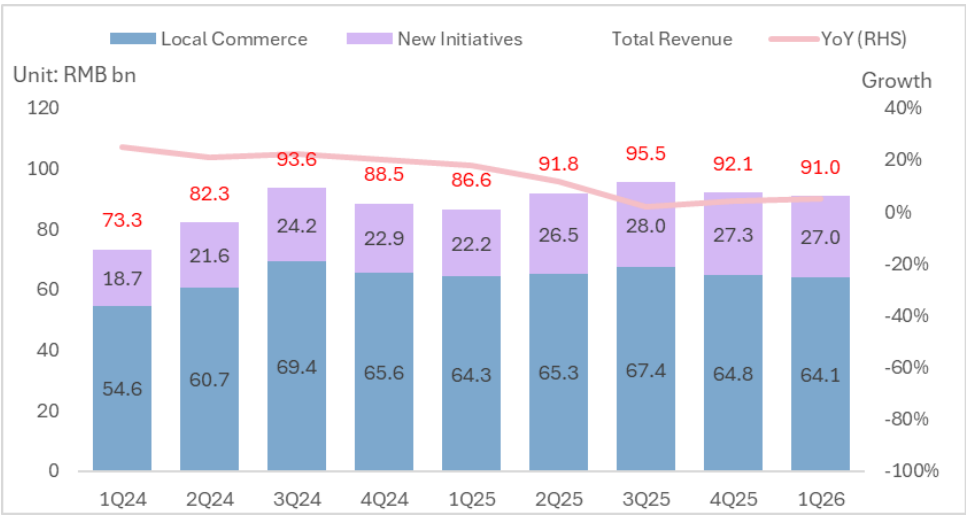


What's Hot Today:

► Meituan (3690 HK, HK\$85.50, HK\$528bn) Profitability within sight

Meituan's 1Q26 total revenue reached RMB91bn (+5% YoY/-1% QoQ) and net loss narrowed sharply to RMB6.5bn on a QoQ basis from a loss of RMB15bn in 4Q25 and beating market expectations of a RMB9bn loss. The food delivery segment continued to see losses shrinking while market share remained steady, reflecting healthy core fundamentals. Management has guided for a high probability that the delivery business will turn profitable in 2Q26.

Fig 1: Total Revenue and Gross Profit (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

Food delivery loss narrowing as expected - Local commerce revenue reached RMB64.1bn (flat YoY / -1% QoQ), with operating loss trimmed to only RMB2bn compared to a RMB10bn loss in the previous quarter. Excluding in store operating profit of an estimate of roughly RMB4bn, the loss from food delivery and related subsidies is expected to be around RMB6bn, a significant improvement from the estimated loss of RMB15bn in 4Q25. As such, the Mgt is highly confident to report a profitable 2Q26 for this business.

1) Delivery UE improvement beats expectations: Revenue reached RMB25bn (-3% YoY / +6% QoQ). Industry tracking suggests average daily food delivery orders of 66mn (+14% YoY / -12% QoQ) and flash buy orders of 13mn (+26% YoY / -4% QoQ), bringing total average daily orders to 79mn (+16% YoY / -11% QoQ). Order volume grew YoY, but revenue declined, mainly due to higher rider subsidies directly deducted from delivery revenue.

China & HK Indices	CLOSE	1D	YTD
HSI	26,038	2.5%	1.6%
HSCEI	8,762	3.0%	-1.7%
HSCCI	4,468	0.9%	11.3%
CSI300	4,914	1.5%	6.1%
Shanghai A	4,273	0.4%	7.5%
Shanghai B	272	-1.6%	7.5%
Shenzhen A	2,935	0.8%	10.9%
Shenzhen B	1,135	1.4%	-10.2%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	51,307	0.4%	6.8%
S&P 500	7,609	0.1%	11.2%
Nasdaq	27,093	0.0%	16.6%
NIKKEI Index	67,891	1.7%	34.9%
FTSE Index	10,373	0.3%	4.5%
CAC Index	8,209	0.8%	0.7%
DAX Index	25,124	0.5%	2.6%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,488	0.1%	4.0%
STEEL (US\$/oz.)	3,502	4.1%	37.7%
SILVER (US\$/oz.)	75	0.3%	5.0%
CRUDE OIL (US\$/bbl)	93	1.7%	64.8%
COPPER (US\$/oz.)	14,040	3.0%	13.0%
ALUMINIUM (US\$/oz.)	3,752	2.3%	25.3%
PLATINUM (US\$/oz.)	1,935	0.3%	-5.8%
ZINC (US\$/oz.)	3,641	2.9%	16.8%
WHEAT (US\$/bu)	603	-0.9%	18.6%
CORN (US\$/bu)	440	-0.8%	-3.2%
SUGAR (US\$/lb)	117	3.2%	-
SOYBEAN (US\$/bu)	1,165	-1.3%	8.4%
PVC (US\$/t)	4,972	-0.2%	58.3%
CRB	388	2.2%	3.0%
BDI	-	-0.1%	71.7%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD	-	7.837	0.860	159.910	0.787	6.763
HKD	0.128	-	0.110	20.406	10.046	0.863
EUR	1.163	9.116	-	185.990	1.092	7.865
JPY	0.006	4.900	0.538	-	0.492	0.042
CHF	1.270	9.955	1.092	203.085	-	8.590
RMB	0.148	1.159	0.127	23.644	0.116	-

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y	-	-
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	15	-7.3%

Source: Bloomberg

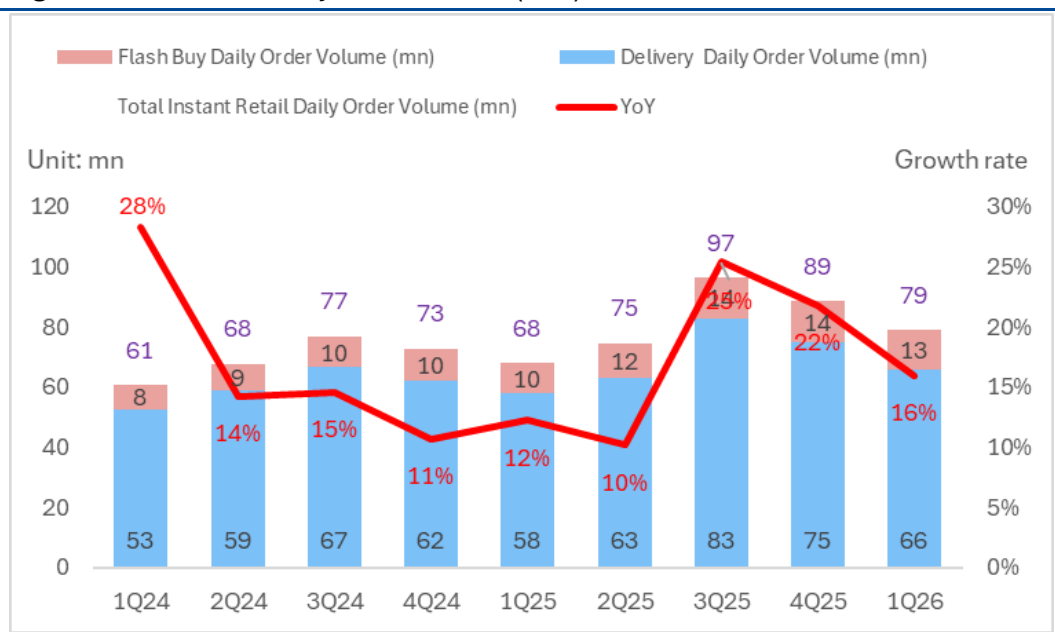
In terms of market share, Meituan's food delivery order share (only counting Meituan and Alibaba) remained stable at 55%, while its share of orders with AOV above RMB30 stayed above 70%. Flash buy order share was around 60%. On the profitability front, loss per order improved significantly from RMB1.8 in 4Q25 to approximately RMB1 (beating the previous expectation of RMB1.3), primarily driven by reduced consumer discounts. The UE (unit earnings) gap with competitors has widened to about RMB2-3, thanks to its high-precision delivery systems, higher concentration of large ticket size orders and a large customer base.

The Mgt has indicated that the delivery business has already achieved positive UE in April and May. Although the "618" shopping festival may entail incremental subsidy costs in June, a positive UE for 2Q26 remains highly probable.

2) In-store growth slows due to Douyin's competition: Started from 1Q26, Meituan combined commission and online marketing into merchant services revenue, covering in-store (dining, hotel, travel) and delivery (food delivery, flash buy). Revenue stood at RMB35.6bn (flat YoY / -4% QoQ), dragged by delivery business where reduced consumer subsidies led to negative commission/ad growth, offsetting in-store growth.

In-store business continues to grow - Based on industry data, GTV increased to double digits YoY growth, hotel with HSD growth, paying merchants +8% YoY, advertising revenue rose to 42%, take rate remained at 7%-10%, and OPM was stable at around 25%. However, the slowing growth was mainly due the competition from Douyin's "Doushengsheng(抖省省)", with its in-store GTV estimated to grow by +25% YoY in 1Q26 and MAU beating expectations. It is anticipated to be a keen competitor in this segment. However, the Mgt expects there to be only a near-term slowdown but this segment should remain competitive with stable growth. Segment's OPM is expected to remain stable in near-term, with room to expand to 30% of total sales in the long term.

Fig 2: Breakdown of Daily Oder Volume ('mn)



Source: Company Data, Sunwah Kingsway Research

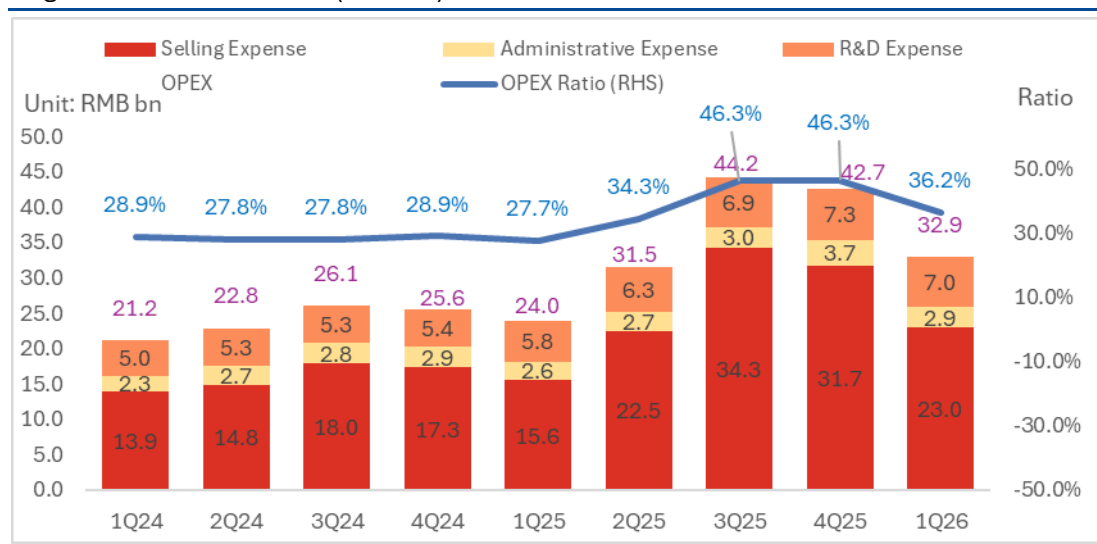
New initiatives losses also narrowed: Revenue hit RMB27bn (+22% YoY / -1% QoQ), maintaining a 30% contribution to total revenue. Growth was primarily driven by Xiaoxiang Supermarket (小象超市) and Kuailu (快馬), with product sales contributing RMB18bn (+41% YoY / +2% QoQ), accounting for 67% of new initiatives' revenue. For the overseas business Keeta, merchant services revenue stood at RMB2.5bn (+98% YoY / -18% QoQ), continuing its strong momentum.

Based on market data, Keeta's market share in Hong Kong reached 44%. Singapore and Malaysia have achieved per-city profitability. In the Middle East, despite manageable geopolitical disruptions, Keeta's market share in Saudi Arabia has exceeded 10% (top three and covering 20 cities) and with overall unit economics continuing to improve. It is expected to achieve monthly breakeven this year and full-year breakeven next year. Brazil also delivered solid performance.

Segment operating loss narrowed from RMB4.6bn in 4Q25 to RMB2.1bn in 1Q26. The Mgt is prioritizing improving operation in existing markets over new expansion this year.

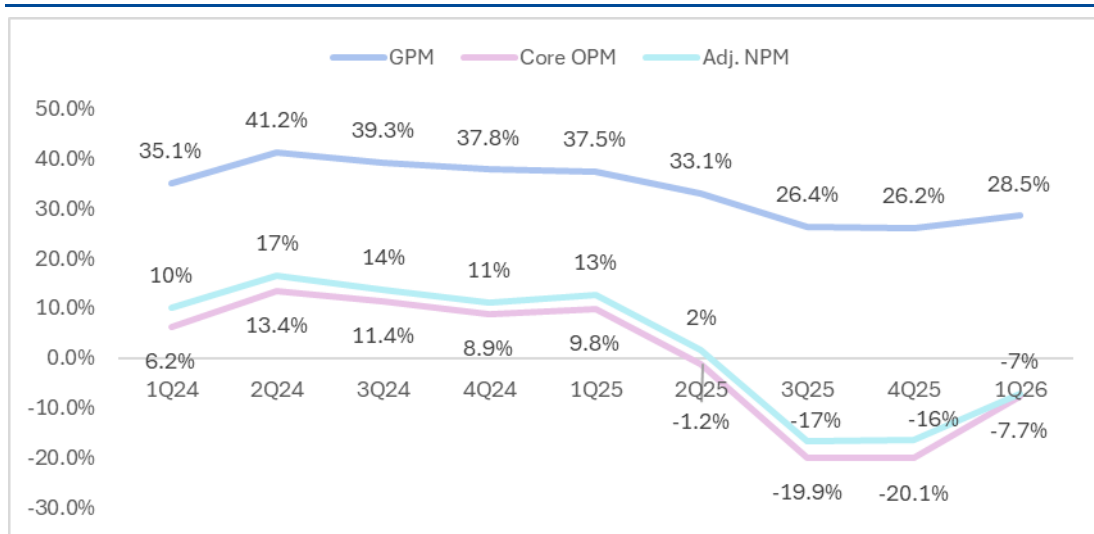
Core losses narrowed further: GPM declined 9ppts YoY but improved 2.3ppts QoQ to 28.5%, while core operating loss narrowed further to RMB7bn, an improvement compared to 4Q25, mainly driven by OPEX optimization to 36.2%. Sales and marketing expenses fell to RMB23bn amid reduced consumer discounts, while R&D remained at RMB7bn with continued AI investments. Net loss improved to RMB6.5bn with NPM of -7%.

Fig 5: Breakdown of OPEX (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

Fig 6: Breakdown of Profitability ratio



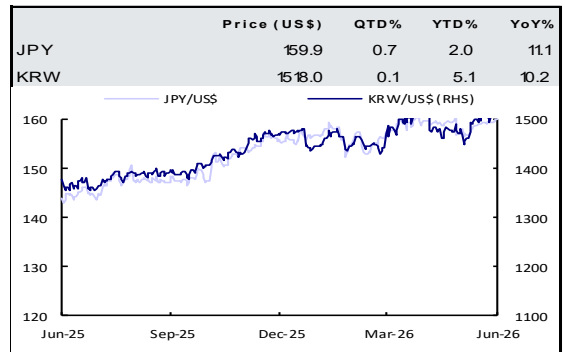
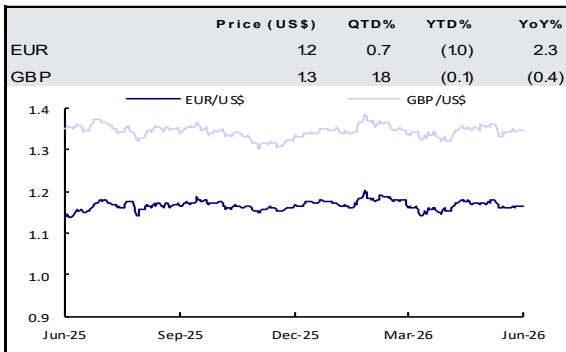
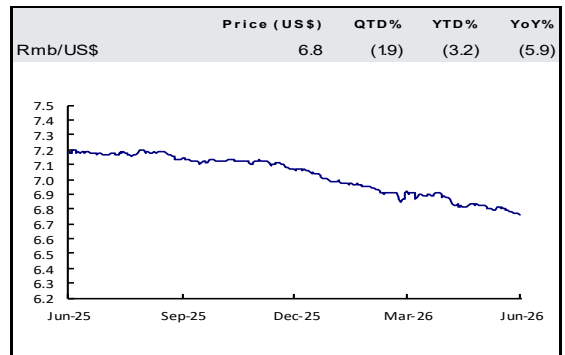
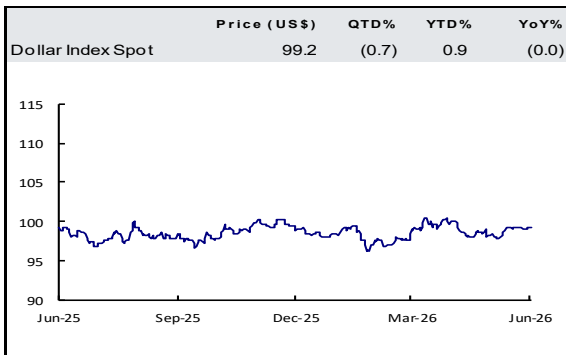
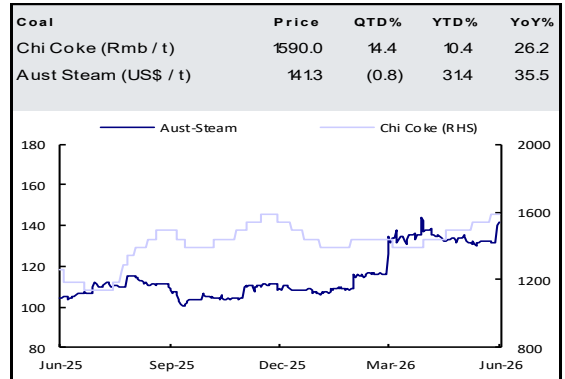
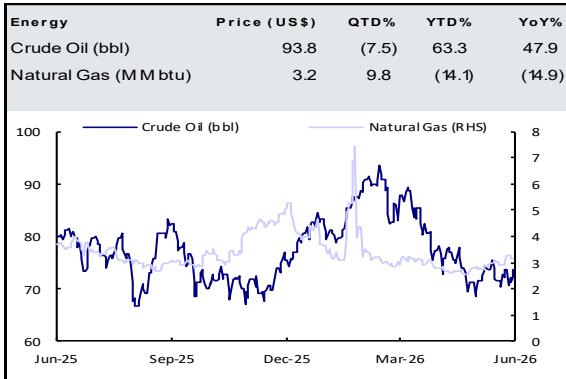
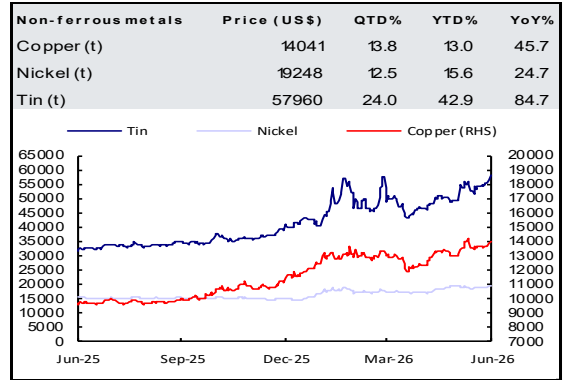
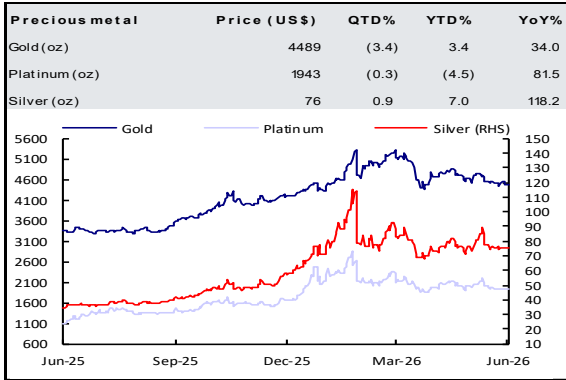
Source: Company Data, Sunwah Kingsway Research

Our views: We remain positive about Meituan, particularly in its ability to turn around the delivery business. Given that both Alibaba and JD are both seeking to reduce losses in the delivery services, the chance of a further price war is unlikely. In addition, we are of the view that despite the challenge from Douyin in the in-store business, it is also unlikely to result in any aggressive price wars as Douyin has to deploy heavy investment into its AI development. As such, we believe the core businesses of Meituan are stable now and the expectation of a full-year profit is highly likely. Looking ahead, as the competitive landscape stabilizes, we maintain our conservative estimate of a base-case net profit of about RMB29bn in FY27E, implying a FY27 PE of 16x.

There is also a hidden gem in Meituan. It is a major investor in China's robotic sector through private equity. Among its portfolio, Unitree is reportedly planning an IPO in June and Meituan is estimated to have a pre-IPO stake of about 9.6%.

At the end of March, the company had a net cash position of RMB74.3bn, representing about 16% of its market cap. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Factory Orders	MoM		3-Jun-26
Durable Goods Orders	MoM		3-Jun-26
Initial Jobless Claims	WoW		4-Jun-26
Employment Report	MoM		5-Jun-26
Wholesale Inventories	MoM		9-Jun-26
Existing Home Sales	MoM		9-Jun-26
Trade Balance	MoM		9-Jun-26
CPI	MoM		10-Jun-26
PPI	MoM		11-Jun-26
Industrial Production	MoM		15-Jun-26
Housing Starts / Building Permits	MoM		16-Jun-26
Business Inventories	MoM		17-Jun-26
Retail Sales	MoM		17-Jun-26
New home Sales	MoM		24-Jun-26
GDP	QoQ		25-Jun-26
Personal Income & Spending	MoM		25-Jun-26
Consumer Confidence	MoM		30-Jun-26
ISM Manufacturing PMI	MoM		1-Jul-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Exchange Reserves	QoQ		7-Jun-26
Money Supply - M2	MoM		9-Jun-26
Trade Balance	MoM		9-Jun-26
PPI	MoM		10-Jun-26
CPI	MoM		10-Jun-26
Retail Sales	MoM		16-Jun-26
Industrial Production	MoM		16-Jun-26
PMI Manufacturing	MoM		30-Jun-26
GDP	YoY		15-Jul-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI	MoM		3-Jun-26
Foreign Currency Reserve	MoM		5-Jun-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Unemployment Rate	MoM		16-Jun-26
CPI	MoM		23-Jun-26
Trade Balance	MoM		25-Jun-26
Money Supply - M2	MoM		30-Jun-26
Retail Sales	MoM		2-Jul-26
GDP	QoQ		31-Jul-26
Composite Interest Rate	MoM		

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