

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

KEY HIGHLIGHTS

Economics

Money Supply

A little less to cheer.

Page 2

Strategy

Small-Mid Cap Biweekly

Riding on the wave of AI PC; Thunder Software Technology is a beneficiary.

Page 3

Sector

Internet

3Q23 results preview: Solid e-commerce ad growth to drive sector growth; potential positive surprise from online game grossing.

Page 5

Internet

Muted growth acceleration from 11.11 campaign.

Page 8

Update

Xtep International Holdings (1368 HK/BUY/HK\$6.43/Target: HK\$9.50)

Revenue guidance revised down yet sales target maintained; expect inventories to improve in 4Q23.

Page 11

TRADERS' CORNER

Page 14

Huadian Power International (1071 HK): Trading Buy range: HK\$3.10-3.20

BYD Electronic (285 HK): Trading Buy range: HK\$36.00-37.00

UOBKH EVENTS

Date	Corporate/Stock Code	Event
16 Nov	Expert Talk (Virtual) on China GBA Property Market	Virtual Meeting @ 4:00pm HKT

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
15 Nov	China	Oct Economic Activities
20 Nov	China	Nov Loan Prime Rate
27 Nov	China	Oct Industrial Profits

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34337.9	0.2	0.7	2.0	3.6
S&P 500	4411.6	(0.1)	1.0	1.9	14.9
FTSE 100	7425.8	0.9	0.1	(2.3)	(0.3)
AS30	7145.0	(0.4)	(0.7)	(1.4)	(1.1)
CSI 300	3579.4	(0.2)	(1.5)	(2.3)	(7.5)
FSSTI	3106.7	(0.9)	(1.2)	(2.5)	(4.4)
HSCEI	5989.1	1.5	(3.1)	(2.1)	(10.7)
HSI	17426.2	1.3	(3.0)	(2.2)	(11.9)
JCI	6838.3	0.4	(0.6)	(1.3)	(0.2)
KLCI	1445.2	(0.5)	(0.3)	0.1	(3.4)
KOSPI	2403.8	(0.2)	(3.9)	(2.1)	7.5
Nikkei 225	32585.1	0.1	(0.4)	0.8	24.9
SET	1387.1	(0.2)	(2.1)	(4.4)	(16.9)
TWSE	16839.3	0.9	1.1	0.3	19.1
BDI	1655	0.7	8.7	(14.9)	9.2
CPO (RM/mt)	3658	0.1	0.2	1.2	(9.6)
Brent Crude (US\$/bbl)	83	1.5	(3.0)	(9.1)	(3.8)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XIAOMI CORP-W	16.22	1.1	2,303.0
SMIC	22.20	1.8	1,702.0
WUXI BIOLOGICS C	48.80	(0.1)	1,292.4
LI AUTO INC-A	148.80	2.7	1,219.8
HKEX	285.60	1.1	1,188.4

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XINYI SOLAR HLDS	4.82	6.6	79.3
BYD ELECTRONIC	37.20	6.6	172.4
SENSETIME-W	1.53	6.3	242.3
SINO BIOPHARM	3.65	6.1	441.8
BRILLIANCE CHINA	3.86	6.0	29.3

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
YUEXIU PROPERTY	6.85	(2.8)	88.4
COUNTRY GARDEN S	6.81	(1.9)	263.4
LI NING CO LTD	24.25	(1.6)	649.0
EAST BUY HOLDING	29.20	(1.4)	218.9
TRAD CHI MED	3.52	(1.1)	77.6

*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

Money Supply

A Little Less To Cheer

While bank loans growth held steady at 10.9% yoy in October and TSF growth improved to 9.3% yoy, M1 growth slowed to 1.9% yoy, indicating subdued economic activity. Moreover, new medium- and long-term loans to households and corporates fell to Rmb71b and Rmb383b respectively. Short-term household loans fell by Rmb105b, so overall lending to households fell by Rmb35b. Unless the decline is arrested soon, there may be more economic pain before things improve.

OUR VIEWS

- **M1 money supply growth slowed further in October**, coming in at 1.9% yoy, which is below Bloomberg consensus estimates of 2.5% yoy. Similar to the previous month, the weaker M1 growth points to weak transactional demand for money, while the steady M2 growth of 10.3% yoy is supported by bank lending. New loans of Rmb0.74t beat expectations, but the fall in medium- to long-term loans is a concern. Moreover, households also de-levered, as net new loans fell to Rmb35b.

KEY MONETARY INDICATORS

(yoy % chg)	Oct 23	Consensus	Sep 23	Aug 23
M0 Money Supply	10.2	-	10.7	9.5
M1 Money Supply	1.9	2.5	2.1	2.2
M2 Money Supply	10.3	10.3	10.3	10.6
Outstanding Bank Loans	10.9	-	10.9	11.1
Outstanding Total Social Financing	9.3	-	9.0	9.0
New Bank Loans (Rmbt)	0.74	0.66	2.31	1.36
New Total Social Financing (Rmbt)	1.85	1.95	4.12	3.12

Source: Wind, PBOC, UOB Kay Hian

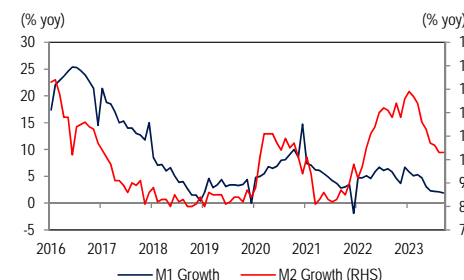
- **New TSF fell to Rmb1.85t**, just a little below Bloomberg consensus forecast of Rmb1.95t. It was mainly supported by better government bond issuance, which grew 14.3% yoy. Corporate bond issuance fell 0.7% yoy while equity raising grew at a slower pace of 8.9% yoy. Thus, financing for the private sector deteriorated. All in all, there is little to cheer for. The decline in lending to households must be arrested soon or China may risk further growth slowdown before the situation improves again.

OUTSTANDING TSF

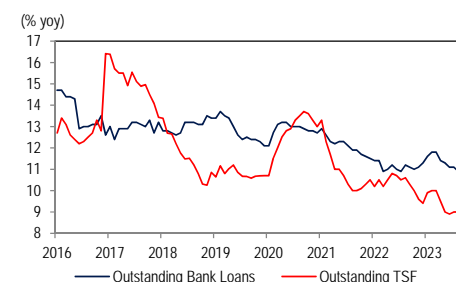
(yoy % chg)	Oct 23	Sep 23	Aug 23	2022
Renminbi Loans	10.7	10.7	10.9	10.9
Forex Loans	-16.7	-19.3	-16.8	-17.4
Entrusted Loans	0.5	1.3	2.4	3.4
Trust Loans	-0.3	-1.4	-2.9	-14.0
Bank Acceptances	-1.8	-0.3	-8.2	-11.6
Corporate Bond	-0.7	-0.3	-0.2	3.6
Government Bond	14.3	12.2	11.5	13.4
Equity Issuance	8.9	9.4	10.2	12.4

Source: Wind, PBOC, UOB Kay Hian

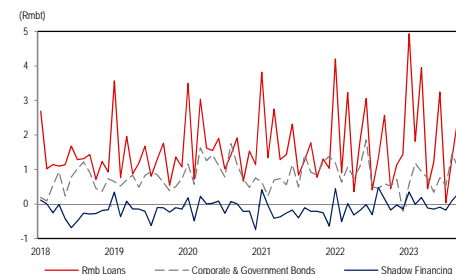
M1 AND M2 GROWTH



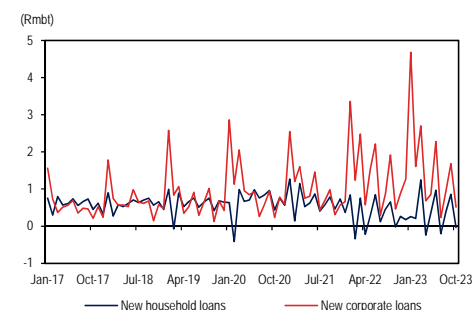
OUTSTANDING CREDIT GROWTH#



NEW TSF BREAKDOWN#



NEW BANK LOANS BREAKDOWN#



ANALYST(S)

Tham Mun Hon, CFA
+852 2236 6799
munhon.tham@uobkayhian.com.hk

KEY CALLS

AI PC Plays

- Consumer electronics shipments showed signs of recovery with the global smartphone market registering a flat yoy growth and 14.1% qoq growth in 3Q23 to 3Q3m units.
- Global technology players unveiled progress in edge artificial intelligence (AI). During the Lenovo Tech World 2023 Event, Lenovo showcased its AI PC product, which will perform computations locally on PCs to assist with generating documents, letters and even pictures. Lenovo will launch its AI PC by Sep 24.
- Xiaomi recently launched Mi 14 Series and Xiaomi HyperOS, a human-centric operating system designed and tailored to connect personal devices, cars and smart home products in an ecosystem. HyperOS supports the use of edge AI, which enables devices to assist users proactively and utilise the environment, visuals, sounds and behaviours to learn user requirements and automatically adapt devices to users' needs.
- According to Canalys, global AI-enabled PCs will become mainstream by 2025, with global adoption rate reaching 37% and 53% in 2025 and 2026 respectively. We believe that PC and smartphone providers will accelerate chip upgrades to accommodate the use of edge AI in PCs and smartphones, as edge AI offers better personalised support and enhanced data privacy. We believe that solution providers with edge AI capabilities will benefit from the trend of AI PCs in the coming years.
- Thunder Software Technology (300496 CH) is a leading provider of operating system technologies specialising in mobile, IoT and automobiles. The company is one of the first movers to develop its own modules and large language model (LLM), enabling clients to deploy LLM into PCs and smartphones quickly, compared with using open application programming interface (API). Management remains positive on more meaningful revenue contribution from AI PCs/smartphones in 2024-25.
- Catalyst: The launch of Intel's 5th Gen Intel Xeon processors and Intel Core Ultra processors on 14 Dec 23, stronger-than-expected smartphone sales for 11.11, and the launch of new phone models that support AI features.
- Risk: Lower-than-expected upgrades for smartphone software content and intensifying competition in the AI market.

Click [here](#) for Blue Top dated 13 Nov 23

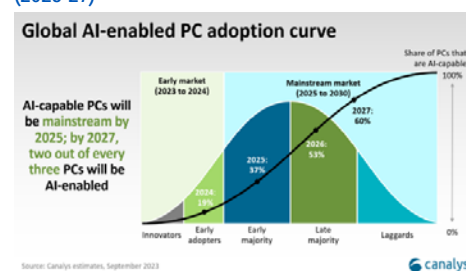
AI SOFTWARE/ SOLUTION PLAYERS PEER COMPARISON

Ticker	Company Name	Market Cap (Rmbm)	Fwd PE (x)	Net Gearing (%)
300496 CH	Thunder Software Technology	37,092	32.7	(48.7)
301236 CH	Isotstone Information Technology Group	35,821	27.8	(36.2)
688088 CH	Arcsoft Corp Ltd	15,538	70.0	(79.2)
354 HK	Chinasoft International	17,291	18.5	(24.1)
Average			37.3	(47.0)

Source: Bloomberg, iFinD, UOB Kay Hian

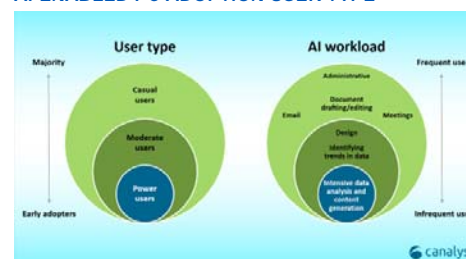
Note: Market cap for 354 HK is in HK\$m

GLOBAL AI-ENABLED PC ADOPTION CURVE (2023-27)



Source: Canalys

AI-ENABLED PC ADOPTION USER TYPE



Source: Canalys

EDGE AI APPLICATION IN FACTORY SAFETY OPERATION SOLUTION



Source: Thundersoft

ANALYST(S)

Kate Luang
+852 2826 4837
kate.luang@uobkayhian.com.hk

Johnny Yum
+852 2236 6706
johnny.yum@uobkayhian.com.hk

UPDATES

Arcsoft (688088 CH/NOT RATED/Rmb38.27)

- Arcsoft is a leading provider of computer vision AI technology services. The company offers computer vision AI solutions to smartphone providers including Xiaomi, Huawei, Oppo and Vivo.
- Arcsoft is cooperating with Qualcomm and Media Tek for edge computing. Recent demonstrations have registered satisfactory results in performing certain functions and the company will continue to optimise instruction sets to deliver more accurate results.
- The company officially launched its new product PhotoStudio, an AI commercial photo application empowered by LLM in late-Oct 23. PhotoStudio targets e-commerce small and medium-sized (SMB) customers and generates commercial photos in about one day to one week. PhotoStudio differentiates with: a) in-house models for full-body geometry and edge computing, vs open-source algorithm from its peers, b) automatic segmentation for commodities, vs manual selection, and c) unique re-editing features, such as AI light reconstruction.
- Management notes that PhotoStudio has received positive reception from SMB customers and the company remains positive on the ongoing optimisation of its models to further enhance its competitiveness. Arcsoft targets to tap into smaller customers by launching an app version and mini program of PhotoStudio.
- Catalyst: Growing subscription for PhotoStudio; technological breakthrough in edge computing with leading chip manufacturers.
- Valuation: Arcsoft is trading at 72.5x one-year forward PE, which is about 1SD below its three-year historical average of 142.5x PE.

SECTOR UPDATE

Internet – China

3Q23 Results Preview: Solid E-commerce Ad Growth To Drive Sector Growth

We expect e-commerce ads and overseas e-commerce expansion to be the main driving forces spurring stagnant growth in 3Q23 and beyond. In addition, we are optimistic about the better-than-expected growth in game gross profit and on-track OTA data on the back of strong seasonality. We are also looking out for meaningful progress in AIGC development in 3Q23 and better visibility in 4Q23. Maintain MARKET WEIGHT on the internet sector.

WHAT'S NEW

- Advertising/e-commerce ads: Proxy riding on adtech tailwinds.** 2Q/3Q advertising growth trend has outpaced the other verticals, with e-commerce ads being the main driving force. Companies have upgraded their ad technology and embedded them into e-commerce platforms which we believe will further improve merchants' ROI and bring upside to advertising take-rate. We expect solid online marketing revenue growth for Alibaba/Tencent/Baidu/Kuaishou, with a marginal moderation to 4%/28%/11%/24% yoy in 3Q23 from 10%/34%/15%/30% yoy in 2Q23. Tencent's online advertising is driven by continued ramp-up of video accounts and algorithm improvement, as well as incremental contributions for ad dollar spent on mini game promotion. Meanwhile, Baidu also saw encouraging revenue conversion from some advertising verticals with embedded AI in search. Kuaishou guided for ad revenue to grow 25% yoy in 3Q23, bolstered by solid brand advertising revenue recovery and 35% yoy growth in e-commerce GMV despite weak seasonality.
- Online games: To deliver re-accelerated gross profit growth.** Netease is our top pick. Its domestic and international mobile gross profit surged 36% yoy and declined 13% yoy respectively in September. Meanwhile, 3Q23 domestic gross profit rose 40% yoy, primarily contributed by strong monetisation and healthy retention of Justice Mobile, Dunk City Dynasty and Racing Master. We expect the blockbuster mobile game Justice Mobile to sustain its strong growth into 2H23 and generate Rmb6b in gross profit in 3Q23 and Rmb14.5b for the full year, bolstered by its healthy retention and improving ARPPU. The rising popularity of Eggy Party continues to be the core growth pillar.

Tencent's domestic mobile gross profit remained flat yoy while international mobile gross profit grew 14% yoy in September. Tencent's domestic game gross profit was supported by the solid performance of Honor of Kings during the summer promotion season amid the popularity of the Asian Games and cosmetic items during the Chinese Valentine's Day. This promotion was extended into the National Day holiday period and contributed to a 14% yoy growth. In addition, there were also consistent launches of new games including Valorant China and Maple Story: The Legend of the Maple, High Energy Heroes. The international market is driven by strong engagement and gross profit of PUBGM.

PEER COMPARISON

Company	Tickers	Rating	Current Price (lcy)	Market Cap (lcy m)	Target Price (lcy)	Upside/ (Downside) to TP (%)	2023F P/E (x)	2024F P/E (x)	2025F P/E (x)	2023F EV/EBITDA (x)	2024F EV/EBITDA (x)	2025F EV/EBITDA (x)	2023F EV/Sales (x)	2024F EV/Sales (x)	2025F EV/Sales (x)	ROE 2023F (%)
Alibaba	9988 HK	BUY	79.90	1,624,739	120.00	50.3	9.4	8.4	7.5	5.2	4.8	4.4	1.1	1.0	0.9	8.5
JD.com	9618 HK	BUY	98.60	309,901	183.00	85.6	8.9	7.9	7.0	4.7	4.0	3.4	0.2	0.2	0.2	10.3
Meituan	3690 HK	BUY	111.20	694,353	210.00	88.8	29.2	19.7	12.8	22.2	14.5	10.0	2.1	1.7	1.5	6.2
Pinduoduo	PDD US	BUY	108.30	136,971	120.00	10.8	23.2	18.4	14.1	18.3	13.2	9.7	4.1	3.2	2.6	34.9
Baidu	9888 HK	BUY	101.00	282,475	183.00	81.2	10.3	10.3	9.2	5.5	5.1	4.6	1.3	1.2	1.1	7.0
Kuaishou	1024 HK	BUY	54.90	239,080	100.00	82.1	30.8	16.1	10.6	15.1	9.7	6.9	1.8	1.6	1.4	-8.8
Tencent	700 HK	BUY	301.60	2,867,588	420.00	39.3	18.1	15.5	13.6	13.1	12.0	10.7	4.5	4.0	3.6	26.2
NetEase	9999 HK	BUY	175.20	564,978	193.00	10.2	17.6	17.1	18.6	14.0	12.7	11.3	4.1	3.7	3.4	23.8
Trip.com	9961 HK	BUY	262.20	169,420	418.00	59.4	17.6	15.4	12.9	13.0	11.5	9.9	3.5	3.0	2.6	5.6
Tongcheng	780 HK	BUY	14.40	32,516	22.00	52.6	20.4	13.5	11.4	8.6	7.9	6.7	2.2	1.8	1.5	3.8

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Kuaishou	1024 HK	BUY	54.9	100.00
Pinduoduo	PDD US	BUY	108.3	120.00
NetEase	9999 HK	BUY	175.2	193.00
Trip.com	9961 HK	BUY	262.2	418.00

Source: UOB Kay Hian

ANALYST(S)

Julia Pan
+86 21 5404 7225 ext.808
juliapan@uobkayhian.com

Soong Ming San
+603 2147 1912
mingsan@uobkayhian.com

• **E-commerce: 3Q23 outlook overshadowed by weak seasonality, with meaningful rebound expected in 4Q23.** In 3Q23, China's online retail sales of goods ramped up 5.2% yoy, with a +4.6%/+6.1%/+5% yoy growth in Sep/Aug/Jul 23. The subdued performance was mainly dragged by postponed spending for the 11.11 campaign and weak seasonality. Most e-commerce companies under our coverage remain cautiously optimistic and guided for soft demand momentum in 3Q23. On the bright side, e-commerce companies shared that qtd they have not seen the macro environment worsening significantly sequentially, and expect more supportive policies to stimulate consumption for the rest of the year. We expect a potential re-acceleration in 4Q23 after the soft 3Q23 from the increasing consumption demand for the upcoming Singles' Day (late-Oct 23 to 11 Nov 23) and a relatively low base from 4Q22.

• **Trend of cross-border e-commerce expansion led by PDD.** Pinduoduo's (PDD) Temu is well on track to achieve its annual GMV target of US\$150b, making promising progress in the overseas market. Temu's 3Q23 GMV surpassed US\$5b. September was a significant milestone as Temu achieved a daily GMV of US\$50m and US\$80m in August and September respectively. It was reported that Temu's GMV for 1H23 reached nearly US\$3b. This implies that the sales Temu generated in September were nearly on par with the entire 1H23. With the robust growth trajectory, Temu may very well surpass its annual GMV target of US\$15b, especially with the upcoming "Black Friday" and Christmas in December. We expect the faster-than-expected ramp-up of Temu to contribute to PDD's top-line growth in 2H23.

• **OTA: Revitalised by long-haul and outbound travel during Mid-Autumn and Golden Week; TCOM is our top pick.**

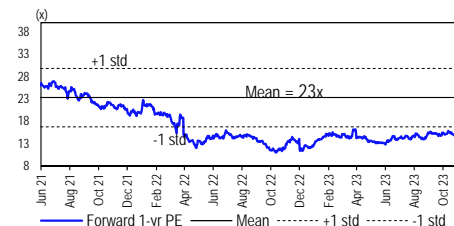
- TCOM data shows that domestic travel orders nearly doubled yoy during Mid-Autumn Festival and National Day period. Among these, ticket and homestay orders both more than doubled yoy, while cruise orders surged more than 6x. Inter-provincial travel orders accounted for 51% of total orders, jumped more than 2x yoy. Group tours of three days or more accounted for 50% of total orders, soared by 4x yoy. Long-haul travel orders accounted for 39% total orders, rose 2x yoy.
- Tongcheng Travel (TT) data indicates that during Mid-Autumn Festival and National Day holiday 2023, platform hotel bookings exceeded those during Labour Day holiday. Flight, train ticket, and attraction ticket bookings all reached nearly 5-year highs. In terms of car rentals, there was a significant surge in demand for long-haul travel. On TT platform, carpooling accounted for 79% of intercity travel orders, with 33% of orders covering distances of more than 300 kilometres.

ESSENTIALS

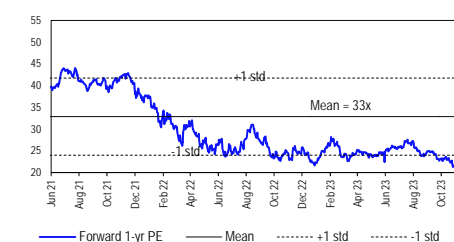
Recap of 3Q23 guidance:

- Baidu:** Looking into 2H23, Baidu's advertising revenue is guided to grow sequentially in 3Q23 and 4Q23. The advertising revenue growth vs 2021's level is projected to accelerate in 2H23. In 3Q23, Baidu Core's non-GAAP operating profit and non-GAAP operating margin are expected to sustain positive yoy growth. Baidu AI Cloud from all sectors excluding intelligent transportation delivered double-digit growth in 2Q23 and the accelerated growth trend is expected to continue in 2H23.
- Kuaishou:** Looking into 3Q23, management guided for revenue to grow by high-teens to twenties, with online marketing/live-streaming/other services forecasted to grow at about 21%/mid-single digit/30% yoy respectively. The strong online marketing revenue is bolstered by solid brand advertising revenue recovery (10% in 2Q23) and 35% yoy growth in e-commerce GMV. Operating profit is expected to remain stable sequentially, while net profit is guided to be around Rmb2b.
- Meituan:** In 3Q23, core local commerce revenue is guided to grow at 22-23% yoy to Rmb56.5b-57.0b, while operating margin of its core local commerce segment should be at 17-18%, primarily attributable to a decline in delivery costs. Food delivery/in-store, hotel and travel/new initiatives and others revenue growth is guided at high-teens/low-thirties/18% yoy for 3Q23. Meituan remains positive on its market leadership with its food delivery (FD) market share back to 3:1 vs Douyin, given the stronger mindshare in higher-tier cities with increased merchant supplies.

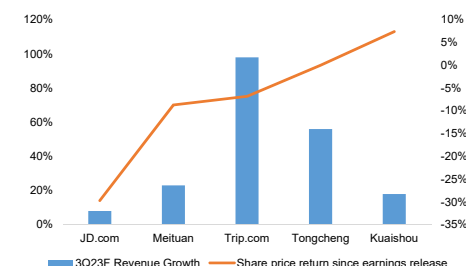
MSCI CHINA INTERNET INDEX



NASDAQ INTERNET INDEX



3Q23 REVENUE GUIDANCE VS SHARE PRICE PERFORMANCE SINCE 2023 RELEASE



- **TCOM:** 3Q23 revenue is guided at Rmb5.6b, representing yoy growth of 95-100% or growth of 33-38% vs 2019. Gross margin is guided at 80-81%, edging up marginally from 2019. Non-GAAP operating profit is guided at Rmb4.2b in 3Q23, translating to non-GAAP operating margin of 30%. Alongside rapid international expansion, outbound air passenger volume on the Trip.com (TCOM) platform has recovered to over 80% qtd with ticketing prices 30% above 2019's level.
- **TT:** In view of the positive sentiment brought about by the release of pent-up demand, Tongcheng's (TT) top-line is estimated to surge 53-58% in 3Q23 compared to 2019, and 2023 full-year revenue should come in at Rmb11.2b-11.8b, or 50-60% higher than in 2019, 2% higher than our previous estimate. For full-year 2023, non-GAAP net profit is guided to be Rmb2b-2.2b, translating to net margin of 17-18% for 3Q23 and full-year 2023.

VALUATION/RECOMMENDATION

- **Kuaishou (1024 HK). Maintain BUY with a target price of HK\$100.00.** We like Kuaishou for its rapid growth momentum in live-streaming e-commerce GMV coupled with online advertising monetisation. Our target price implies 3.2x 2023F PS. The company is currently trading at 1.8x 12-month forward EV/sales (13x 2024F PE), below its historical mean of 4x.
- **Pinduoduo (PDD US). Maintain BUY with a target price of HK\$120.00.** We believe PDD's value-added proposition and Temu's strong progress in overseas expansion by launch of international marketplace are key catalysts for the company. Our target price implies a 5.6x EV sales ratio based on 2023 revenue, below its historical mean of 6.2x. Our target price also implies 21x/17x 2023F/24F PE against a 20% EPS CAGR over 2023-26. PDD is now trading at 16x/12x 2023F/24F PE and 3.6x 12-month forward EV/sales, 1SD below its historical mean of 6.2x.
- **Netease (9999 HK). Maintain BUY with a target price of HK\$193.00.** Netease is the key proxy to benefit from the rising popularity of party games. We expect to see solid profitability improvement as NetEase benefits from lower channel cost with ongoing migration to NetEase's proprietary channel. Our target price implies 18x 2023F PE. The company is trading at 15x 12-month forward PE, in line with its historical mean of 16x.
- **TCOM (9961 HK). Maintain BUY with a target price of HK\$418.00.** TCOM has benefitted from the release of pent-up demand for outbound travel and growth momentum in international travel in the case of normalised pace in domestic travel activities. Our target price implies 1.3x/1.1x 2023/24F PEG over the next three years, compared with 1.2x before the pandemic.

SECTOR CATALYST/RISK

- **Catalysts:** Supportive government policies, increasing online retail penetration driven by less developed areas and younger generations, continuous improvement in technology and e-commerce infrastructure, and commitment to artificial intelligence generated content (AIGC) development to boost efficiency.
- **Risks:** High user acquisition expense and increased competition as multiple players are looking to expand their market share, heavy investment in new retail and local services strategy to drag down e-commerce companies' margins and ROE, and slower-than-expected top-line growth.

3Q23 CHINA INTERNET SECTOR RESULTS PREVIEW

	----- 3Q23F revenue yoy growth -----		----- 3Q23F adj profit -----		----- 4Q23F revenue yoy growth -----		----- 4Q23F adj profit -----	
(Rmbb)	UOBKH	Consensus	UOBKH	Consensus	UOBKH	Consensus	UOBKH	Consensus
Alibaba	7.1%	7.3%	NP: 38.4	NP: 40.0	8.1%	10.7%	NP: 54.0	NP: 53.4
JD.com	1.3%	1.5%	NP: 9.2	NP: 9.3	1.5%	2.4%	NP: 7.5	NP: 7.8
Tencent	12.3%	10.6%	NP: 38.8	NP: 40.0	13.8%	11.4%	NP: 39.2	NP: 40.9
NetEase	16.8%	12.1%	EBIT: 7.7	EBIT: 7.0	14.6%	13.3%	EBIT: 7.6	EBIT: 7.4
Pinduoduo	44.8%	53.7%	EBIT: 15.9	EBIT: 11.4	41.8%	62.9%	EBIT: 13.6	EBIT: 12.1
Baidu	11.2%	7.9%	EBIT: 7.2	EBIT: 6.9	10.8%	12.7%	EBIT: 7.3	EBIT: 7.0
Kuaishou	21.0%	22.4%	EBIT: 2.9	EBIT: 1.1	17.0%	19.6%	EBIT: 3.0	EBIT: 1.4
Meituan	24.6%	20.3%	EBIT: 8.5	EBIT: 1.7	23.2%	27.9%	EBIT: 7.2	EBIT: 2.5
Trip.com	97.6%	110.2%	NP: 3.1	NP: 3.3	106.9%	114.8%	NP: 1.4	NP: 1.3
Tongcheng	58.5%	57.0%	NP: 0.6	NP: 0.6	80.9%	87.7%	NP: 0.5	NP: 0.4

Source: Bloomberg, UOB Kay Hian

SECTOR UPDATE

Internet – China

Muted Growth Acceleration From 11.11 Campaign

2023's 11.11 ended with alleviated GMV growth against a soft macro backdrop and intense competitive landscape. Live-streaming e-commerce and adtech upgrades remain key growth catalysts in the e-commerce sector. We opine that the reduced vitality of 11.11 this year stems from rational consumption behaviours and increased consumption of quality products. Maintain MARKET WEIGHT due to lukewarm macro outlook and brutal price wars undermining the profitability of e-commerce companies.

WHAT'S NEW

- 11.11 operating metrics.** We estimate close to mid-single-digit GMV growth during the 11.11 campaign (31 Oct 23 to 11 Nov 23) for the whole industry with 23% parcel volume growth over the period. We expect traditional comprehensive e-commerce platforms like Alibaba/JD/PDD to deliver GMV growth of about 1%/4%/22% yoy respectively. Meanwhile, we think live streaming e-commerce will generate a much stronger growth and estimate that Douyin and Kuaishou will deliver GMV growth of 45%/45-50% yoy during 11.11 this year. According to Syntun data, from 10-11 Nov 23, the comprehensive e-commerce sales for the 11.11 campaign reached Rmb277.7b, with live-streaming e-commerce contributing Rmb215b. Market share of Tmall/JD/PDD/others came in at 60%/27.9%/7.3%/4.8% respectively. The overseas purchasing business of comprehensive e-commerce platforms, new retail platforms and community buying platforms reached sales volume of Rmb34.1b/Rmb23.1b/Rmb10.7b respectively.
- Kuaishou recorded robust GMV growth.** On 12 Nov 23, official data from Kuaishou revealed that during the entire cycle of the 11.11 promotion in 2023, the number of active products on Kuaishou grew by over 50% yoy, and GMV grew by nearly 50% yoy, followed by robust GMV growth of 85% yoy over 18 Oct 23 to 5 Nov 23. The GMV of SME merchants soared over 75% yoy. The brand GMV of Kuaishou's 11.11 event jumped 155% yoy, with the number of brands rising 100% yoy to 2500. Pan shelf-based, SFV-related and search-based GMV saw a whopping 160%/139%/146% yoy growth respectively. Kuaishou's slogan that "A good life doesn't have to be expensive" was reflected during 11.11 this year.
- Pinduoduo.** PDD remains committed to its everyday low price strategy and streamlining discount regulations. In addition to the standard promotions aligned with the 11.11 campaign in 2022, PDD implemented new promotional initiatives including "direct discounts" and "daily discounts" under the Rmb10b subsidy program. PDD's Rmb10b subsidy program users exceeded 620m over 11.11 this year.
- Alibaba emphasising its "User First" strategy.** Tmall-Taobao's main growth engines during 11.11 this year were anchored by price leverage, merchant members, and store live streaming. As of midnight on 11 Nov 23, a total of 402 brands achieved transactions exceeding 100m, with 243 of them being domestic brands. The transactions of 38,000 brands grew by over 100% yoy. Consumers exhibited greater enthusiasm for Tmall 11.11, with a cumulative total of over 800m users accessing the platform throughout the entire event. The significant expansion in the scale of users and merchants created incremental advantage and spurred growth in order volume and GMV. The resilient 11.11 is primarily fuelled by the implementation of Taobao Tmall's user-first strategy, which is focused on competitive pricing, diverse content offerings and AI-driven technologies that further optimised consumer and merchant experiences throughout the 11.11 campaign.

PEER COMPARISON

Company	Tickers	Rating	Current Price (lcy)	Market Cap (lcy m)	Upside/ (Downside) to TP (%)	Market Cap (lcy m)	2023F P/E (x)	2024F P/E (x)	2025F P/E (x)	2023F EV/EBITDA (x)	2024F EV/EBITDA (x)	2025F EV/EBITDA (x)	2023F EV/Sales (x)	2024F EV/Sales (x)	2025F EV/Sales (x)	ROE 2023F (%)
Alibaba	9988 HK	BUY	80.70	120	49	1,641,017	9.5	8.5	7.6	5.3	4.9	4.5	1.1	1.0	0.9	8.5
JD.com	9618 HK	BUY	100.80	183	82	316,816	9.2	8.1	7.2	4.8	4.1	3.6	0.2	0.2	0.2	10.3
Pinduoduo	PDD US	BUY	109.00	120	10	137,869	22.4	18.6	14.2	18.5	13.3	9.8	4.1	3.2	2.6	34.9
Kuaishou	1024 HK	BUY	57.30	100	75	249,314	32.1	16.7	11.0	15.9	10.2	7.2	1.9	1.7	1.5	8.8

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Kuaishou	1024 HK	BUY	57.3	100
Pinduoduo	PDD US	BUY	109.0	120

Source: UOB Kay Hian

ANALYST(S)

Julia Pan
+8621 5404 7225 ext 808
juliapan@uobkayhian.com

Soong Ming San
+603 21471912
mingsan@uobkayhian.com

ESSENTIALS

- **Douyin.** From 20 Oct 23 to 11 Nov 23, the cumulative live streaming duration on Douyin's e-commerce platform reached 58.27m hours. Short videos featuring products added to the shopping cart were played 169.7b times. Douyin Mall's GMV showed a 119% yoy surge. The number of active merchants on the platform rose by 91% yoy, and the number of consumers in the Douyin Mall scene grew by 111% yoy. Douyin reported strong brand GMV growth of 145% on 31 Oct 23, with shelf-based GMV of 203% on the same day.

According to Syntun data, from 31 Oct 23 to 11 Nov 23, the cumulative sales of comprehensive e-commerce platforms and live-streaming platforms grew 2.1% yoy to Rmb1138.6b and GMV from live streaming e-commerce platforms including Douyin, Kuaishou and Taobao Live grew 19% yoy. Nevertheless, we remain reserved on the weak GMV growth implied by Syntun data as it solely takes into account B2C sales on Tmall and stripped out C2C and distributor sales which we believe are faster growth catalysts for Taobao.

- **Integration of generative AI in e-commerce during 11.11.** The utilisation of AI-driven virtual human livestreaming, marketing tools, and shopping assistants became widespread in this year's 11.11. Alibaba, for instance, not only employed over 10 AI-powered marketing tools but also conducted beta tests on its Tongyi LLM-enabled shopping assistant, "Taobao Wenwen". Users can access this assistant within the Taobao app through search, and it responds with engaging content, incorporating a mix of text and short-form video, search recommendations, and links to products based on personalised data. JD has also enhanced its three major merchant tools supported by Yanxi LLM, encompassing multi-modal digital humans, intelligent outbound calling, and Jingxiaozi customer service.
- **"JD Procurement and Sales Manager Live-streaming" initiative was one of the key highlights.** As of 11 Nov 23, JD's transaction volume, order volume and user engagement reached all-time highs. JD's live broadcast sales were exceptionally popular, with the total number of views surpassing 380m. Initiatives like "9.9 Free Shipping," "JD Billion Subsidies," and "JD Flash Sale" created incremental opportunities for brands and merchants. Currently, the transaction volume of more than 60 brands each surpassed Rmb1b, with transaction volume of nearly 20,000 brands increasing 3x yoy while new merchant transaction volumes jumped 5x mom. The number of newly registered stores ramped up by 3.4x yoy, and the quantity of both new and existing merchants participating in JD's 11.11 event grew by over 1.5x yoy. The "Spring Dawn Plan" introduced by JD for new merchants, featuring the "New Store Grand Gift Pack," provided subsidies of over Rmb100m to merchants during 11.11.

VALUATION/RECOMMENDATION

- **Maintain BUY on Kuaishou (1024 HK) with a target price of HK\$100.00.** We remain optimistic on the company in view of the rapid growth of live-streaming e-commerce GMV as observed during 11.11 as well as strong online advertising monetisation. Our target price implies 3.2x 2023F PS. The company is currently trading at 1.8x 12-month forward EV/Sales (13x 2024F PE), below its historical mean of 4x. We believe content-based and adtech e-commerce stand as the key beneficiaries amid the soft macro backdrop.
- **Maintain BUY for Pinduoduo (PDD US) with a target price of US\$120.00.** We believe PDD's value-added proposition and Temu's strong progress in overseas expansion continue to be the core driving force for the company. Our target price implies a 5.6x EV sales ratio based on 2023 revenue, below its historical mean of 6.2x. Our target price also implies 21x/17x 2023F/24F PE against a 20% EPS CAGR over 2023-26. PDD is now trading at 16x/12x 2023F/24F PE and 3.6x 12-month forward EV/sales, 1SD below its historical mean of 6.2x.

SECTOR CATALYST AND RISK

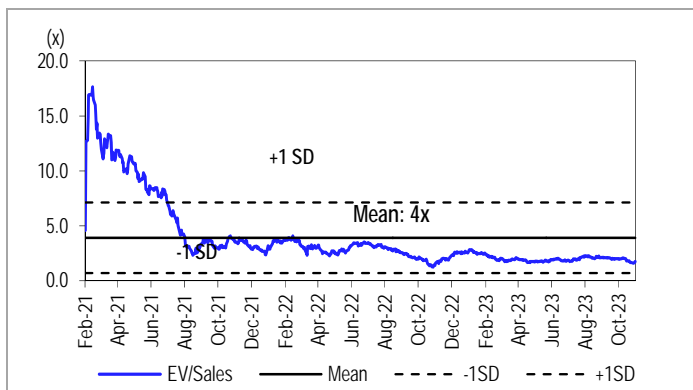
- **Catalysts:** a) Supportive government policies, b) increasing online retail penetration driven by less developed areas and the younger generation, and c) continued improvements in technology and e-commerce infrastructure.
- **Risks:** a) Uncertain geopolitical risks, b) challenging regulatory landscape, c) weak macro environment, d) high user acquisition expenses and increased competition as multiple players seek to increase market share with heavy investments in new retail, and e) local services strategy dragging down e-commerce companies' margins and ROEs.

GMV GROWTH, MARKET SHARES, AND DISCOUNT

	Market shares	GMV growth	Rebate	Discount rate
BABA	43%	1%	Tmall: Rmb50 off for every Rmb300 spent Taobao: Rmb30 off for every Rmb200 spent	17%
JD	30%	4%	Rmb30 off for every Rmb200 spent	17%
PDD	17%	20-23%	Rmb50 off for every Rmb300 spent	17%
Kuaishou	2%	45%	Up to 15% discount during pre-sale	-
Douyin	8%	45-50%	Rmb50 off for every Rmb299 spent	15%

Source: Respective companies, UOB Kay Hian

KUAISHOU 12-MONTH EV/SALES BAND



Source: Kuaishou, UOB Kay Hian

PDD 12-MONTH EV/SALES BAND



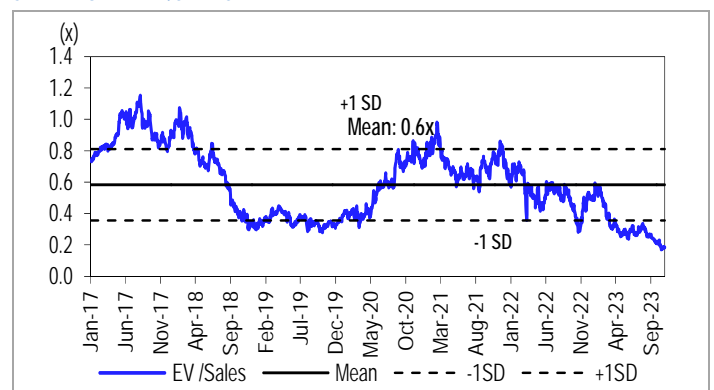
Source: PDD, UOB Kay Hian

ALIBABA 12-MONTH FORWARD PE BAND



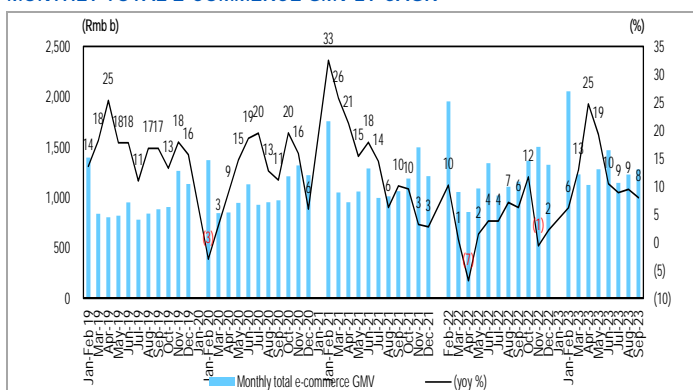
Source: Alibaba, UOB Kay Hian

JD 12-MONTH EV/SALES BAND



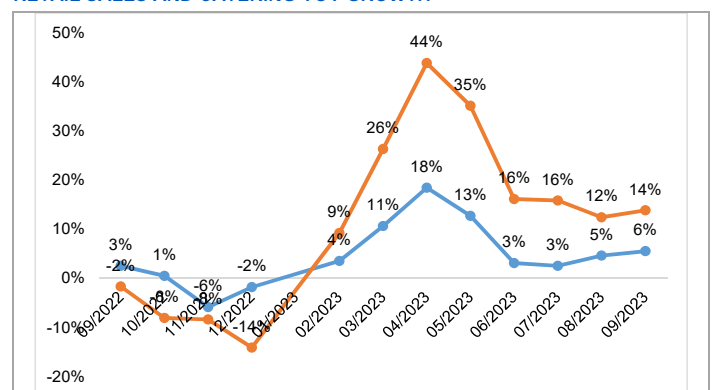
Source: JD.com, UOB Kay Hian

MONTHLY TOTAL E-COMMERCE GMV 2Y CAGR



Source: National Bureau of Statistics, UOB Kay Hian

RETAIL SALES AND CATERING YOY GROWTH



Source: National Bureau of Statistics, UOB Kay Hian

COMPANY UPDATE

Xtep International Holdings (1368 HK)

Revenue Guidance Revised Down Yet Sales Target Maintained

The core Xtep brand recorded a high single-digit yoy growth during 11.11, weaker than management expectations. As such, management revised down the full-year revenue and profit guidance to double-digit growth. However, management is confident about achieving the retail sales target of 20% yoy growth thanks to the strong offline sales momentum. Furthermore, after the online inventory clearance, we expect inventories to improve in 4Q23. Maintain BUY. Target price: HK\$9.50.

WHAT'S NEW

- Xtep International Holdings (Xtep) hosted the 11.11 update call.

STOCK IMPACT

- **Weaker-than-expected 11.11 sales.** Xtep's total GMV reached Rmb1.1b, increasing 20% yoy. Core Xtep brand/Saucony/Merrell/K-Swiss/Palladium achieved high single-digit%/98%/101%/149%/114% sales growth respectively. Core Xtep brand's sales performance was weaker than management expectations of 20-30% sales growth, which can be attributed to the increasing competition in online promotions and the company's inventory clearance pressure. However, management expects this to be a one-off issue.
- **Downward revision of revenue and profit guidance but retail sales target maintained.** Due to the weaker-than-expected 11.11 sales, management revised down the full-year revenue and profit guidance to double-digit growth (vs 15-20% revenue yoy growth previously and higher profit growth), with core Xtep/Saucony & Merrell/K-Swiss & Palladium recording high single-digit%/80-100%/mid-teens yoy growth respectively. However, management still maintained its retail sales target, aiming to achieve 20% yoy growth in 2023. Management is confident on achieving this target as the offline sales momentum is still quite strong, reaching >40% in Oct 23 and expected to reach 30% in 4Q23.
- **Inventories to improve in 4Q23.** During 11.11 promotions, discounts deepened by 3-4ppt and return rate picked up by 5-10ppt, due to the rising competition in online promotions. However, offline discounts were maintained at 10-20% off, and management aims to maintain the overall discounts within ~30% off in 4Q23. With continuous destocking efforts, inventories have been normalising, with new stock accounting for 80% of total inventory. Management targets to improve the inventory level to 4-4.5 months by end-4Q23 (vs 4.5-5 months by end-3Q23), and lower the inventory value to <Rmb2.0b in 2023 (vs Rmb2.4b in 1H23).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	10,013	12,930	14,508	16,377	18,448
EBITDA	1,550	1,688	2,091	2,321	2,538
Operating profit	1,396	1,464	1,838	2,058	2,266
Net profit (rep./act.)	908	922	1,164	1,321	1,458
Net profit (adj.)	908	922	1,164	1,321	1,458
EPS (Fen)	35.5	35.7	44.1	50.1	55.3
PE (x)	18.0	17.9	13.5	11.9	10.8
P/B (x)	2.1	2.0	1.8	1.7	1.6
EV/EBITDA (x)	10.4	9.6	7.7	7.0	6.4
Dividend yield (%)	2.9	2.5	3.4	4.0	4.6
Net margin (%)	9.1	7.1	8.0	8.1	7.9
Net debt/(cash) to equity (%)	(14.8)	0.6	(8.3)	(12.5)	(15.2)
Interest cover (x)	24.5	18.5	19.5	24.6	25.7
ROE (%)	11.9	11.1	13.2	13.8	14.1
Consensus net profit	-	-	1,153	1,428	1,737
UOBKH/Consensus (x)	-	-	1.01	0.92	0.84

Source: Xtep Int'l Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$6.43
Target Price	HK\$9.50
Upside	+47.7%
(Previous TP)	HK\$11.00)

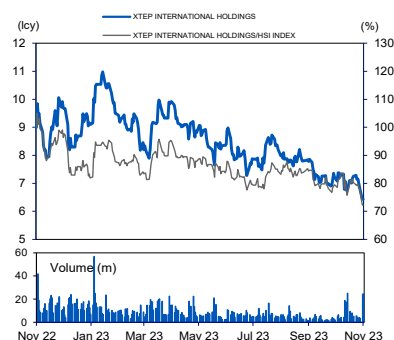
COMPANY DESCRIPTION

Founded in 2001, Xtep is a leading international sporting goods company in China. While dedicated to the production of professional sports goods, Xtep insists on the unique positioning of sports fashion and provides consumers with sports goods with both individuality and cost performance through the differentiated marketing strategy of dual track of sports and entertainment.

STOCK DATA

GICS sector	Consumer Discretionary			
Bloomberg ticker:	1368 HK			
Shares issued (m):	2,641.5			
Market cap (HK\$m):	16,984.6			
Market cap (US\$m):	2,174.7			
3-mth avg daily t'over (US\$m):	5.7			
Price Performance (%)				
52-week high/low		HK\$11.64/HK\$6.16		
1mth	3mth	6mth	1yr	YTD
(11.1)	(19.4)	(27.0)	(28.6)	(26.0)
Major Shareholders				%
Success Group Corporation Limited				46.65
FY23 NAV/Share (Rmb)				3.12
FY23 Net Cash/Share (Rmb)				(0.52)

PRICE CHART



Source: Bloomberg

ANALYST(S)

Stella Guo
+852 2236 6798
stella.guo@uobkayhian.com.hk

Ng Jo Yee
+603 2147 1984
joyee@uobkayhian.com

Shirley Wang
+86 21 5404 7225 ext.804
shirleywang@uobkayhian.com

EARNINGS REVISION/RISK

- **Earnings revisions.** We lowered our 2023-24F earnings forecasts by 6-9% to reflect the weaker-than-expected online sales momentum.
- **Risks:** a) Lower-than-expected sales recovery, and b) higher A&P expenses.

VALUATION/RECOMMENDATION

- **Maintain BUY but cut target price by 14% to HK\$9.50.** Although online sales were weak during the 11.11 shopping festival, we are confident Xtep will achieve its 20% retail sales target in 2023. The potential introduction of investors for K-Swiss and Palladium, which will be completed by end of this year at the earliest, should be a short-term catalyst for the company. Xtep is trading at 13.5x 2023F PE, 0.5 SD below its five-year historical average.

XTEP RETAIL SELL-THROUGH GROWTH RATE (YOY)

	Retail Sell-through Growth	Retail Discount (% off)	Retail Inventory Turnover-ytd
1Q21	(+) Mid-fifties	25-30%	4.5 months
2Q21	(+) 30-35%	20-25%	4 months
3Q21	(+) Mid-teens	20-25%	4 months
4Q21	(+) 20-25%	20-25%	4 months
1Q22	(+) 30-35%	~ 25%	4 months
2Q22	(+) Mid-teens	25-30%	~4.5 months
3Q22	(+) 20-25%	25-30%	4.5-5 months
4Q22	(-) High-SD	~ 30%	~5.5 months
1Q23	(+) ~ 20%	25-30%	<5 months
2Q23	(+) High-teens	~ 25%	<5 months
3Q23	(+) High-teens	25-30%	4.5-5 months

Source: Xtep, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	12,930.4	14,508.4	16,376.8	18,448.2
EBITDA	1,688.3	2,090.6	2,321.0	2,538.4
Deprec. & amort.	224.0	252.3	263.1	272.6
EBIT	1,464.3	1,838.3	2,057.9	2,265.8
Associate contributions	(12.1)	(12.0)	(12.0)	(12.0)
Net interest income/(expense)	(91.2)	(106.9)	(94.5)	(98.9)
Pre-tax profit	1,361.0	1,719.4	1,951.5	2,154.9
Tax	(448.7)	(567.2)	(643.8)	(710.9)
Minorities	9.4	11.8	12.9	14.3
Net profit	921.7	1,163.9	1,320.6	1,458.3
Net profit (adj.)	921.7	1,163.9	1,320.6	1,458.3

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	571.8	1,116.8	1,403.8	1,396.2
Pre-tax profit	11,355.0	1,719.4	1,951.5	2,154.9
Tax	(524.0)	(567.2)	(643.8)	(710.9)
Deprec. & amort.	239.4	252.3	263.1	272.6
Working capital changes	(678.2)	(287.6)	(167.0)	(320.4)
Non-cash items	43.9	0.0	0.0	0.0
Other operating cashflows	(9,864.3)	0.0	0.0	0.0
Investing	(872.6)	159.8	(346.0)	(346.0)
Capex (growth)	(365.0)	(200.0)	(200.0)	(200.0)
Investments	(4.7)	354.3	(146.0)	(146.0)
Proceeds from sale of assets	(458.9)	0.0	0.0	0.0
Others	(44.1)	5.4	0.0	0.0
Financing	(236.1)	(1,299.6)	(341.1)	(474.9)
Dividend payments	(550.4)	(460.8)	(581.9)	(660.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	364.1	1,500.0	1,500.0	1,500.0
Loan repayment	0.0	(2,338.8)	(1,259.2)	(1,314.6)
Others/interest paid	(49.9)	0.0	0.0	0.0
Net cash inflow (outflow)	(536.9)	(23.0)	716.6	575.3
Beginning cash & cash equivalent	3,929.8	3,414.2	3,391.1	4,107.8
Changes due to forex impact	21.2	0.0	0.0	0.0
Ending cash & cash equivalent	3,414.2	3,391.1	4,107.8	4,683.1

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	1,367.5	1,424.6	1,475.7	1,521.4
Other LT assets	2,787.7	3,052.0	3,083.8	3,111.5
Cash/ST investment	3,414.2	3,391.1	4,107.8	4,683.1
Other current assets	8,922.0	9,178.1	9,952.9	10,949.1
Total assets	16,491.4	17,045.8	18,620.2	20,265.1
ST debt	2,338.8	1,259.2	1,314.6	1,357.2
Other current liabilities	4,305.6	4,779.8	5,387.6	6,063.4
LT debt	1,127.1	1,367.8	1,553.2	1,696.0
Other LT liabilities	415.0	415.0	415.0	415.0
Shareholders' equity	8,470.1	9,173.2	9,911.8	10,709.9
Minority interest	(165.1)	50.8	37.9	23.6
Total liabilities & equity	16,491.4	17,045.8	18,620.2	20,265.1

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.1	14.4	14.2	13.8
Pre-tax margin	10.5	11.9	11.9	11.7
Net margin	7.1	8.0	8.1	7.9
ROA	5.9	6.9	7.4	7.5
ROE	11.1	13.2	13.8	14.1
Growth				
Turnover	29.1	12.2	12.9	12.6
EBITDA	8.9	23.8	11.0	9.4
Pre-tax profit	5.8	26.3	13.5	10.4
Net profit	1.5	26.3	13.5	10.4
Net profit (adj.)	1.5	26.3	13.5	10.4
EPS	0.6	23.6	13.5	10.4
Leverage				
Debt to total capital	29.4	22.2	22.4	22.1
Debt to equity	40.9	28.6	28.9	28.5
Net debt/(cash) to equity	0.6	(8.3)	(12.5)	(15.2)
Interest cover (x)	18.5	19.5	24.6	25.7

TRADERS' CORNER



Chart by Bloomberg

Huadian Power International Corporation Limited (1071 HK)

Trading Buy range: HK\$3.10-3.20

Last price: HK\$3.21

Target price: HK\$3.36/HK\$3.48

Protective stop: Breaks below HK\$2.90

Stock Highlights:

In 9M23, operating income increased 13.9% to Rmb90.725b. Net profit attributable to shareholders of the company surged 92.5% to Rmb4.49b.

Technical View:

Share price rebounded after hitting a low on 25 Oct 23. Recently, it hit a one-month high and approached its 50-day moving average (red). Its 10-day (light blue) and 20-day (orange) moving averages are pointing upwards. The 14-day RSI is above the midline level of 50 and is currently around 58, indicating strong momentum. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by Bloomberg

BYD Electronic (International) Company Limited (285 HK)

Trading Buy range: HK\$36.00-37.00

Last price: HK\$37.20

Target price: HK\$38.50/HK\$39.80

Protective stop: Breaks below HK\$34.00

Stock Highlights:

In 9M23, turnover increased 29.5% to Rmb92.14b. Profit attributable to equity owners of the parent soared 146.1% to Rmb3.044b.

Technical View:

Share price rose with a long white candlestick on 3 Nov 23 and 13 Nov 23, in line with the incremental trading volume. It has currently risen to above its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages. The 14-day RSI is higher than the midline level of 50 and is now around 55, indicating that momentum has gradually strengthened. The MACD line has just risen above the signal line, showing a bullish crossover. If share price holds firmly above its 50-day moving average, further gains are likely.

Average timeframe: Around two weeks.

ANALYST(S)

Terence Chiu

+852 2236 6716

terence.chiu@uobkayhian.com.hk

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is a licensed corporation providing securities brokerage and securities advisory services in Hong Kong.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHHK. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHHK may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHHK and its associates (as defined in the Securities and Futures Ordinance, Chapter 571 of Hong Kong) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKHHK to be reliable. However, UOBKHHK makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHHK accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHHK and its associates may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHHK and its associates are subject to change without notice. UOBKHHK reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHHK, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKHHK, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKHHK may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKHHK may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHHK, a company authorized, as noted above, to engage in securities activities in Hong Kong. UOBKHHK is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHHK (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHHK by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHHK.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHHK who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHHK or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHHK's total revenues, a portion of which are generated from UOBKHHK's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia (OJK). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.