

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

KEY HIGHLIGHTS

Results

Kingsoft Corp (3888 HK/BUY/HK\$30.50/Target: HK\$36.00) Page 2

3Q23: Earnings miss; positive on game pipeline and WPS AI.

Tongcheng Travel Holdings (780 HK/BUY/HK\$15.14/Target: HK\$21.00) Page 5

3Q23: Earnings beat; 2024 outlook remains intact despite normalising industry growth.

Update

Hansoh Pharmaceutical Group Company Page 8

(3692 HK/BUY/HK\$14.54/Target:HK\$17.50)

3Q23: Expects innovative drugs to support significant revenue growth recovery in 2024.

TRADERS' CORNER

Page 11

Baidu, Inc. (9888 HK): Trading Buy range: HK\$105.00-110.00

AIA Group Limited (1299 HK): Trading Buy range: HK\$71.00-73.00

CORPORATE AND MACRO CALENDAR

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

KEY INDICES

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|------------------------|------------|-------|-------|--------|--------|
| DJIA | 35273.0 | 0.5 | 0.8 | 6.5 | 6.4 |
| S&P 500 | 4556.6 | 0.4 | 1.2 | 7.9 | 18.7 |
| FTSE 100 | 7469.5 | (0.2) | (0.2) | 0.9 | 0.2 |
| AS30 | 7277.8 | (0.2) | (0.5) | 3.5 | 0.8 |
| CSI 300 | 3544.4 | (1.0) | (1.7) | 2.0 | (8.5) |
| FSSTI | 3114.9 | 0.6 | (0.5) | 2.0 | (4.2) |
| HSCEI | 6074.8 | (0.0) | (2.1) | 3.5 | (9.4) |
| HSI | 17734.6 | 0.0 | (1.9) | 3.3 | (10.3) |
| JCI | 6907.0 | (0.8) | (0.7) | 2.4 | 0.8 |
| KLCI | 1455.9 | (0.5) | (0.7) | 1.2 | (2.6) |
| KOSPI | 2511.7 | 0.1 | 1.0 | 6.6 | 12.3 |
| Nikkei 225 | 33451.8 | 0.3 | (0.2) | 7.9 | 28.2 |
| SET | 1414.2 | (0.7) | (0.1) | 1.1 | (15.3) |
| TWSE | 17310.3 | (0.6) | 1.1 | 6.5 | 22.4 |
| BDI | 1755 | (2.3) | 4.0 | (14.2) | 15.8 |
| CPO (RM/mt) | 3832 | 1.4 | 2.6 | 3.8 | (5.3) |
| Brent Crude (US\$/bbl) | 82 | (0.9) | 0.6 | (11.4) | (4.9) |

Source: Bloomberg

TOP TRADING TURNOVER

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|---------------|--------------|---------|-------------------|
| XIAOMI CORP-W | 15.12 | (1.7) | 3,105.7 |
| JD-SW | 110.20 | (0.5) | 1,650.8 |
| KUAISHOU-W | 60.20 | 2.9 | 1,521.1 |
| LI AUTO INC-A | 158.60 | (0.6) | 1,459.8 |
| NETEASE INC | 181.40 | 1.0 | 1,237.7 |

TOP GAINERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| BIDU-SW | 112.20 | 4.5 | 996.2 |
| EAST BUY HOLDING | 30.50 | 4.1 | 206.6 |
| KUAISHOU-W | 60.20 | 2.9 | 1,521.1 |
| COUNTRY GARDEN S | 7.67 | 2.3 | 190.5 |
| CHINA UNICOM | 5.10 | 1.6 | 74.6 |

TOP LOSERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| KINGSOFT CORP | 29.00 | (4.9) | 135.0 |
| TRIP.COM GROUP L | 264.40 | (4.1) | 365.5 |
| SUNNY OPTICAL | 68.60 | (4.0) | 629.5 |
| GDS HOLDING-CL A | 10.56 | (3.8) | 31.9 |
| ZHONGSHENG GROUP | 18.82 | (3.0) | 67.4 |

*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

COMPANY RESULTS

Kingsoft Corp (3888 HK)

3Q23: Earnings Miss; Positive On Game Pipeline And WPS AI

Kingsoft's 3Q23 results fell below expectations. Revenue grew 12% yoy to Rmb2.1b, below the street's estimate. Gross margin expanded 2ppt yoy to 81.4%, in line with the street's expectation. Non-IFRS operating profit rose 14% yoy to Rmb449m, while operating margin remained flat yoy at 22%, driven by improved operating efficiency. Net profit was Rmb28m, down 50% qoq, below our expectation. Maintain BUY with a lower target price of HK\$36.00.

3Q23 RESULTS

| Year to 31 Dec (Rmbm) | 3Q22 | 2Q23 | 3Q23 | qoq % chg | yoy % chg | UOB | Var | Cons | Var |
|---------------------------|--------|-------|-------|------------|------------|-------|-----------|-------|-----------|
| TOTAL REVENUE | 1,837 | 2,193 | 2,060 | (6.1%) | 12.1% | 2,176 | (5.3%) | 2,126 | (3.1%) |
| Online Game | 832 | 1,073 | 961 | (10.4%) | 15.5% | 982 | (2.1%) | | |
| Office Software & Others | 1,005 | 1,121 | 1,098 | (2.0%) | 9.3% | 1,193 | (8.0%) | | |
| Cost of services | -371 | -362 | -383 | (5.9%) | (3.2%) | -392 | 2.2% | | |
| Gross profit | 1,466 | 1,832 | 1,677 | (8.5%) | 14.4% | 1,784 | (6.0%) | 1,731 | (3.1%) |
| online game GPM | 71% | 77% | 76% | (1.1 ppt) | 4.7 ppt | 77% | -1 ppt | | |
| WPS GPM | 87% | 90% | 86% | (3.5 ppt) | (0.7 ppt) | 86% | 0 ppt | | |
| online game OPM | 4% | 22% | -7% | (28.6 ppt) | (10.7 ppt) | 12% | -18 ppt | | |
| WPS OPM | 30% | 39% | 40% | 0.8 ppt | 10.4 ppt | 30% | 10 ppt | | |
| Non-IFRS Operating profit | 395 | 767 | 449 | (41.4%) | 13.5% | 555 | (19.1%) | 503 | (10.8%) |
| Non-IFRS OPM | 22% | 35% | 22% | (13.2 ppt) | 0.3 ppt | 26% | (3.7 ppt) | | |
| Net profit | -6,055 | 57 | 28 | (50.2%) | n.a. | 162 | -82% | | |
| Diluted EPS (RMB) | -4.44 | 0.04 | 0.02 | (50.0%) | n.a. | 0.00 | n.a. | | |
| GPM | 79.8% | 83.5% | 81.4% | (2.1 ppt) | 1.6 ppt | 82.0% | -1 ppt | 81.4% | (0.0 ppt) |
| Non-IFRS Net margin | 26.9% | 11.4% | 4.0% | (7.4 ppt) | (22.9 ppt) | 10.9% | -7 ppt | | |

Source: Kingsoft Corp Ltd, UOB Kay Hian

RESULTS

- Online games' revenue growth momentum remains intact.** Kingsoft Corp's (Kingsoft) online games' revenue ramped up by 15% yoy to Rmb961m (vs 2Q23: 17%, 3Q22: -8%) in 3Q23. This was mainly supported by JX3 Online and revenue contribution from Snowbreak: Containment Zone launched in July. However, this was partially offset by a decline in revenue from the existing mobile games such as JX World III and JX I: Gui Lai. The company expects positive growth in games revenue in the following quarters. Full-year guidance for online games' revenue remains unchanged at single-digit yoy growth in view of the intense competitive environment. Operating margin for 2023 is guided to be flat yoy. We forecast 2023/24 online game revenue growth to be 10%/13% respectively, mainly underpinned by solid games pipeline.
- Subdued Kingsoft Office (KO, or WPS) performance.** KO revenue growth decelerated to 9% yoy at Rmb1.1b (vs 2Q23: +21%. 3Q22: +25%), primarily dragged by a decline in revenue from the domestic institutional licensing business due to a reduction in new purchase orders and localisation solutions. For the individual subscription business, the company's monthly active devices of key products grew 2% yoy to 589m. In 3Q23, Kingsoft invested in independently-developed small- and medium-sized models and formed strategic partnerships with Alibaba Cloud and iFlytek to co-build a digital and intelligent service ecosystem. 3Q23 net profit remained flat yoy at Rmb28m, attributed to stringent cost control, offset by a rise in AI-related costs.

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|---------|--------|--------|--------|
| Net turnover | 6,371 | 7,637 | 8,704 | 10,305 | 11,777 |
| EBITDA | 1,668 | 2,215 | 2,495 | 2,738 | 3,852 |
| Operating profit | 1,361 | 1,869 | 2,079 | 2,130 | 3,043 |
| Net profit (rep./act.) | 395 | (6,050) | 520 | 954 | 1,617 |
| Net profit (adj.) | (228) | 711 | 868 | 1,318 | 2,033 |
| EPS (Fen) | (16.3) | 49.6 | 63.5 | 96.4 | 148.0 |
| PE (x) | n.m. | 56.3 | 44.0 | 29.0 | 18.9 |
| P/B (x) | 1.2 | 1.6 | 1.5 | 1.5 | 1.4 |
| EV/EBITDA (x) | 10.2 | 7.6 | 6.8 | 6.2 | 4.4 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 |
| Net margin (%) | 6.2 | (79.2) | 6.0 | 9.3 | 13.7 |
| Net debt/(cash) to equity (%) | (49.4) | (73.9) | (82.4) | (83.8) | (83.8) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROE (%) | 1.2 | n.a. | 2.1 | 3.7 | 6.0 |
| Consensus net profit | - | - | 643 | 1,165 | 1,512 |
| UOBKH/Consensus (x) | - | - | 1.35 | 1.13 | 1.34 |

Source: Kingsoft Corp Ltd, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

| | |
|---------------|-----------|
| Share Price | HK\$30.50 |
| Target Price | HK\$36.00 |
| Upside | +18.0% |
| (Previous TP) | HK\$40.00 |

COMPANY DESCRIPTION

The company is a leading provider of software and internet service.

STOCK DATA

| | |
|---------------------------------|------------------------|
| GICS sector | Communication Services |
| Bloomberg ticker: | 3888 HK |
| Shares issued (m): | 1,365.5 |
| Market cap (HK\$m): | 41,649.1 |
| Market cap (US\$m): | 5,342.4 |
| 3-mth avg daily t'over (US\$m): | 18.5 |

Price Performance (%)

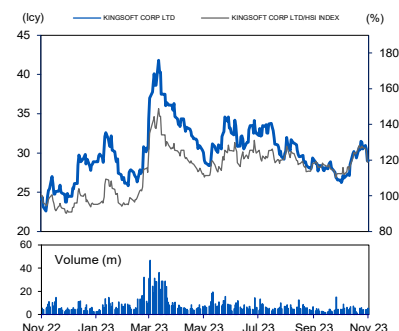
52-week high/low HK\$41.80/HK\$22.60

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|------|-------|------|------|
| 14.9 | 4.5 | (1.3) | 22.2 | 16.9 |

Major Shareholders

| Shareholder | % |
|---------------------------|-------|
| Lei Jun | 22.6 |
| TCH Saffron Ltd | 7.8 |
| Pak Kwan Kau | 7.3 |
| FY23 NAV/Share (Rmb) | 18.40 |
| FY23 Net Cash/Share (Rmb) | 15.17 |

PRICE CHART



Source: Bloomberg

ANALYST(S)

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

Soong Ming San
+603 21471912
mingsan@uobkayhian.com

STOCK IMPACT

- Margin performance.** Total opex as a percentage of total revenue edged up to 63% in 3Q23 vs 62% in 3Q22, attributed to increased personnel-related expenses. Sales & marketing (S&M) expenses grew 24% yoy, primarily due to the marketing campaigns for newly-launched games.
- Key highlights for online games in 3Q23...** a) In 3Q23, JX Online III underwent updates constantly. In October, it launched the beta test with ultimate graphic quality and a new expansion pack to ensure the ongoing success of the intellectual property (IP); b) World of Sword Origin was released in China in September and received recognition from players. This mobile game was transformed from PC game through optimising and upgrading the graphics and gameplay details while maintaining traditional 2D graphics and classic gameplay; and c) optimisation of the anime game Snowbreak: Containment Zone on an ongoing basis.
- ...and solid pipeline in 2024.** a) The mobile version of JX3 Ultimate has received licence approval and is expected to be launched in 1H24 to achieve accessibility through all platforms. This mobile version of JX Online III will be seamlessly connected with Kingsoft's PC version, expanding the user base and enhancing the overall gaming experience; b) World of Sword Origin has been approved by regulators and is currently slated to launch in 1H24 on PC. We expect this new handheld game to facilitate the activity and online hours of core IP players in 2024; c) a new mecha game titled Code B.R.E.A.K is set to be launched in 2024; and d) in addition to the JX Online III mobile version in 2024, there is another game planned under the JX series, with the exact title yet to be announced.
- WPS business' progress in AIGC monetisation.** KO is set to commence monetisation testing for WPS AI products in Dec 23. KO plans to adopt a differentiated pricing strategy for the products based on testing in mid-December and user feedback for further refinement throughout 1Q/2Q24. KO will progressively unveil all product functions to users and continue to open other co-pilot and insight functions.
- Cloud overview.** For 3Q23, Kingsoft Cloud generated negative revenue growth of 17.5% yoy. public cloud services revenue declined 24.5% yoy, attributed to proactive scaling down of content delivery network services. Enterprise cloud services revenue dropped 2.2% yoy in 3Q23 vs +9.5% yoy in 2Q23, primarily dragged by a continuous focus on selected verticals and high-quality projects. Non-IFRS net loss was Rmb313m in 3Q23, narrowing from a net loss of Rmb315m in 2Q23.

EARNINGS REVISION/RISK

- We keep our 4Q23 revenue forecast largely unchanged but lowered 2023/24 revenue estimates by 1%/5% respectively in view of weaker-than-expected top-line performance from JX III Online and Kingsoft Office in 3Q23.** We expect Kingsoft to deliver adjusted net profit of Rmb313m in 4Q23, which should translate to net margin of 13% vs 4% in 4Q22. We forecast 2023/24 revenue to grow 14%/18% yoy, translating to non-IFRS net margin of 10%/13%.
- Risk.** Obsolescence of its flagship PC games and delays in the government software localisation project.

VALUATION/RECOMMENDATION

- Maintain BUY with a slightly lower target price of HK\$36.00.** We remain cautiously optimistic on the company due to the promising game pipeline coupled with intensified market competition. Our target price implies 34x 2024F PE. The company is currently trading at 24x 12-month forward PE, lower than its historical mean of 47x.

SHARE PRICE CATALYST

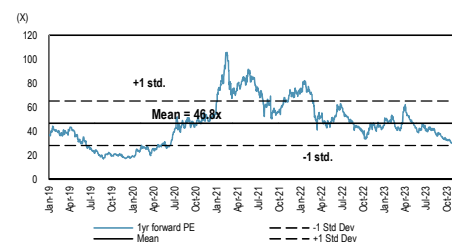
- a) Continued launch of expansion packs to support online games growth, and b) growth in WPS revenue from licensed software and subscription services.**

SOTP VALUATION

| (HK\$m) | FY2024F revenue | FY24-26F revenue CAGR | FY2024F non-GAAP earnings | Assumed FY2024F PER | Assumed FY2024F EV/SALES | Fair value HK\$(m) | Kingsoft's holding (or share of total revenue) | Fair value per share (HK\$) |
|-----------------------------------|-----------------|-----------------------|---------------------------|---------------------|--------------------------|--------------------|--|-----------------------------|
| Online games | 5,148 | 7% | 1,030 | 5x | | 5,148 | 84% | 3 |
| WPS | 6,175 | 10% | 1,667 | 28x | 9x | 55,579 | 53% | 17 |
| Cheetah | | | | | | 473 | 47% | 0 |
| Cloud | | | | | | 9,556 | 52% | 3 |
| Total EV with 20% discount | | | | | | | | 19 |
| 2024F cash per share | | | | | | 21,867 | | 18 |
| Target price (HK\$) | | | | | | | | 36.00 |

Source: Kingsoft, UOB Kay Hian

12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|----------------|--------------|---------------|---------------|
| Net turnover | 7,637 | 8,704 | 10,305 | 11,777 |
| EBITDA | 2,215 | 2,495 | 2,738 | 3,852 |
| Deprec. & amort. | 346 | 416 | 609 | 809 |
| EBIT | 1,869 | 2,079 | 2,130 | 3,043 |
| Total other non-operating income | (6,500) | (42) | 0 | 0 |
| Associate contributions | (1,382) | (1,180) | (1,298) | (1,298) |
| Net interest income/(expense) | 292 | 392 | 392 | 412 |
| Pre-tax profit | (5,721) | 1,248 | 1,223 | 2,157 |
| Tax | 379 | (228) | (269) | (539) |
| Minorities | (708) | (500) | 0 | 0 |
| Net profit | (6,050) | 520 | 954 | 1,617 |
| Net profit (adj.) | 711 | 868 | 1,318 | 2,033 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|---------------|---------------|---------------|---------------|
| Operating | 2,007 | 1,623 | 1,067 | 1,888 |
| Pre-tax profit | (5,721) | 1,248 | 1,223 | 2,157 |
| Tax | 379 | (228) | (269) | (539) |
| Deprec. & amort. | 346 | 416 | 609 | 809 |
| Working capital changes | 503 | 1,079 | (104) | (127) |
| Other operating cashflows | 6,500 | (891) | (392) | (412) |
| Investing | (513) | 519 | (308) | (940) |
| Capex (growth) | (1,146) | (1,306) | (1,546) | (1,767) |
| Others | 632 | 1,825 | 1,238 | 827 |
| Financing | (587) | 382 | 382 | 402 |
| Dividend payments | 0 | 0 | 0 | 0 |
| Others/interest paid | (587) | 382 | 382 | 402 |
| Net cash inflow (outflow) | 907 | 2,524 | 1,141 | 1,350 |
| Beginning cash & cash equivalent | 16,190 | 18,201 | 20,726 | 21,867 |
| Changes due to forex impact | 1,104 | 0 | 0 | 0 |
| Ending cash & cash equivalent | 18,201 | 20,726 | 21,867 | 23,216 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Fixed assets | 1,551 | 2,465 | 3,435 | 4,434 |
| Other LT assets | 6,797 | 4,948 | 3,677 | 2,810 |
| ST debt | n.a. | n.a. | n.a. | n.a. |
| Cash/ST investment | 18,201 | 20,726 | 21,867 | 23,216 |
| Other current assets | 5,338 | 4,351 | 5,152 | 5,888 |
| Total assets | 31,888 | 32,490 | 34,131 | 36,348 |
| Other current liabilities | 4,476 | 4,568 | 5,264 | 5,873 |
| LT debt | 0 | 0 | 0 | 0 |
| Other LT liabilities | 843 | 843 | 843 | 843 |
| Shareholders' equity | 24,625 | 25,146 | 26,100 | 27,717 |
| Minority interest | (469) | (479) | (489) | (499) |
| Total liabilities & equity | 31,888 | 32,490 | 34,131 | 36,348 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|-----------|--------|--------|--------|
| Profitability | | | | |
| EBITDA margin | 29.0 | 28.7 | 26.6 | 32.7 |
| Pre-tax margin | (74.9) | 14.3 | 11.9 | 18.3 |
| Net margin | (79.2) | 6.0 | 9.3 | 13.7 |
| ROA | n.a. | 1.6 | 2.9 | 4.6 |
| ROE | n.a. | 2.1 | 3.7 | 6.0 |
| Growth | | | | |
| Turnover | 19.9 | 14.0 | 18.4 | 14.3 |
| EBITDA | 32.8 | 12.6 | 9.7 | 40.7 |
| Pre-tax profit | (600.5) | n.a. | (2.0) | 76.3 |
| Net profit | (1,630.3) | n.a. | 83.4 | 69.5 |
| Net profit (adj.) | n.a. | 22.1 | 51.8 | 54.3 |
| EPS | n.a. | 28.0 | 51.8 | 53.5 |
| Leverage | | | | |
| Debt to total capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt/(cash) to equity | (73.9) | (82.4) | (83.8) | (83.8) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. |

COMPANY RESULTS

Tongcheng Travel Holdings (780 HK)

3Q23: Earnings Beat; 2024 Outlook Remains Intact Despite Normalising Industry Growth

TT reported solid 3Q23 results, with revenue soaring 61% yoy to Rmb3.3b, 3% above consensus expectations. Adjusted net profit was reported at Rmb621m, well above our and consensus estimates. Non-IFRS net margin was 18.8% vs 12.3% in 3Q22, above our and consensus estimates of 18%. 4Q23 revenue is expected to grow 41-46% vs 2019's level (in line with consensus of 44% above 2019), anchored by the Golden Week holidays. Maintain BUY. Target price: HK\$21.00.

3Q23 RESULTS

| (Rmbm) | 3Q22 | 2Q23 | 3Q23 | qoq % chg | yoy % chg | UOB | Var | Cons | Var |
|--------------------------|-------|-------|-------|-----------|-----------|-------|-----------|-------|-----------|
| Total Revenue | 2,048 | 2,866 | 3,299 | 15.1% | 61.1% | 3,245 | 1.7% | 3,215 | 2.6% |
| Transportation ticketing | 987 | 1,495 | 1,680 | 12.4% | 70.3% | 1,687 | (0.4%) | | |
| Accommodation | 819 | 1,055 | 1,127 | 6.8% | 37.7% | 1,097 | 2.8% | | |
| Others | 243 | 316 | 492 | 55.5% | 102.8% | 461 | 6.7% | | |
| Cost of services | -503 | -703 | -840 | (19.4%) | (67.0%) | -811 | (3.5%) | | |
| Gross profit | 1,545 | 2,163 | 2,460 | 13.7% | 59.2% | 2,434 | 1.1% | 2,412 | 2.0% |
| Non-IFRS OPM | 5% | 17% | 20% | 2.6 ppt | 15.3 ppt | 18% | 0.1 ppt | | |
| Net profit | -90 | 356 | 510 | 43.3% | 664.5% | 414 | 23.3% | 387 | 31.9% |
| Non-IFRS net profit | 252 | 592 | 621 | 4.8% | 146.5% | 569 | 9.2% | 578 | 7.4% |
| Non-IFRS diluted EPS | 0.11 | 0.26 | 0.26 | (0.2%) | 131.5% | 0.23 | 10.7% | 0.17 | 56.2% |
| GPM | 75.4% | 75.5% | 74.5% | (0.9 ppt) | (0.9 ppt) | 75.0% | (0.5 ppt) | 75% | (0.5 ppt) |
| Non-IFRS NPM | 12.3% | 20.7% | 18.8% | (1.9 ppt) | 6.5 ppt | 17.5% | 1.3 ppt | 18.0% | 0.8 ppt |

Source: Tongcheng Travel, Bloomberg, UOB Kay Hian

RESULTS

- Strong top-line growth trajectory.** Tongcheng Travel Holdings' (TT) 3Q23 revenue jumped 61% yoy (+60% vs 2019), better than its previous guidance of 53-58%. Transportation ticketing revenue surged 70% yoy (+47% vs 2019) to Rmb1.7b, attributable to a spike in total ticketing volume and improvement in value-added service (VAS) and product offerings. Accommodation reservation revenue ramped up by 38% yoy (63% above 2019) to Rmb1.1b, vs 2Q23's 94% yoy growth, driven by a surge in domestic room nights (+100% growth vs 2019). Average daily rate (ADR) improved from 3Q22, while blended take rate was lower than that of 2022. Revenue from other segments soared by 103% yoy to Rmb492m (+115% vs 2019), propelled by enhanced synergies and optimised marketing promotions.
- 4Q23 outlook remains intact.** TT's top-line is estimated to grow 41-46% in 4Q23 compared with 2019's level to Rmb2.76b-2.85b. The sequential moderation in revenue growth stems from low seasonality and normalised domestic travel demand. We forecast 4Q23/2024 revenue to grow 89%/22% yoy and 45%/92% vs 2019's level. We estimate non-IFRS net profit in 4Q23/2024 at Rmb479m/Rmb2.5b, with net margin of 17%/18%.

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|-------|--------|--------|--------|
| Net turnover | 7,538 | 6,585 | 11,587 | 14,169 | 16,989 |
| EBITDA | 1,242 | 292 | 2,252 | 2,669 | 3,396 |
| Operating profit | 895 | (24) | 1,870 | 2,280 | 2,973 |
| Net profit (rep./act.) | 723 | (146) | 1,574 | 1,893 | 2,468 |
| Net profit (adj.) | 1,313 | 646 | 2,196 | 2,512 | 3,087 |
| EPS (Fen) | 58.4 | 28.8 | 94.9 | 105.4 | 125.7 |
| PE (x) | 23.7 | 48.2 | 14.6 | 13.2 | 11.0 |
| P/B (x) | 2.0 | 1.9 | 3.0 | 2.5 | 2.0 |
| EV/EBITDA (x) | 22.6 | 96.1 | 12.5 | 10.5 | 8.3 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net margin (%) | 9.6 | (2.2) | 13.6 | 13.4 | 14.5 |
| Net debt/(cash) to equity (%) | (12.7) | (7.9) | (34.7) | (52.4) | (66.7) |
| Interest cover (x) | n.a. | 3.7 | n.a. | n.a. | n.a. |
| ROE (%) | 4.9 | n.a. | 12.2 | 16.8 | 17.8 |
| Consensus net profit | - | - | 2,127 | 2,546 | 3,034 |
| UOBKH/Consensus (x) | - | - | 1.03 | 0.99 | 1.02 |

Source: Tongcheng Travel Holdings Limited, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|---------------|-----------|
| Share Price | HK\$15.14 |
| Target Price | HK\$21.00 |
| Upside | +38.7% |
| (Previous TP) | HK\$22.00 |

COMPANY DESCRIPTION

Tongcheng-Elong is a one-stop OTA for users' travel needs that offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation and others.

STOCK DATA

| | |
|---------------------------------|------------------------|
| GICS sector | Consumer Discretionary |
| Bloomberg ticker: | 780 HK |
| Shares issued (m): | 2,254.9 |
| Market cap (HK\$m): | 34,139.8 |
| Market cap (US\$m): | 4,379.2 |
| 3-mth avg daily t'over (US\$m): | 7.6 |

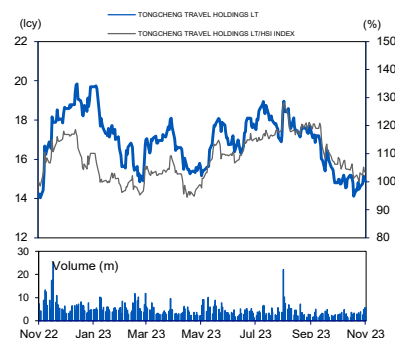
Price Performance (%)

| | |
|------------------|---------------------|
| 52-week high/low | HK\$19.84/HK\$14.04 |
| 1mth | 2.3 |
| 3mth | (10.4) |
| 6mth | (1.8) |
| 1yr | (1.6) |
| YTD | (19.4) |

Major Shareholders

| | |
|---------------------------|------|
| Tencent Holdings Ltd | 21.2 |
| Trip.com Group Ltd | 20.6 |
| T Rowe Price Group Inc | 5.0 |
| FY23 NAV/Share (Rmb) | 4.61 |
| FY23 Net Cash/Share (Rmb) | 1.60 |

PRICE CHART



Source: Bloomberg

ANALYST(S)

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

Soong Ming San
 +603 21471912
 mingsan@uobkayhian.com

STOCK IMPACT

- Operating metrics and margin performance.** During 3Q23, about 87% of TT's total registered users were from non-first-tier cities in China, and 71% of new paying users on the Weixin platform were from Tier 3 and below cities. 3Q23 average monthly active users (MAU) dropped 20.2% yoy to 224.7m; average monthly paying users (MPU) grew 20% yoy to 44.2m, representing a paying ratio of 19.7% vs 13.1% in 3Q22. Domestic room nights spiked 100% vs 2019's level given the increased popularity of booking hotel stays for a wider range of occasions, such as music festivals and concerts and e-sports events. Air ticketing volume increased more than 30% vs 2019, with international air ticket volume recovering significantly and surpassing that of 2019. TT's gross merchandise value (GMV) rose by 75% yoy to Rmb71b in 3Q23. Gross profit margin inched down 1ppt yoy to 75% while adjusted net margin expanded 6.5ppt yoy to 18.8% on operating leverage.
- 4Q23 segmental breakdown.** For 4Q23, accommodation reservations are expected to surge 35-40% vs 2019's level, moderating from 3Q23, as hotel booking and revenue growth during the Golden Week had been included into 3Q23's figures. In 4Q23, hotel ADR is declining by 2ppt vs 2019, while hotel take rate remains stable at 8.0-8.5%. Transportation ticketing revenue is guided to grow 25-30% from pre-pandemic level. Transportation take rate has elevated to above 3.5%, given TT's shift of focus from ticket booking volume to revenue growth. Revenue from the others segment is guided to soar by 200% vs pre-pandemic levels. Gross margin is expected to maintain at 74-75% in 4Q23. Selling and marketing expense ratio will edge up sequentially to 40% in 4Q23, especially on app store marketing and quality e-portal that will capture emerging growth opportunities. Adjusted net profit is projected at Rmb450m-500m, implying non-IFRS net margin of 17%. Management expects the strong travel demand momentum to sustain into 2024.
- For 2024,** with travel industry growth rate is expected to normalise to 7-8%. TT remains confident in achieving 2-3x of industry growth, mainly driven by: a) increasing online penetration especially with its advantage and large user base in lower tier cities; b) ample growth room for cross-selling products given its 10% cross-selling rate vs TCOM's 20%; and c) upside from outbound travel, which currently only accounts for 1% of total revenue vs 5% in 2019. TT anticipates a faster recovery in outbound travel in 2024. As of end-September, TT's flight capacity had only reached slightly over 15% of 2019's level, representing significant room for growth in 2024. TT is actively exploring untapped markets such as Europe and America.
- Progress in venture into packaged tours.** After TT's acquisition of Tongcheng International Travel Service early this year, continuous efforts are underway to diversify and enhance product offerings. In 3Q23, the domestic package tour revenue growth had recovered to over 60%, with a slight price increase vs 2019. On the other hand, the urban packaged tour revenue only recovered to 20% of 2019's level, but with a significant average package price increase of nearly Rmb0.35.

EARNINGS REVISION/RISK

- We raise our 4Q23/2023 revenue estimates by 4.5%/1.6% respectively due to the continuous rapid recovery trajectory and penetration into lower-tier cities. We estimate 2023/2024 revenue growth of 76%/22% yoy (57%/92% vs 2019's level) and adjusted net profit margin of 19%/18%.
- Risks:** a) price war and competition may arise given growing market demand, and b) normalisation of domestic travel demand.

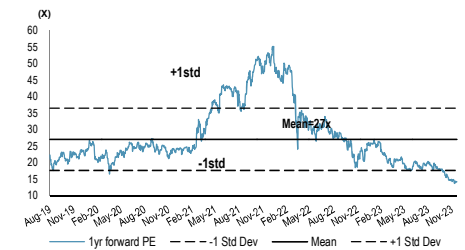
VALUATION/RECOMMENDATION

- Maintain BUY with a target price of HK\$21.00,** pegged at 23x 2024F PE. Our target price implies PEG of 1x against EPS CAGR of 27% from 2024-27. TT currently trades at 14x 12-month forward PE, 1.3SD below its historical mean of 27x.

SHARE PRICE CATALYST

- Catalysts:** a) Strong macro recovery, b) 1H24 travel market continues to exhibit strong growth, and c) increasing ARPU driven by long haul travel.

12-MONTH FORWARD PE



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|--------------|---------------|---------------|---------------|
| Net turnover | 6,585 | 11,587 | 14,169 | 16,989 |
| EBITDA | 292 | 2,252 | 2,669 | 3,396 |
| Deprec. & amort. | 316 | 382 | 389 | 423 |
| EBIT | (24) | 1,870 | 2,280 | 2,973 |
| Total other non-operating income | 0 | 0 | 0 | 0 |
| Associate contributions | (14) | (16) | 0 | 0 |
| Net interest income/(expense) | (79) | 3 | 0 | 0 |
| Pre-tax profit | (117) | 1,857 | 2,280 | 2,973 |
| Tax | (46) | (272) | (388) | (505) |
| Minorities | 18 | (10) | 0 | 0 |
| Net profit | (146) | 1,574 | 1,893 | 2,468 |
| Net profit (adj.) | 646 | 2,196 | 2,512 | 3,087 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|--------------|--------------|--------------|---------------|
| Operating | 1,314 | 2,279 | 2,996 | 3,695 |
| Pre-tax profit | (117) | 1,857 | 2,280 | 2,973 |
| Tax | (46) | (272) | (388) | (505) |
| Deprec. & amort. | 1 | (2) | (1) | 0 |
| Working capital changes | 991 | 197 | 485 | 607 |
| Other operating cashflows | 485 | 499 | 619 | 620 |
| Investing | (78) | 0 | 0 | 0 |
| Capex (growth) | 0 | 0 | 0 | 0 |
| Investments | 674 | 0 | 0 | 0 |
| Proceeds from sale of assets | 0 | 0 | 0 | 0 |
| Others | (752) | 0 | 0 | 0 |
| Financing | (332) | 0 | 0 | 0 |
| Issue of shares | 0 | 0 | 0 | 0 |
| Proceeds from borrowings | 0 | 0 | 0 | 0 |
| Others/interest paid | (332) | 0 | 0 | 0 |
| Net cash inflow (outflow) | 904 | 2,279 | 2,996 | 3,695 |
| Beginning cash & cash equivalent | 2,046 | 3,547 | 5,826 | 8,822 |
| Changes due to forex impact | 0 | 0 | 0 | 0 |
| Ending cash & cash equivalent | 3,547 | 5,826 | 8,822 | 12,517 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Fixed assets | 1,598 | 1,600 | 1,601 | 1,602 |
| Other LT assets | 13,052 | 2,434 | 2,451 | 2,472 |
| Cash/ST investment | 3,547 | 5,826 | 8,822 | 12,517 |
| Other current assets | 6,837 | 8,851 | 9,205 | 9,652 |
| Total assets | 25,035 | 18,712 | 22,079 | 26,243 |
| ST debt | 443 | 443 | 443 | 443 |
| Other current liabilities | 5,648 | 5,012 | 6,080 | 7,363 |
| LT debt | 1,858 | 1,858 | 1,858 | 1,858 |
| Other LT liabilities | 1,021 | 932 | 932 | 932 |
| Shareholders' equity | 15,732 | 10,144 | 12,443 | 15,324 |
| Minority interest | 332 | 322 | 322 | 322 |
| Total liabilities & equity | 25,035 | 18,712 | 22,079 | 26,243 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|---------|--------|--------|--------|
| Profitability | | | | |
| EBITDA margin | 4.4 | 19.4 | 18.8 | 20.0 |
| Pre-tax margin | (1.8) | 16.0 | 16.1 | 17.5 |
| Net margin | (2.2) | 13.6 | 13.4 | 14.5 |
| ROA | n.a. | 7.2 | 9.3 | 10.2 |
| ROE | n.a. | 12.2 | 16.8 | 17.8 |
| Growth | | | | |
| Turnover | (12.6) | 76.0 | 22.3 | 19.9 |
| EBITDA | (76.5) | 671.2 | 18.5 | 27.2 |
| Pre-tax profit | (113.4) | n.a. | 22.8 | 30.4 |
| Net profit | (120.2) | n.a. | 20.2 | 30.4 |
| Net profit (adj.) | (50.8) | 239.9 | 14.4 | 22.9 |
| EPS | (50.8) | 230.0 | 11.0 | 19.3 |
| Leverage | | | | |
| Debt to total capital | 12.5 | 18.0 | 15.3 | 12.8 |
| Debt to equity | 14.6 | 22.7 | 18.5 | 15.0 |
| Net debt/(cash) to equity | (7.9) | (34.7) | (52.4) | (66.7) |
| Interest cover (x) | 3.7 | n.a. | n.a. | n.a. |

COMPANY UPDATE

Hansoh Pharmaceutical Group Company (3692 HK)

Expects Innovative Drugs To Support Significant Revenue Growth Recovery In 2024

Hansoh Pharma recently entered into an out-licensing agreement with GSK on B7-H4 directed ADC, expecting to receive an upfront payment income of US\$85m. Our channel check indicates that the company also achieved satisfactory results in this round of NRDL price negotiation. The NRDL inclusion of Saint Luolai is expected to support a stronger revenue growth in 2024. Maintain BUY and target price of HK\$17.50.

WHAT'S NEW

- Hansoh Pharmaceutical Group Company (Hansoh Pharma) recently entered into a licence agreement with GlaxoSmithKline Intellectual Property (No. 4) (GSK) on B7-H4 directed antibody-drug conjugate (ADC) for an upfront payment of US\$85m, milestone payments based on relevant milestone events, and tiered royalty income upon commercialisation of the product.
- Our channel check indicates that Hansoh Pharma's three drugs participants of National Reimbursement Drug List (NRDL) price negotiation have all successfully been included in the new edition of NRDL.

WHAT'S NEW

- Entered into licence agreement with GSK on HS-20089.** Hansoh Pharma recently entered into an agreement with GSK, to grant GSK an exclusive worldwide licence (excluding Mainland China, Hong Kong, Macau, and Taiwan) to develop, manufacture, and commercialise HS-20089. HS-20089 is a novel B7-H4 directed ADC with a topoisomerase inhibitor (TOPOi) payload. The product is under development for the treatment of advanced solid tumour in a phase I clinical study in China. Hansoh Pharma expects to receive an upfront payment of US\$85m and milestone payments of up to US\$1.485b subject to achievement of relevant milestone events with respect to the product. Upon commercialisation of the product, Hansoh Pharma will also receive tiered royalties based on global net sales derived from the territory outside of Mainland China, Hong Kong, Macau and Taiwan. The company has been actively seeking business development (BD) opportunities for its early stage pipelines as part of its globalisation strategy. The HS-20089 deal recognises the potential of the ADC platform and innovation capability of Hansoh Pharma.

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|--------|--------|--------|--------|--------|
| Net turnover | 9,935 | 9,382 | 9,823 | 11,030 | 12,557 |
| EBITDA | 3,631 | 3,389 | 3,590 | 4,066 | 4,653 |
| Operating profit | 3,353 | 3,007 | 3,181 | 3,630 | 4,190 |
| Net profit (rep./act.) | 2,713 | 2,584 | 2,718 | 3,102 | 3,580 |
| Net profit (adj.) | 2,713 | 2,584 | 2,718 | 3,102 | 3,580 |
| EPS (Fen) | 45.2 | 43.6 | 45.9 | 52.4 | 60.4 |
| PE (x) | 29.5 | 30.6 | 29.1 | 25.5 | 22.1 |
| P/B (x) | 3.9 | 3.5 | 3.2 | 2.9 | 2.6 |
| EV/EBITDA (x) | 19.4 | 20.8 | 19.6 | 17.3 | 15.1 |
| Dividend yield (%) | 0.5 | 0.7 | 0.7 | 0.8 | 0.9 |
| Net margin (%) | 27.3 | 27.5 | 27.7 | 28.1 | 28.5 |
| Net debt/(cash) to equity (%) | (33.5) | (37.0) | (35.0) | (40.9) | (46.5) |
| Interest cover (x) | 68.8 | 58.3 | n.a. | n.a. | n.a. |
| ROE (%) | 14.3 | 12.1 | 11.4 | 11.9 | 12.4 |
| Consensus net profit | - | - | 2,758 | 3,038 | 3,431 |
| UOBKH/Consensus (x) | - | - | 0.99 | 1.02 | 1.04 |

Source: Hansoh Pharma, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|--------------|-----------|
| Share Price | HK\$14.54 |
| Target Price | HK\$17.50 |
| Upside | +20.4% |

COMPANY DESCRIPTION

Founded in 1995, Hansoh Pharmaceutical Group Company is a leading R&D-driven pharmaceutical company in China.

STOCK DATA

| | |
|---------------------------------|-------------|
| GICS sector | Health Care |
| Bloomberg ticker: | 3692 HK |
| Shares issued (m): | 5,933.4 |
| Market cap (HK\$m): | 86,270.9 |
| Market cap (US\$m): | 11,065.2 |
| 3-mth avg daily t'over (US\$m): | 10.2 |

Price Performance (%)

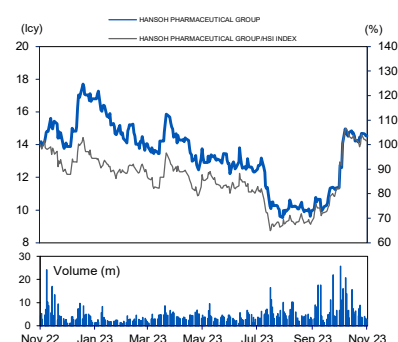
52-week high/low HK\$17.70/HK\$9.55

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|------|------|-----|-------|
| 28.0 | 45.7 | 10.7 | 2.8 | (2.0) |

Major Shareholders

| | % |
|---------------------------|------|
| Ms. Zhong Huijuan | 65.7 |
| Mr. Cen Junda | 16.0 |
| FY23 NAV/Share (Rmb) | 4.19 |
| FY23 Net Cash/Share (Rmb) | 1.47 |

PRICE CHART



Source: Bloomberg

ANALYST(S)

Carol Dou
+852 2236 6749
carol.dou@uobkayhian.com.hk

Sunny Chen
+852 2826 4857
sunny.chen@uobkayhian.com.hk

STOCK IMPACT

- Achieved satisfactory results in 2023 NRDL price negotiation.** Hansoh Pharma has three innovative products, namely, Hengmu, Mailingda, and Saint Luolai, which participated in the 2023 NRDL price negotiation. According to our channel check, the company achieved satisfactory results in this round of NRDL price negotiation. Hengmu and Mailingda renewed their NRDL status with nil or minor price pressure. Saint Luolai (Pegmolesatide), which obtained market approval from NMPA on 30 Jun 23, is a long-acting peptide-based erythropoiesis-stimulating agent (ESA), which promotes the proliferation of red blood cells in the body and is indicated to treat anaemia in chronic kidney disease (CKD) adult patients who have not received ESA and are not on dialysis, as well as who are receiving short-acting erythropoietin treatment and on dialysis. The product was also successfully included in the NRDL with a reasonable price. Currently, all of the seven innovative drugs of the company have been enlisted in 2023 NRDL, which will broaden market access for these products and fuel revenue growth of the company for the next few years.

- Expects innovative drug revenue to grow at over 25% yoy in 2024.** Impacted by GPO price pressure, Hansoh Pharma's generic products saw significant revenue decrease of 18% yoy in 1H23. However, the growth of innovative drug sales remained strong at over 20% yoy in 1H23. We believe the anti-corruption campaign may disrupt drug sales growth in 2H23 and anticipate Hansoh Pharma to report relatively mild overall revenue growth of about 4.7% in 2023. The newly-launched potential blockbuster, Saint Luolai is expected to reach peak sales of Rmb1.5b in the next 4-5 years. Moreover, the company has also collaborated with Antengene Corporation (6996 HK) and obtained the exclusive China commercial rights of Selinexor (XPOVIO, for the treatment of various haematological malignancies and solid tumours) in Aug 23. The new product launches of Saint Luolai and Selinexor are expected to boost revenue from 2H23 and contribute to stronger revenue growth of over 25% yoy for innovative products from 2024.

- Smooth R&D progress, expects innovative products to generate over 80% of total revenue in 2025.** Hansoh Pharma had achieved significant progress in R&D in 1H23. Aside from the successful market launch of Pegmolesatide in 1H23, it also pushed forward various clinical trials into late stage clinical trials. For example, Hansoh Pharma sees smooth progress of Aumoeletinib and expects to receive market approval for its adjuvant therapy in postoperative EGFR-mutated non-small cell lung cancer in 2024. It has quickly moved HS-20094 (the dual GLP-1/GIP receptor agonists for the treatment of type-2 diabetes and obesity) to phase II trials and expects to get market approval in 2026/27. The company targets to have 15 innovative drugs (including new indications) in 2025. It continues to guide for innovative products to contribute approximately 65% of total revenue in 2023, and over 80% in 2025.

EARNINGS REVISION/RISKS

- We expect revenue growth to accelerate from 4.7% yoy in 2023 to 12.3% yoy in 2024 and 13.8% yoy in 2025. We also forecast net earnings growth to increase from 5.2% yoy in 2023, to 14.1% yoy in 2024 and further to 15.4% yoy in 2025.
- Key risks include: a) possible failure in R&D and delays in new product launches, b) possible lower-than-expected growth, c) intensifying competition, and d) policy risks, eg, GPO price pressure etc.

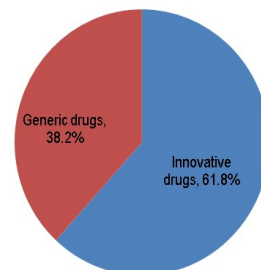
VALUATION/RECOMMENDATION

- Maintain BUY and target price of HK\$17.50** based on SOTP valuation, comprising: a) HK\$8.10/share at 14x 2023F PE for existing drugs, and b) NAV-derived pipeline value of HK\$9.40/share (10.8% WACC, 3.5% perpetual growth rate).

SHARE PRICE CATALYSTS

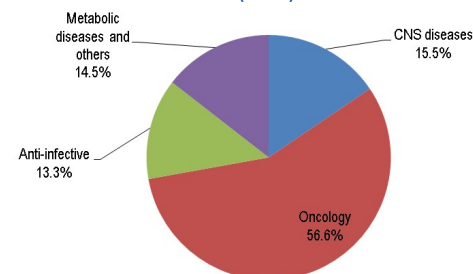
- a) Stronger revenue and earnings growth for 2024, b) contined efforts in R&D and innovative drug launches, and c) productive BD programmes.

REVENUE CONTRIBUTION OF GENERIC AND INNOVATIVE DRUGS (1H23)



Source: Hansoh Pharma, UOB Kay Hian

REVENUE BY SEGMENT (1H23)



Source: Hansoh Pharma, UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|----------------|----------------|-----------------|-----------------|
| Net turnover | 9,382.4 | 9,822.8 | 11,030.0 | 12,556.7 |
| EBITDA | 3,388.7 | 3,590.3 | 4,066.3 | 4,652.9 |
| Deprec. & amort. | 382.2 | 409.1 | 436.1 | 463.1 |
| EBIT | 3,006.6 | 3,181.1 | 3,630.2 | 4,189.8 |
| Associate contributions | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest income/(expense) | (58.1) | 0.0 | 0.0 | 0.0 |
| Pre-tax profit | 2,948.4 | 3,181.1 | 3,630.2 | 4,189.8 |
| Tax | (364.7) | (463.2) | (528.6) | (610.1) |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 2,583.7 | 2,717.9 | 3,101.6 | 3,579.7 |
| Net profit (adj.) | 2,583.7 | 2,717.9 | 3,101.6 | 3,579.7 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---|----------------|----------------|-----------------|-----------------|
| Operating | 2,741.0 | 991.9 | 3,403.9 | 3,873.6 |
| Pre-tax profit | 2,948.4 | 3,181.1 | 3,630.2 | 4,189.8 |
| Tax | (364.7) | (463.2) | (528.6) | (610.1) |
| Deprec. & amort. | 382.2 | 409.1 | 436.1 | 463.1 |
| Working capital changes | 463.6 | (2,135.2) | (133.8) | (169.2) |
| Non-cash items | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating cashflows | (688.5) | 0.0 | 0.0 | 0.0 |
| Investing | (368.0) | (186.3) | (334.0) | (334.0) |
| Capex (growth) | (319.0) | (319.0) | (319.0) | (319.0) |
| Investments | (30.0) | (15.0) | (15.0) | (15.0) |
| Proceeds from sale of assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | (19.0) | 147.7 | 0.0 | 0.0 |
| Financing | (713.3) | (500.0) | (548.9) | (626.4) |
| Dividend payments | (713.3) | (520.6) | (548.9) | (626.4) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Loan repayment | 0.0 | 0.0 | 0.0 | 0.0 |
| Others/interest paid | 0.0 | 20.6 | 0.0 | 0.0 |
| Net cash inflow (outflow) | 1,659.7 | 305.7 | 2,521.0 | 2,913.2 |
| Beginning cash & cash equivalent | 6,718.7 | 8,378.4 | 8,684.1 | 11,205.1 |
| Changes due to forex impact | 0.0 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 8,378.4 | 8,684.1 | 11,205.1 | 14,118.3 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Fixed assets | 3,195.6 | 3,097.2 | 2,996.1 | 2,869.9 |
| Other LT assets | 974.6 | 992.7 | 991.8 | 988.8 |
| Cash/ST investment | 8,378.4 | 8,684.1 | 11,205.1 | 14,118.3 |
| Other current assets | 17,453.2 | 20,473.2 | 21,005.3 | 21,678.3 |
| Total assets | 30,001.9 | 33,247.2 | 36,198.3 | 39,655.4 |
| ST debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current liabilities | 2,619.5 | 8,052.2 | 8,450.6 | 8,954.4 |
| LT debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT liabilities | 4,735.4 | 350.8 | 350.8 | 350.8 |
| Shareholders' equity | 22,646.9 | 24,844.2 | 27,396.9 | 30,350.2 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 |
| Total liabilities & equity | 30,001.9 | 33,247.2 | 36,198.3 | 39,655.4 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|--------|--------|--------|
| Profitability | | | | |
| EBITDA margin | 36.1 | 36.6 | 36.9 | 37.1 |
| Pre-tax margin | 31.4 | 32.4 | 32.9 | 33.4 |
| Net margin | 27.5 | 27.7 | 28.1 | 28.5 |
| ROA | 9.0 | 8.6 | 8.9 | 9.4 |
| ROE | 12.1 | 11.4 | 11.9 | 12.4 |
| Growth | | | | |
| Turnover | (5.6) | 4.7 | 12.3 | 13.8 |
| EBITDA | (6.7) | 5.9 | 13.3 | 14.4 |
| Pre-tax profit | (10.7) | 7.9 | 14.1 | 15.4 |
| Net profit | (4.8) | 5.2 | 14.1 | 15.4 |
| Net profit (adj.) | (4.8) | 5.2 | 14.1 | 15.4 |
| EPS | (3.7) | 5.3 | 14.1 | 15.4 |
| Leverage | | | | |
| Debt to total capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt/(cash) to equity | (37.0) | (35.0) | (40.9) | (46.5) |
| Interest cover (x) | 58.3 | n.a. | n.a. | n.a. |

TRADERS' CORNER



Chart by Bloomberg

Baidu, Inc. (9888 HK)

Trading Buy range: HK\$105.00-110.00

Last price: HK\$112.20

Target price: HK\$116.00/HK\$120.00

Protective stop: Breaks below HK\$100.00

Stock Highlights:

The company achieved a turnaround with a profit of Rmb6.681b in 3Q23, vs a loss of Rmb146m in 3Q22.

Technical View:

Share price found support after testing HK\$100.00 several times in November. It has now risen above its 10-day (light blue) and 20-day (orange) moving averages, but is restricted by the 50-day moving average (red). The 14-day RSI is higher than the midline level of 50 and is now around 53, indicating that momentum has gradually strengthened. The MACD line is higher than the signal line, showing a bullish crossover. If the share price continues to rise, it could challenge its 50-day moving average.

Average timeframe: Around two weeks.



Chart by Bloomberg

AIA Group Limited (1299 HK)

Trading Buy range: HK\$71.00-73.00

Last price: HK\$73.00

Target price: HK\$75.50/HK\$76.30

Protective stop: Breaks below HK\$68.00

Stock Highlights:

In 3Q23, value of new business (VONB) increased 35% to US\$994m.

Technical View:

Share price rebounded after hitting a low on 26 Sep 23. It has now risen above its 10-day (light blue), 20-day (orange), 50-day (red) and 100-day (pink) moving averages. The 14-day RSI is above the midline level of 50 and is currently around 60, indicating strong momentum. The MACD line is higher than the signal line and both lines are in the bullish zone, resulting in a double bullish signal.

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. |