtech) reported 1H23 revenue grew by 21.7% yoy to Rmb255.6m, missing our and consensus revenue growth estimates of 60.7% yoy and 51.9% yoy respectively for 2023. Its net loss expanded by 75.2% yoy to Rmb350.2m, missing our and consensus net loss estimates of Rmb306.6m and Rmb365.1m respectively for 2023.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	416	406	528	736	1,034
EBITDA	(375)	(1,078)	(345)	22	309
Operating profit	(413)	(1,132)	(433)	(111)	131
Net profit (rep./act.)	(374)	(1,058)	(449)	(146)	73
Net profit (adj.)	(374)	(1,058)	(449)	(146)	73
EPS (Fen)	(85.2)	(241.5)	(102.6)	(33.4)	16.6
PE (x)	n.m.	n.m.	n.m.	n.m.	28.0
P/B (x)	0.4	0.6	0.6	0.7	0.7
EV/EBITDA (x)	n.m.	n.m.	n.m.	67.9	4.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(89.8)	(260.2)	(85.1)	(19.8)	7.0
Net debt/(cash) to equity (%)	(64.8)	(30.0)	(16.9)	(4.7)	2.5
Interest cover (x)	n.a.	(108.1)	(8.2)	0.5	7.4
ROE (%)	n.a.	n.a.	n.a.	n.a.	2.4
Consensus net profit	-	-	(365)	(145)	50
UOBKH/Consensus (x)	-	-	1.23	1.01	1.45

Source: Venus Medtech, Bloomberg, UOB Kay Hian

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

STOCK IMPACT

- **Slower-than-expected 1H23 revenue growth.** Venus Medtech's revenue increased by 21.7% yoy to Rmb255.6m in 1H23. Revenue from transcatheter aortic valve replacement (TAVR) products grew by 16.9% yoy to Rmb229.8m (or 89.9% of total revenue) in 1H23, seeing impact from China's COVID-19 outbreak in 1Q23. Its VenusP-Valve recorded revenue of Rmb25.2m (or 9.9% of total revenue) in 1H23, below our 2023 estimates. The company indicated that the distribution of VenusP-Valve in many newly approved countries will only start in 2H23, and expects significant HoH revenue growth in 2H23 vs 1H23.
- **Gross margin improved by 0.5ppt to 78.7%.** The company saw gross margin growing slightly by 0.5ppt yoy to 78.7% in 1H23. Its R&D expenses jumped 33.8% yoy to Rmb294.7m in 1H23 as more products entered clinical trials. SG&A expenses have also increased due to continuous expansion in business operations. As a result, the net loss attributable to shareholders expanded by 75.2% yoy to Rmb350.2b in 1H23. Venus Medtech aims to improve operating efficiency and expects to achieve breakeven in 2025.
- **Targeting 5,000 TAVR implants in China and overseas revenue of US\$10m in 2023.** Venus Medtech achieved total TAVR implants of 2,300 sets in 1H23, up 27.7% yoy. It maintains its targeted TAVR implants of around 5,000 sets (+42.8% yoy) in 2023. Meanwhile, its revenue from overseas markets grew 60.4% yoy to Rmb22.5m in 1H23, contributing 8.8% of the total revenue vs 6.7% in 1H22. Its VenusP-Valve has entered >30 countries, and is expected to enter >50 countries in 2023. It targets sales volume of 600 for VenusP-Valve in 2023.

It has also obtained product approvals for Venus-Vitae (balloon-expandable dry-tissue TAVR product) and Venus-PowerX (self-expanding dry-tissue TAVR product) in Argentina in Dec 22 and May 23 respectively. With its various overseas product profiles, eg VenusA series, VenusP-Valve, Venus-Vitae, and Venus-PowerX, it expects the overseas business to contribute revenue of around US\$10m in 2023. Moreover, it expects to further enrich its product portfolio by launching two more products in 2024, ie Dragonfly (transcatheter mitral valve repair (TMVr) product) in 4Q23-1Q24 and Liwen Ablation System (percutaneous myocardial ablation product) in 2024.

- **Challenging business environment may cloud revenue growth outlook in 2023.** Venus Medtech applies a direct sales model and has a relatively high selling expenses ratio. It indicates that the number of its TAVR implants was around 350 sets/month in Jul-Aug 23, seeing no significant impact from the anti-corruption campaign. Yet we are concerned that the heightened anti-corruption campaign may still slow down many academic promotion activities, and lead to possible slower revenue growth for the company in the next few months. We remain conservative on its growth outlook in 2023. Meanwhile, Venus Medtech had approximately Rmb1,453.1m in cash balance as at 30 Jun 23, while its bank borrowings stood at Rmb778.7m at end-Jun 23. It spent around Rmb294.7m in R&D in 1H23, and expects to spend around Rmb500m in R&D in 2023. The company is confident that it has sufficient cash and realisable assets to support its business operation till 2025.

EARNINGS REVISION/RISKS

- We lower our revenue growth assumptions from 60.7% yoy to 29.9% yoy for 2023 given the possibly considerable impact from the anti-corruption campaign.
- **Risks:** a) Worse-than-expected impact from the anti-corruption campaign, b) intensifying competition and GPO risks, c) potential failure on new product launches and business expansion in domestic and overseas markets, and d) liquidity risks.

VALUATION/RECOMMENDATION

- **Downgrade to HOLD with a lower target price of HK\$5.00** to reflect the weaker-than-expected revenue growth outlook of the company in 2023. The target price is based on the DCF model, assuming WACC of 11.0% and terminal growth rate of 4%.

FROM THE REGIONAL MORNING NOTES...

REITs – Singapore

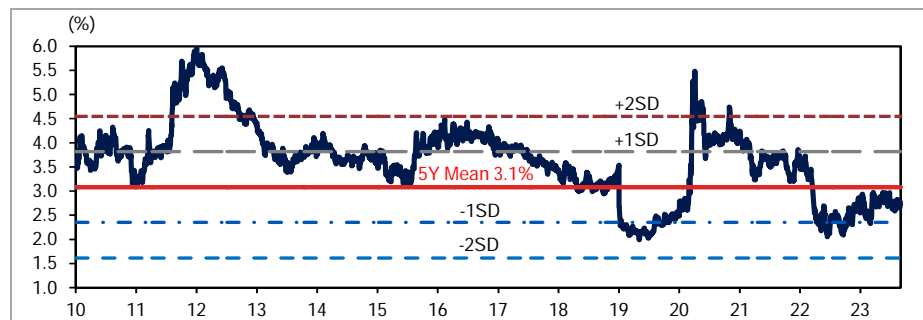
S-REITs Monthly Update (Aug 23)

S-REITs have to weather headwinds as interest rates are expected to stay higher for longer. We focus on blue-chip S-REITs with resilient balance sheets as they are better able to cope with higher interest rates. Maintain OVERWEIGHT. BUY a diversified portfolio of blue-chip S-REITs: CICT (Target: S\$2.20), CLAR (Target: S\$3.30), CLAS (Target: S\$1.35), FLT (Target: S\$1.56) and MINT (Target: S\$2.89).

WHAT HAPPENED IN AUGUST

- **Cyxtera on track to emerge from restructuring by 4Q23.** DCREIT's second largest tenant Cyxtera has resumed payment of rents in July. In Aug 23, Cyxtera filed a proposed Plan of Reorganisation with the Bankruptcy Court for the District of New Jersey, which is supported by lenders who hold over two-thirds of its outstanding debt. Final bids to acquire Cyxtera's business were submitted by 18 Aug 23. Cyxtera has announced that it is on track to emerge from restructuring by fall of this year (4Q23).
- **Visitor arrivals increased 95% yoy and 26% mom to 1.4m in Jul 23**, reaching 79% of pre-pandemic levels. Chinese tourists doubled mom to 231,326 in Jul 23 (16.3% of total), reaching 59% of pre-pandemic levels. China has, once again, become Singapore's largest source market. Visitor arrivals from Indonesia and Australia grew 6% and 8% mom respectively. The uptrend should be maintained for the rest of 2023. Singapore Tourism Board (STB) expects visitor arrivals to reach 12m-14m in 2023 (2022: 6.3m).
- **Sharpening focus on dominant suburban malls.** FCT has entered into a sale and purchase agreement to divest Changi City Point for S\$338m in cash. The divestment is expected to be completed on 15 Nov 23. The estimated net divestment gain is S\$10.9m above its valuation of S\$325m as at Sep 22. Exit yield is attractive at 4.3%.

S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

TOP-20 S-REITS RANKED BY MARKET CAPITALISATION – VITAL STATISTICS

Name	Ticker	Rec	Currency	Price 31 Aug 23	Target Price	Mkt Cap (US\$m)	-- DPU (¢) -- Curr Fwd	-- Yield (%) -- Curr Fwd	-- Yield Spread* (%) -- Curr Fwd	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.91	2.20	9,402	10.7 10.9	5.6 5.7	2.4 2.5	3.3	40.4	3.7
CapLand Ascendas	CLAR SP	BUY	S\$	2.77	3.30	8,996	15.4 15.5	5.5 5.6	2.4 2.4	4.3	36.7	3.9
Mapletree Log	MLT SP	BUY	S\$	1.68	1.86	6,160	8.5 8.2	5.0 4.9	1.9 1.7	3.9	39.5	3.1
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.52	1.90	5,899	9.2 9.4	6.0 6.2	2.9 3.0	3.2	40.7	2.6
Mapletree Ind	MINT SP	BUY	S\$	2.30	2.89	4,820	13.8 14.1	6.0 6.1	2.8 3.0	4.9	38.2	3.9
Fraser's L&C Trust	FLT SP	BUY	S\$	1.20	1.56	3,310	7.1 7.2	5.9 6.0	2.7 2.8	8.0	28.6	4.4
Fraser's CT	FCT SP	BUY	S\$	2.24	2.50	2,831	12.2 11.6	5.4 5.2	2.2 2.0	3.9	40.2	2.0
Keppel DC REIT	KDCREIT SP	NR	S\$	2.20	n.a.	2,801	10.0 10.6	4.5 4.8	1.4 1.6	6.0	36.3	8.0
CapLand Ascott	CLAS SP	BUY	S\$	0.97	1.35	2,625	5.6 6.2	5.8 6.4	2.6 3.2	4.3	38.6	n.a.
Suntec REIT	SUN SP	HOLD	S\$	1.21	1.37	2,590	7.8 7.6	6.4 6.3	3.3 3.1	2.1	42.6	2.7
Keppel REIT	KREIT SP	BUY	S\$	0.865	1.12	2,412	5.7 5.8	6.6 6.7	3.4 3.5	3.7	39.2	5.7
PARAGON REIT	PGNREIT SP	NR	S\$	0.90	n.a.	1,887	5.1 5.2	5.7 5.8	2.5 2.6	4.4	29.8	3.0
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.31	n.a.	1,762	2.8 2.8	9.0 9.0	5.9 5.9	2.5	39.4	3.1
PLife REIT	PREIT SP	BUY	S\$	3.84	4.49	1,718	14.0 14.0	3.6 3.7	0.5 0.5	13.8	35.3	16.7
CapLand China	CLCT SP	NR	S\$	0.905	n.a.	1,131	7.9 8.4	8.7 9.3	5.5 6.1	3.4	40.2	1.8
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.89	990	4.6 4.6	8.0 8.0	4.8 4.8	4.2	40.6	5.5
QUE Comm REIT	OUECT SP	NR	S\$	0.235	n.a.	953	1.8 1.8	7.7 7.7	4.5 4.5	2.4	39.1	3.1
CDL HTrust	CDREIT SP	BUY	S\$	1.03	1.55	948	6.9 7.3	6.7 7.1	3.6 3.9	3.2	37.9	n.a.
Far East HTrust	FEHT SP	BUY	S\$	0.635	0.75	939	3.8 4.0	6.0 6.3	2.8 3.1	3.6	32.0	n.a.
Cromwell REIT EUR	CERT SP	NR	€	1.42	n.a.	868	16.0 16.0	11.3 11.3	8.8 8.8	4.4	41.5	4.4

* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

Retail Market Monitor

Tuesday, 05 September 2023

- **FSTREI declined 4.4% in August, in line with STI's 4.2% fall.** During the annual economic symposium at Jackson Hole, Fed Chairman Jerome Powell cautioned that inflation remains too high. The Fed is expected to hold interest rates at restrictive levels until inflation move sustainably lower towards its objective of 2%. Yield for 10Y Singapore government bonds edged higher by 9bp to 3.14% in August.
- **Top outperformer:** Data centre REITs DCREIT, MINT and KDCREIT gained 11.0%, 2.7% and 0.5% respectively. DCREIT, in particular, benefitted as its second-largest tenant Cyxtera is expected to be successfully rehabilitated and restructured. FCT gained 3.2% due to the successful divestment of Changi City Point.
- **Top underperformer:** US office REITs led the losers. MUST, KORE and PRIME lost 35.2%, 33.3% and 24.2% respectively. Hospitality REITs CDREIT and CLAS declined by a similar 13.4% due to subdued 1H23 results and the Omicron sub-variant EG.5 or Eris, which caused an 80% mom increase in new cases in Aug 23.

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 31 Aug 23	Target Price	Mkt Cap (US\$m)	Hist	Yield (%) Curr	Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
HEALTHCARE													
First REIT	FIRT SP	NR	S\$	0.255	n.a.	391	10.4	20.0	20.4	10.6	73.3	38.7	0.82
PLife REIT	PREIT SP	BUY	S\$	3.84	4.49	1,718	3.7	3.6	3.7	3.7	57.3	35.3	1.65
HOSPITALITY													
CapLand Ascott	CLAS SP	BUY	S\$	0.97	1.35	2,625	5.8	5.8	6.4	6.5	74.5	38.6	0.85
CDL HTrust	CDREIT SP	BUY	S\$	1.03	1.55	948	5.5	6.7	7.1	7.1	64.3	37.9	0.73
Far East HTrust	FEHT SP	BUY	S\$	0.635	0.75	939	5.1	6.0	6.3	5.8	40.9	32.0	0.70
Fraser's HTrust	FHT SP	NR	S\$	0.48	n.a.	677	3.4	4.8	5.5	6.5	57.2	35.3	0.74
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.26	n.a.	754	7.9	7.5	7.6	7.7	80.1	32.9	0.94
CapLand Ascendas	CLAR SP	BUY	S\$	2.77	3.30	8,996	5.7	5.5	5.6	5.6	64.3	36.7	1.19
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.555	0.62	625	7.2	6.3	5.7	5.8	54.2	34.2	0.67
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.31	n.a.	1,762	9.7	9.0	9.0	9.0	74.6	39.4	0.92
Keppel DC REIT	KDCREIT SP	NR	S\$	2.20	n.a.	2,801	4.6	4.5	4.8	5.0	60.6	36.3	1.58
Mapletree Ind Trust	MINT SP	BUY	S\$	2.30	2.89	4,820	5.9	6.0	6.1	6.3	58.9	38.2	1.24
Mapletree Log Trust	MLT SP	BUY	S\$	1.68	1.86	6,160	5.4	5.0	4.9	4.9	79.2	39.5	1.18
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	0.865	1.12	2,412	6.8	6.6	6.7	6.7	73.2	39.2	0.65
RETAIL													
Fraser's CT	FCT SP	BUY	S\$	2.24	2.50	2,831	5.5	5.4	5.2	5.2	57.1	40.2	0.96
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.89	990	8.2	8.0	8.0	8.2	84.9	40.6	0.73
Sasseur REIT	SASSR SP	BUY	S\$	0.70	0.96	640	9.4	8.9	9.3	9.7	43.5	26.2	0.84
PARAGON REIT	PGNREIT SP	NR	S\$	0.90	n.a.	1,887	6.0	5.7	5.8	6.0	49.7	29.8	1.00
Starhill Global	SGREIT SP	NR	S\$	0.485	n.a.	809	7.8	8.0	8.2	8.5	63.6	36.7	0.66
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	0.91	n.a.	1,131	8.3	8.7	9.3	9.6	87.8	40.2	0.68
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.91	2.20	9,402	5.5	5.6	5.7	5.8	68.3	40.4	0.90
Fraser's L&C Trust	FLT SP	BUY	S\$	1.20	1.56	3,310	6.4	5.9	6.0	6.1	43.4	28.6	0.94
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.52	1.90	5,899	6.3	6.0	6.2	6.3	74.7	40.7	0.87
QUE Comm REIT	QUECT SP	NR	S\$	0.235	n.a.	953	9.0	7.7	7.7	8.1	72.7	39.1	0.40
Suntec REIT	SUN SP	HOLD	S\$	1.21	1.37	2,590	7.3	6.4	6.3	6.4	70.5	42.6	0.57
INTERNATIONAL (US/EUROPE)													
Cromwell REIT EUR	CERT SP	NR	€	1.42	n.a.	868	12.1	11.3	11.3	12.0	82.9	41.5	0.62
Elite Comm REIT GBP	ELITE SP	NR	£	0.25	n.a.	153	19.2	14.4	14.8	15.6	90.9	46.0	0.49
IREIT Global	IREIT SP	NR	S\$	0.395	n.a.	392	10.0	9.7	8.9	11.5	56.3	33.1	0.53
KepPacOak REIT USD	KORE SP	BUY	US\$	0.22	0.50	230	26.4	22.8	17.7	18.1	69.2	38.4	0.27
Manulife REIT USD	MUST SP	BUY	US\$	0.068	0.22	121	69.9	0.0	19.3	20.3	139.4	49.5	0.17
Prime US REIT USD	PRIME SP	BUY	US\$	0.138	0.59	164	47.5	36.3	21.0	22.0	77.4	42.8	0.18
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.43	0.76	247	13.7	11.8	12.6	12.7	74.3	42.0	0.58

Source: Bloomberg, UOB Kay Hian

TOP-10 OUTPERFORMERS AND TOP-10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

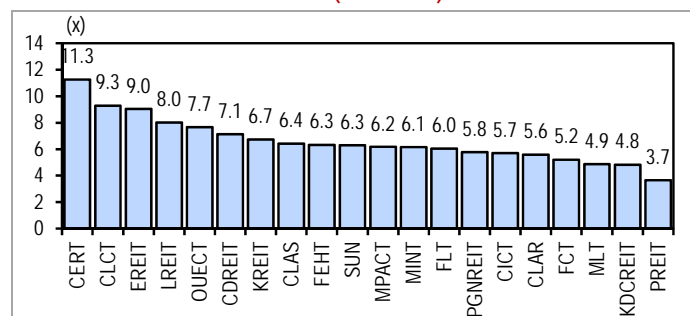
TOP OUTPERFORMERS (%)						TOP UNDERPERFORMERS (%)					
NAME	1MTH	3MTH	6MTH	1Y	YTD	NAME	1MTH	3MTH	6MTH	1Y	YTD
Digi Core REIT USD	11.0	32.1	-9.0	-26.5	0.9	Manulife REIT USD	-35.2	-59.8	-74.8	-85.8	-77.3
Fraser's CT	3.2	5.2	-0.4	-0.9	6.7	KepPacOak REIT USD	-33.3	-26.7	-50.6	-66.9	-52.2
Mapletree Ind	2.7	1.3	-2.5	-9.1	3.6	QUE Comm REIT	-24.2	-29.9	-32.9	-37.3	-29.9
AIMS APAC REIT	0.8	-3.7	-8.5	-7.9	1.8	Prime US REIT USD	-24.2	-35.8	-65.5	-77.9	-65.9
Keppel DC REIT	0.5	5.3	11.1	13.4	24.3	Elite Comm REIT GBP	-16.7	-16.7	-46.2	-57.6	-46.8
Utd Hampshire REIT USD	0.0	-2.3	-17.3	-31.2	-7.5	Lendlease REIT	-15.4	-13.5	-19.0	-30.3	-18.4
Mapletree Log	-0.6	1.2	-0.6	0.6	5.7	CDL HTrust	-13.4	-11.2	-18.9	-16.9	-17.6
PLife REIT	-1.0	7.0	-10.7	-20.0	2.1	CapLand Ascott	-13.4	-8.5	-4.0	-11.0	-7.6
Fraser's HTrust	-1.0	1.1	1.1	-32.1	6.7	CapLand China	-13.0	-9.5	-22.0	-17.7	-19.2
CapLand Ascendas	-1.4	2.6	0.0	-1.8	1.1	Cromwell REIT EUR	-11.8	-12.9	-16.0	-31.1	-5.3

Source: Bloomberg, UOB Kay Hian

Retail Market Monitor

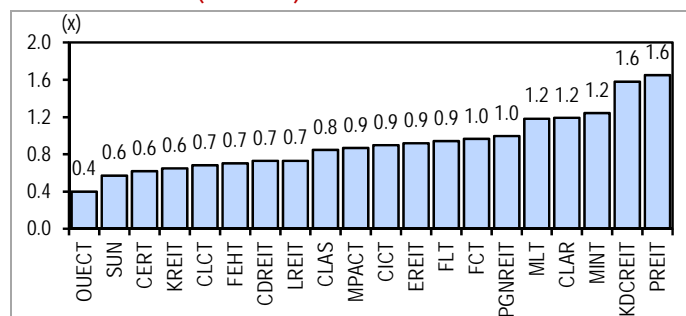
Tuesday, 05 September 2023

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



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