

Alibaba (9988 HK/BABA US)

In transition

- Taobao/Tmall is currently undergoing business revitalization, while cross-border e-commerce may become a near-term growth driver
- Mixed development in shareholders' return initiatives
- Undemanding valuation after recent share price corrections

E-commerce platforms in transition. We believe Taobao and Tmall is likely to face soft growth in the near term, while the company's revitalization plan to enhance the platform's price competitiveness and user experience will take time. International digital commerce should see higher near-term growth driven by ongoing development in cross-border e-commerce business, though short-term margin will be pressured as the business is still in development stages. We expect overall revenue to grow at 8% CAGR in FY3/24-26E, in which Taobao and Tmall would grow at 4% CAGR during the period.

Mixed development in the shareholders' return initiatives. The company targets to repurchase c. 3% outstanding share per year over the next three years via its upsized share repurchase program. In addition, non-core retail asset disposal is under consideration. Given of the dismal state of the market, the company is not in a rush to pursue IPO or spin-off of its business units. This could, in our opinion, lead to some market disappointments.

A value play. Maintain BUY with SOTP-based TP at HK\$ 110 for Alibaba-SW (9988 HK) and US\$ 113 for Alibaba-ADR (BABA US). After recent share price corrections, the counter is currently trading at an undemanding valuation. In our view, extent and pace for valuation recovery in coming months would depend on 1) overall market sentiment; 2) near-term business outlook; 3) development of shareholders' return initiatives.

Results and Valuation

| FY end Mar 31 | FY23A | FY24E | FY25E | FY26E |
|--------------------------|---------|---------|-----------|-----------|
| Revenue (RMB mn) | 868,687 | 942,779 | 1,009,352 | 1,093,782 |
| Chg (% YoY) | 1.8 | 8.5 | 7.1 | 8.4 |
| Net profit (RMB mn) | 72,509 | 101,316 | 122,419 | 130,372 |
| Chg (% YoY) | 17.0 | 39.7 | 20.8 | 6.5 |
| Core net profit (RMB mn) | 143,991 | 161,248 | 167,462 | 178,968 |
| Chg (% YoY) | 0.3 | 12.0 | 3.9 | 6.9 |
| Underlying EPS (RMB) | 3.5 | 5.0 | 6.2 | 6.8 |
| Chg (% YoY) | 20.3 | 44.3 | 24.6 | 9.8 |
| Core EPS (RMB)* | 6.8 | 7.9 | 8.4 | 9.3 |
| Chg (% YoY) | 3.5 | 15.4 | 7.1 | 10.2 |
| Core P/E (x)- ADR* | 9.2 | 8.0 | 7.5 | 6.8 |
| Core P/E (x)-SW share* | 9.1 | 7.9 | 7.4 | 6.7 |
| ROAE (%) | 6.6 | 8.9 | 10.4 | 10.5 |
| ROAA (%) | 4.2 | 5.7 | 6.6 | 6.6 |

1 ADR = 8 ordinary shares

*Excluding share-based compensation, impairments, fair value changes of investment, etc.

Source (s): Bloomberg, ABCI Securities estimates

Company Report

Rating (SW-share): BUY
 TP (SW-share): HK\$ 110
 Rating (ADR): BUY
 TP (ADR): US\$ 113

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| | |
|--|----------------------------|
| Price (ADR/SW-share) | US\$70.7/ HK\$69.3 |
| Est. share price return (ADR/SW-share) | 59.6%/58.7% |
| Est. dividend yield (ADR/SW-share) | 1.6%/1.6% |
| Est. total return (ADR/SW-share) | 61.2%/60.3% |
| Last Rating & TP (ADR/SW-share) | BUY/US\$113 BUY/HK\$110 |

Previous Report Date Nov 20, 2023

Source(s): Bloomberg, ABCI Securities estimates

Key Data

| | |
|---|------------|
| 52Wk H/L (HK\$) (SW-share) | 108.5/64.6 |
| 52Wk H/L (US\$) (ADR) | 109.8/66.6 |
| Issued shares (bn) | 20.0 |
| Market cap (HK\$ bn) (all share) | 1,386 |
| 3-mth avg daily turnover (HK\$ mn) (SW-share) | 3,993 |
| 3-mth avg daily turnover (US\$ mn) (ADR) | 1,749 |
| Major shareholder(s) (%): Joseph Tsai | 1.4% |

Source(s): Bloomberg, HKEx, Company

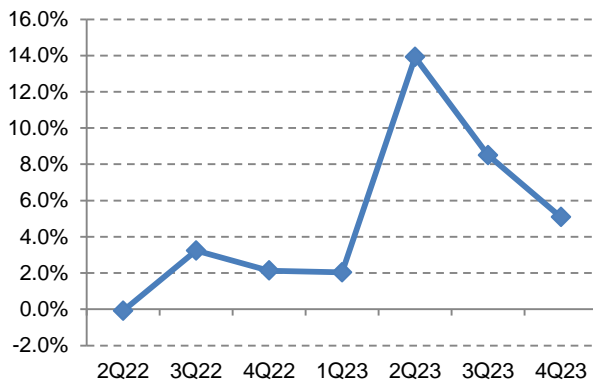
Business revitalization underway

In 4Q23 (3QFY3/24), Alibaba's revenue increased 5.1% YoY to RMB 260bn; core net profit dropped 4.3% YoY to RMB 48bn.

Among its major business segment, Taobao and Tmall experienced a 2% YoY revenue growth during the quarter; GMV growth was offset by the lower take rate as GMV mix was shifting towards Taobao merchants. The company is currently revitalizing its platform to enhance price competitiveness and user experience with a new management team but a revamp will take time. International digital commerce remained strong with a 44% YoY revenue growth driven by retail platforms, especially the AliExpress Choice business. Local service revenue grew 13% YoY thanks to the over 20% order growth YoY, while Cainiao reported a 24% YoY revenue growth. Cloud intelligence's revenue growth remained slight at 3% YoY due to continuous business adjustment of project-based cloud services.

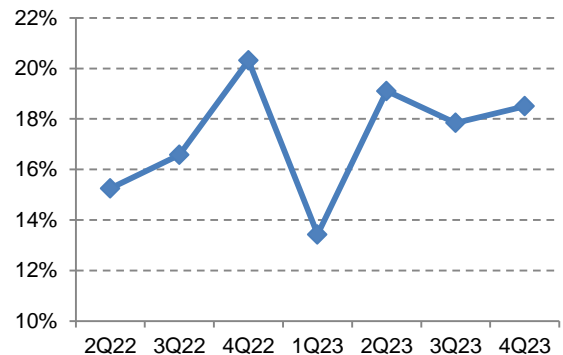
In terms of segment profitability, Taobao/ Tmall's adjusted EBITA margin was 46.4% in 4Q23, which can be attributed to increased promotions in our view. In addition, international digital commerce saw widening losses due to ongoing investment in cross-border e-commerce businesses. The negative impacts were partially offset by improved profitability of other businesses such as Local service, Cainiao, and Cloud intelligence. Overall, core net margin was 18.5% in 4Q23.

Exhibit 1: Revenue growth trend



Source(s): Company, ABCI Securities

Exhibit 2: Core net margin trend



Source(s): Company, ABCI Securities

Financial Outlook

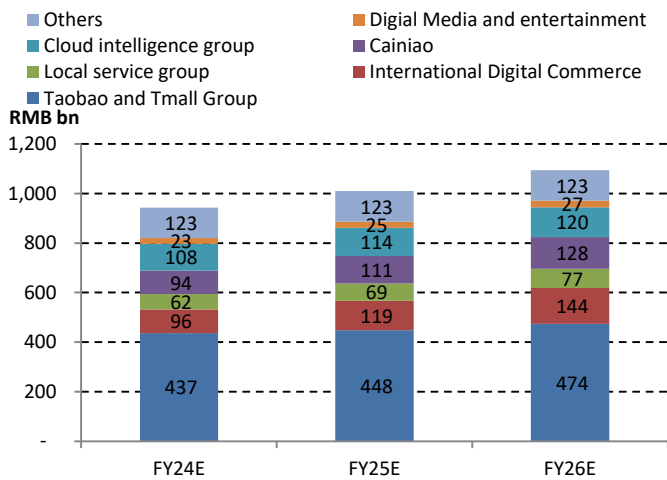
We expect revenue to grow at 8% CAGR in FY3/24E-26E.

Taobao and Tmall revenue would expand at 4% CAGR in FY3/24E-26E. In our view, near-term challenges include take rate pressure as GMV shifts towards Taobao merchants amid moderating consumer sentiment; competition from Pinduoduo and other live-streaming e-commerce platforms can also affect revenue. The company is revitalizing its platform to enhance price competitiveness and user experience with a new management team, but we believe a revamp will take time.

We expect Cloud intelligence's revenue to grow at 5% CAGR in FY3/24E-26E due to continuous business adjustment and rivalry from telco cloud operators. In our view, more focus will be on propping up profitability instead of driving revenue growth for this segment in the near term.

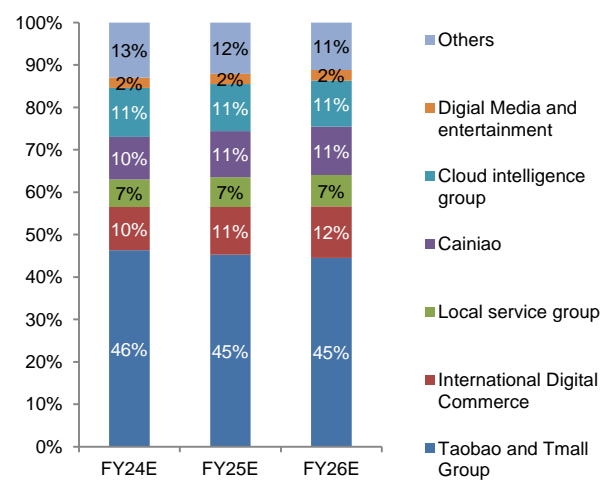
For other businesses, we expect International Digital Commerce to grow at 23% CAGR in FY3/24E-26E, driven by expansion of cross-border e-commerce initiatives such as AliExpress Choice. In addition, we expect Cainiao and Local consumer services to expand at 16% and 12% CAGRs in FY3/24E-26E amid ongoing business expansion. For DME (Digital Media and Entertainment), we expect it to grow at 8% CAGRs in FY3/24E-26E driven by offline entertainment business.

Exhibit 3: Revenue outlook



Source(s): Company, ABCI Securities estimates

Exhibit 4: Revenue mix outlook



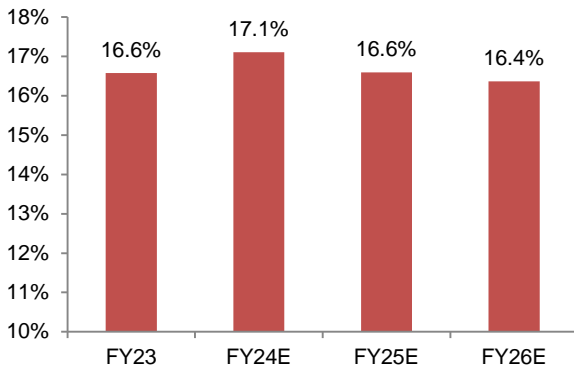
Source(s): Company, ABCI Securities estimates

In terms of segment profitability, we estimate adjusted EBITA margin of Taobao and Tmall to moderate to 43.6% in FY26E due to increased customer incentives and promotions to boost sales. Adjusted EBITA margin of other businesses (International commerce/Local service/Cainiao/Cloud/DME) would remain largely stable, in which International commerce is likely to see some margin pressure amid ongoing business expansion, while Cloud margins would continue to improve.

We expect core net margin (excl. impacts of share-based compensation and other non-operating items) to be 16.4% for FY26E.

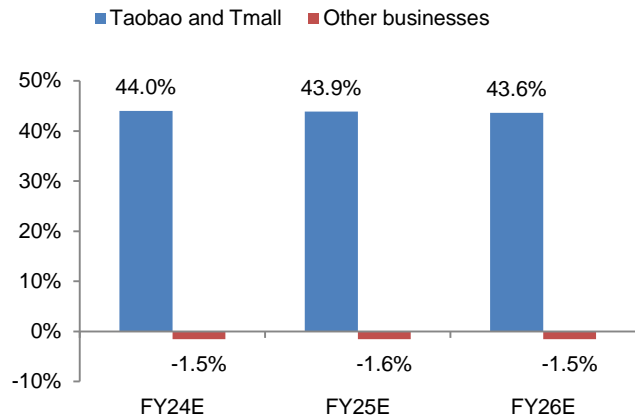


Exhibit 5: Core net margin



Source(s): Company, ABCI Securities estimates

Exhibit 6: Segment adjusted EBITA margin



Source(s): Company, ABCI Securities estimates

Exhibit 7: Forecast changes for FY3/24E

| (RMB mn) | Old | New | Diff. | Comment |
|-------------|---------|---------|-------|---------|
| Revenue | 942,779 | 942,779 | 0.0% | |
| Core profit | 161,760 | 161,248 | -0.3% | |

Source(s): ABCI Securities estimates

Exhibit 8: Forecast changes for FY3/25E

| (RMB mn) | Old | New | Diff. | Comment |
|-------------|-----------|-----------|-------|----------------------|
| Revenue | 1,052,097 | 1,009,352 | -4% | Weak consumer demand |
| Core profit | 174,724 | 167,462 | -4% | |

Source(s): ABCI Securities estimates



Recommendation

We maintain our SOTP-based TPs to HK\$ 110 for Alibaba-SW (9988 HK) and US\$ 113 for Alibaba-ADR (BABA US). Our TP for Alibaba-SW (9988 HK) implies 10.8x FY3/25E core P/E.

In terms of shareholders' return initiatives, the company targets to repurchase c. 3% outstanding share per year over the next three years via its upsized US\$ 35.3bn share repurchase program till Mar 2027. In addition, the company is considering non-core retail asset disposals.

Given the dismal state of the market at present, the company is not in a rush to pursue IPO or spin-off for its business units, which may lead to some market disappointments.

The counter is currently trading at an undemanding valuation of about 7.5x FY3/25E core P/E. While near-term volatility might still persist, we believe current valuation implies recovery potential in the medium term. In our view, the extent and pace for valuation recovery in coming months would depend on 1) overall market sentiment; 2) near-term business outlook; 3) development of shareholders' return enhancement initiatives.

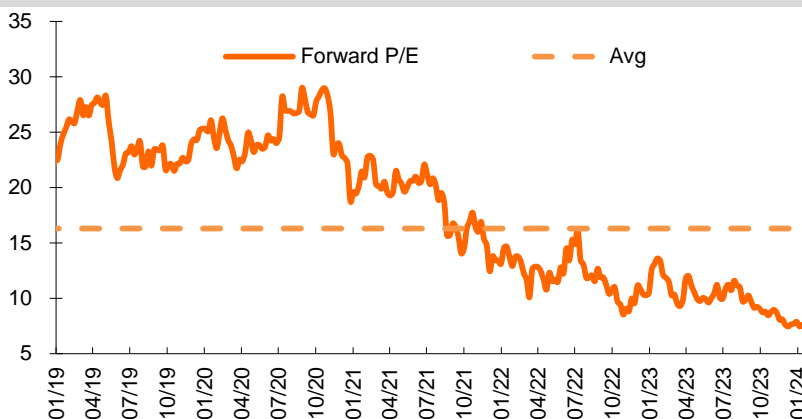
Exhibit 9: SOTP-based TP for Alibaba-SW (9988 HK)

| | HKD per share | % of total | Remarks |
|--|---------------|------------|--|
| Taobao and Tmall | 55 | 49.7% | 6.5x FY3/25E P/E |
| Other businesses (International Digital Commerce/Cainiao/Local service/Cloud/DME) | 19 | 17.1% | 0.8x FY3/25E P/S |
| Investments | 16 | 14.3% | Latest book value with a 40% discount |
| Net cash | 21 | 18.9% | Latest book value |
| Total | 110 | | |

Source(s): ABCI Securities estimates

Note: Refer to Exhibit 3 and 6 for segment financial forecasts.

Exhibit 10: Alibaba's fwd. core P/E



Source(s): Bloomberg, ABCI Securities



Company profile

Business

- After recent **strategic restructuring**, Alibaba now consists of six major business groups (Cloud intelligence, Taobao/Tmall, Local Consumer Service, Cainiao, International Digital Commerce, and Digital media and Entertainment), each with independent management teams and public listing potentials (except for Taobao/Tmall which will remain wholly owned).
- **Taobao/Tmall**: Largest ecommerce platform in China with estimated market share at the mid-40s level; we believe its market share has been dropping in recent years due to rising competition from emerging players such as Pinduoduo (PDD US) and short-video platforms. Estimated annual active buyers amounted to RMB ~1bn in China, while estimated GMV per buyer was around RMB 9K in 2022, vs. about RMB 3.3K for Pinduoduo and about RMB 6K for another e-commerce platform.
- **International Digital Commerce**: Lazada, AliExpress, and Trendyol, etc.
- **Local Consumer Services**: “To-Home” business of Ele.me and the “To-Destination” business of Amap. Revenue size about one-third of Meituan’s (3690 HK) local service business.
- **Cainiao**: External customers account for about 70% of revenue
- **Cloud Intelligence**: Largest public cloud platform in China with about 33% market share
- **Digital Media and Entertainment** : Youku (YOKU US), Damai, and Alibaba Pictures (1060 HK)
- Other business include Sun Art (6808 HK), Freshippo, Alibaba Health (241 HK), Lingxi Games, Intime, Fliggy, etc
- In 3Q23, Ant Group repurchased approximately 7% equity interest from its existing shareholders and the shares repurchased were allocated to the employee incentive plans of Ant Group. **Alibaba’s equity interest in Ant Group on a fully diluted basis remains unchanged at 33%.**

Financials

- Taobao/Tmall contributes most of Alibaba’s operating profit, while other businesses are either loss-making or has minimal profit contribution. Nonetheless, profitability of these business units has been improving recently.
- Profit contribution from Ant Group at low-teens level.
- **Core net margin** dropped from high-20s years ago to high-teens level currently due to industry competition and ongoing investments in new business initiatives.
- **Strong balance sheet** with about RMB 389bn in net cash and RMB 488bn in equity investment in Dec 2023.
- The company has set up a capital management committee to undertake a comprehensive capital management plan to enhance shareholder value, such as capital market transactions, shareholder return initiatives, subsidiary equity incentive plans, fundraisings, IPOs, and spin-offs.
- **Full spin-off of Cloud was cancelled** due to business uncertainties arising from recent expansion of US restrictions on export of advanced computing chips. **IPO of Freshippo has been put on hold** due to market conditions.

Management and shareholder

- **Softbank** (9984 JP) has monetized its stakes in Alibaba via forward contracts. There are no shareholders with a stake higher than 5%.
- **Alibaba’s partnership** structure limits the ability of its shareholders to influence corporate matters, such as the nomination and election of directors. For example, its Articles of Association allow the Alibaba Partnership to nominate or, in limited situations, appoint a simple majority of board of directors. There are 28 partners in total and election of new partners requires the approval of at least 75% of all of the partners.
- **Jack Ma** stepped down as Chairman in 2019. He will also give up its voting control on Ant Group after Ant’s



restructuring.

- A series of **management changes** occur due to the strategic reorganization. In June 2023 ,Daniel Zhang, who succeeded Jack’s Chairman role since 2019, resigned as Group Chairman and took up the role of Chairman and CEO of Cloud Intelligence Group. Joseph Tsai succeeded Zhang as the new Group Chairman. Yet, only after three months, Daniel Zhang has stepped down from his role of Chairman and CEO of Cloud Intelligence Group in Sep 2023, which surprised the market.

Shareholders’ return

- Declare an **annual cash dividend of US\$ 1 per ADS** for FY3/2023 of US\$ 1 per ADS.
- The company has been ramping up its **share repurchase program** in recent years. The company has boosted its share repurchase program by US\$ 25bn through the end of March 2027. Following the increase, it currently has US\$ 35.3bn available for share repurchase. The company **targets to repurchase c. 3% outstanding share per year** over the next three years
- Organization restructuring including **spin-off, asset disposal, IPOs**, etc might increase shareholders’ return.
- The company will form a new asset management company to manage its non-core assets to improve return on capital and enhance shareholders’ value
- Potential increase in shareholders return constrained by availability of **offshore cash**

Corporate governance/information disclosure

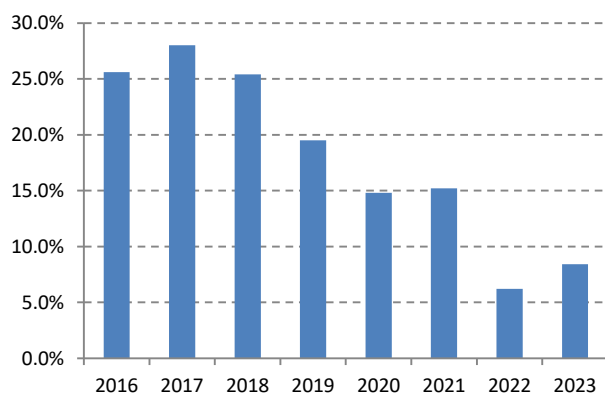
- RMB18.2bn in Antitrust fine in 2021
- Ant Group: Listing suspended in 2020 and RMB 7.07bn in regulatory fine in 2023.
- Increase information disclosure as a result of strategic reorganization
- Various ESG initiatives in recent years

Source(s):Company, ABCI Securities

E-commerce industry profile

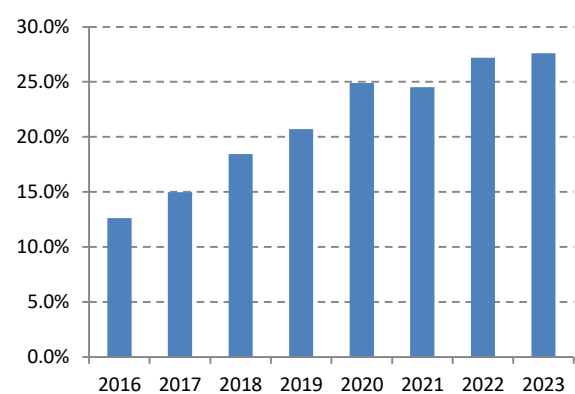
- **China's online sales growth has turned steadier** after years of development. According to NBS, online sales of physical goods grew 8.4% YoY in 2023. In particular, the 8.4% growth in 2023 was lower than the 10.8% growth in 1H23, indicating a slowdown in 2H23.
- By product category, online sales of food products, groceries, and apparel rose 11.2%, 7.1%, and 10.8% in 2023.
- **Online shopping penetration rate has been trending up** in recent months, indicating an ongoing consumption shift from offline to online.
- **Live-streaming e-commerce** has been growing fast in recent years. In 9M23, live-streaming e-commerce sales rose by 60.6% YoY and accounted for 18.3% of total online sales, according to Ministry of Commerce. Short video platforms such as Douyin and Kuaishou (1024 HK) are major players in this emerging segment, posing threat to traditional e-commerce platforms. In response, Alibaba has been actively developing its live-streaming business to defend its market position.
- Major e-commerce platforms are **increasing their sales and marketing effort** by raising user incentives and price subsidies. In our view, **online shoppers have turned more price-sensitive** in past years due to the pandemic and moderating economic development, prompting e-commerce platforms to enhance price competitiveness.
- In terms of market share, we estimate that Alibaba is still the largest e-commerce platform with mid-40s market share, vs. Pinduoduo (mid-20s), Platform A (low-20s), Douyin (high-single-digit), and Kuaishou (mid-single-digit).
- Over the past few years, **Pinduoduo and short-video platforms (Douyin and Kuaishou) are gaining market shares**. Common features of these platforms include 1) Product offers with low prices; 2) More interactive features (social e-commerce, live streaming, etc.) than traditional search-based e-commerce format.
- A number of platforms, such as Pinduoduo and Shein, are actively developing **cross-border e-commerce** and gained traction in overseas markets.

Exhibit 11: Online sales of physical goods growth



Source(s): NBS, ABCI Securities

Exhibit 12: Online shopping penetration rate



Source(s): NBS, ABCI Securities



Financial Forecast

Consolidated income statement (FY23A-FY26E)

| FY Ended Mar 31 (RMB mn) | FY23A | FY24E | FY25E | FY26E |
|---|----------------|----------------|------------------|------------------|
| Total revenue | 868,687 | 942,779 | 1,009,352 | 1,093,782 |
| Cost of sales | (549,695) | (583,301) | (630,472) | (688,678) |
| Gross profit | 318,992 | 359,478 | 378,880 | 405,104 |
| Product development expenses | (56,744) | (53,518) | (59,510) | (64,487) |
| Selling & marketing expenses | (103,496) | (110,689) | (124,159) | (134,544) |
| General & admin expenses | (42,183) | (37,827) | (40,781) | (44,193) |
| Amortization/Impairment | (16,218) | (33,627) | (11,103) | (12,032) |
| Operating Profits | 100,351 | 123,817 | 143,328 | 149,848 |
| Interest and investment income | (11,071) | 1,000 | 1,500 | 2,000 |
| Interest expenses | (5,918) | (7,500) | (7,400) | (7,200) |
| Other income | 5,823 | 5,500 | 5,500 | 5,500 |
| Share of results of equity investees | (8,063) | (2,000) | (1,000) | 1,000 |
| Profit before tax | 81,122 | 120,817 | 141,928 | 151,148 |
| Tax | (15,549) | (24,163) | (28,386) | (30,230) |
| Profit after tax | 65,573 | 96,654 | 113,542 | 120,919 |
| Minority interests | 7,210 | 4,833 | 9,083 | 9,673 |
| Accretion of mezzanine equity | (274) | (171) | (207) | (220) |
| Profits attributable to ordinary shareholders | 72,509 | 101,316 | 122,419 | 130,372 |
| Share-based compensation | 30,831 | 18,856 | 25,234 | 27,345 |
| Amortization and impairment | 37,855 | 39,906 | 21,103 | 22,032 |
| Gains on disposals/revaluation of investments | 13,857 | 1,000 | (1,500) | (1,000) |
| Other non-core items | (11,061) | 171 | 207 | 220 |
| Non-GAAP profits attributable to ordinary shareholders (Core net profit) | 143,991 | 161,248 | 167,462 | 178,968 |
| Growth | | | | |
| Total revenue (%) | 1.8 | 8.5 | 7.1 | 8.4 |
| Gross Profits (%) | 1.7 | 12.7 | 5.4 | 6.9 |
| Operating Profits (%) | 44.1 | 23.4 | 15.8 | 4.5 |
| Net profit (%) | 17.0 | 39.7 | 20.8 | 6.5 |
| Core net profit (%) | 0.3 | 12.0 | 3.9 | 6.9 |
| Operating performance | | | | |
| Operating margin (%) | 11.6 | 13.1 | 14.2 | 13.7 |
| Net margin (%) | 8.3 | 10.7 | 12.1 | 11.9 |
| Core net margin (%) | 16.6 | 17.1 | 16.6 | 16.4 |

Note. Individual items may not sum to total due to rounding differences

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (FY23A-FY26E)

| As of Mar 31 (RMB mn) | FY23A | FY24E | FY25E | FY26E |
|--|------------------|------------------|------------------|------------------|
| Fixed assets | 176,031 | 178,031 | 179,531 | 181,031 |
| Investments | 453,117 | 456,117 | 460,117 | 466,117 |
| Other non-current assets | 425,930 | 413,303 | 417,200 | 420,169 |
| Total non-current assets | 1,055,078 | 1,047,451 | 1,056,848 | 1,067,317 |
| Cash & equivalents | 193,086 | 222,461 | 276,925 | 351,762 |
| Restricted cash and escrow receivables | 36,424 | 38,245 | 40,157 | 40,157 |
| Short-term investments and investment securities | 331,384 | 351,384 | 371,384 | 396,384 |
| Prepayments, deposits & other assets | 137,072 | 150,779 | 165,857 | 165,857 |
| Total current assets | 697,966 | 762,869 | 854,324 | 954,161 |
| Total assets | 1,753,044 | 1,810,320 | 1,911,172 | 2,021,477 |
| Accrued expenses, accounts payable and other liabilities | 275,950 | 271,210 | 290,362 | 314,650 |
| Other payables & accruals | 12,543 | 13,170 | 13,829 | 13,829 |
| Borrowings and notes | 12,266 | 20,266 | 28,266 | 34,266 |
| Deferred revenue | 71,295 | 75,422 | 80,748 | 87,503 |
| Merchants deposits | 13,297 | 13,962 | 14,660 | 14,660 |
| Total current liabilities | 385,351 | 394,031 | 427,864 | 464,907 |
| Borrowings and notes | 149,088 | 154,088 | 159,088 | 164,088 |
| Other non-current liabilities | 95,684 | 98,771 | 102,013 | 102,013 |
| Total non-current liabilities | 244,772 | 252,859 | 261,101 | 266,101 |
| Total liabilities | 630,123 | 646,890 | 688,965 | 731,008 |
| Net current assets | 312,615 | 368,838 | 426,459 | 489,254 |
| Mezzanine equity | 9,858 | 10,029 | 10,236 | 10,456 |
| Equity attributable to shareholders | 989,657 | 1,034,828 | 1,102,481 | 1,180,198 |
| Non-controlling interests | 123,406 | 118,573 | 109,490 | 99,816 |
| Total equity | 1,113,063 | 1,153,401 | 1,211,971 | 1,280,014 |

Note. Individual items may not sum to total due to rounding differences

Individual items may varies from reported figures due to rounding differences/definition differences

Source(s): Company, ABCI Securities estimates

Consolidated cash flows statement (FY23A-FY26E)

| As of Mar 31 (RMB mn) | FY23A | FY24E | FY25E | FY26E |
|-------------------------------|------------------|-----------------|-----------------|-----------------|
| Net income | 65,573 | 96,654 | 113,542 | 120,919 |
| Depreciation and amortization | 46,938 | 50,627 | 39,603 | 40,532 |
| Other non-cash adjustments | 123,759 | 20,856 | 26,234 | 26,345 |
| Change in working capital | (36,518) | (11,761) | 12,085 | 31,042 |
| Operating cash flow | 199,752 | 156,375 | 191,464 | 218,837 |
| Investing cash flow | (135,506) | (65,000) | (70,000) | (75,000) |
| Financing cash flow | (65,619) | (62,000) | (67,000) | (69,000) |
| Net cash flows | (1,373) | 29,375 | 54,464 | 74,837 |

Note. Individual items may not sum to total due to rounding differences

Individual items may varies from reported figures due to rounding differences/definition differences

Source(s): Company, ABCI Securities estimates

Risk factors

Market competition

The e-commerce industry is highly competitive, with companies contending on commission rate, promotion discount, brand advertising, technological investment, and more.

Slowdown in ecommerce consumption

As the industry is dependent on consumer spending, any significant slowdown in consumption in China would hamper the Group's performance. In the long term, we believe consumption growth in domestic market would converge with income growth, which is usually in line with GDP growth.

Loss making segments

Some business segments such as International Digital Commerce, Local Consumer Service, and Digital Media and Entertainment recorded loss from operations. If their losses enlarge, overall business performance will be adversely affected.

Non-GAAP financials

Ecommerce platforms generally disclosed the non-GAAP financial metrics, such as the non-GAAP net profit, to supplement its GAAP financial measures. Historically, there were differences between its GAAP net profit and non-GAAP net profit due to inclusion of items such as share-based compensation and other non-core items in the former.

Among these items, share-based compensation expense is related to various factors including price movement of ordinary shares, expected volatility, risk-free interest rate, etc.

While investors tend to exclude these items when performing analysis given their non-cash nature, we believe these non-GAAP financial measures should only be taken as references.



Disclosures

Analyst Certification

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Disclosures of Interests

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Definition of equity rating

| Rating | Definition |
|--------|--|
| Buy | Stock return rate \geq Market return rate ($\sim 7\%$) |
| Hold | - Market return rate ($\sim 7\%$) \leq Stock return rate $<$ Market return rate ($\sim 7\%$) |
| Sell | Stock return $<$ - Market return ($\sim 7\%$) |

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2005 (HSI total return index 2005-23 averaged at 7.4%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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