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# Call Participants

EXECUTIVES

**Reg Chai**
*Investor Relations Director*

**Xueji Wang**
*Founder, CEO & Director*

**Yao Liu**
*CFO & Director*

ANALYSTS

**Yang Liu**
*Morgan Stanley, Research Division*

**Timothy Zhao**
*Goldman Sachs, Research Division*

**Mingran Li**
*CICC, Research Division*

# Presentation

**Operator**

Good morning, and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Tuya Inc.'s First Quarter 2023 Earnings Conference Call. [Operator Instructions]

I will now turn the call over to the first speaker today, Mr. Reg Chai, Investor Relations Director of Tuya. Please go ahead, sir.

**Reg Chai**
*Investor Relations Director*

Thank you. Hello, everyone. Welcome to our first quarter 2023 earnings call. Joining us today are founder and CEO of Tuya, Mr.Jerry Wang and our CFO, Ms. Jessie Liu. The first quarter 2023 financial results and webcast of this conference call are available at ir.tuya.com. A replay of this call will also be available on our website in a few hours.

Before we continue, I refer you to our Safe Harbor statement in our earnings press release, which applies to this call as we will make forward-looking statements.

With that, I will now turn the call to our founder and CEO, Mr. Jerry Wang. Jerry will deliver his remarks in Chinese which will be followed by corresponding English translations.

**Xueji Wang**
*Founder, CEO & Director*

Hello everyone, thank you for joining the Tuya's Q1 2023 earnings conference call.

Our revenue in Q1 2023 was approximately $47.5 million, recording a sequential increase of 5% and a 14% decrease compared to the same period last year. This dip can primarily be attributed to three major influences: a persistent slack in overall consumer spending, the continued cycle of inventory correction downstream, and a comparably high base from the previous year. Furthermore, foreign exchange fluctuations accounted for a 6-percentage point year-over-year drop. Yet, in spite of these challenges, our Q1 revenue exceeded our initial expectations set at the start of the year, and this is a milestone for us as for the first time since going public, that our Q1 revenue, despite incorporating the Spring Festival holiday period where most business and production activities were suspended, has outpaced that of the traditionally strongest Q4. Moreover, our blended gross margin maintained a steady level around 44%, underscoring the determination of our team, the resilience of our business operations, and the strengthe of our customer base amidst a challenging macroeconomic environment.

Taking into account publically available data, we've observed a consistent decline in inflation in both the United States and Europe. As of the end of March, the US saw its CPI reduce by 5%, while Europe experienced a decrease to 6.9%. These figures indicate a tempering of the previously severe macroeconomic climate, an evolution which, when coupled with the ongoing inventory reduction, has begun to bolster the confidence of some brands and customers. On the China front, consumer expenditure saw a year-over-year uptick in Q1 2023. However, due to the carry-over effects from the COVID-19 peak in Q4 of last year, this spending has been primarily focused on food, clothing, and pharmaceutical sectors. Contrarily, sectors such as home electronics and communication equipment experienced a year-over-year decline, reinforcing the substantial and lasting impact the pandemic and economic climate have had on consumer habits and expenditure sectors. Elsewhere, in emerging IoT regions like Latin America and India, characterized by relatively low smart device penetration rates and smaller device bases, we have witnessed promising year-on-year growth amid the easing of global economic pressures.

In a broad view, the consumer electronics supply chain, from upstream to downstream, experienced sustained pressure through Q1 and is expected to continue into the first half of 2023. We continue to navigate an environment of industry and economic uncertainties. Yet, despite these challenges, the aforementioned early positive signals that we've observed in various markets bring hope for the potential of further industry recovery in the second half of the year. Rest assured, we remain vigilant in monitoring these trends and committed in our execution of established strategies.

Moving onto our business operations, we held our non-GAAP operating expenses in Q1 at the same level as Q4 last year. Combined with our sequential revenue growth and steady gross margin profiles, we were enabled to further narrow our operating less. This has led to a non-GAAP net loss of $3.7 million, a figure that marks a historic low for our company in recent years. It's evident that a year of committed adjustments has effectively steered us toward a more efficient and focused operation model.

Now let’s dig into the details. IoT PaaS revenue in Q1 was approximately $33.6 million, sequential growth of 2.9% and a year-over-year decline of 19.6%.  There are a few reasons for this stabilization in revenue.

First, we are successfully executing our intensified customer-focus strategy. We served approximately 2,800 direct customers in Q1. Among them, the number of IoT PaaS customers was around 2,000, a sequential contraction of about 17%. Despite this decline in customers revenue grew, indicating increased efficiency in revenue generation per customer. Several brands provided a solid foundation for revenue. Apart from these core customers, the remaining customers can be broadly categorized into two main groups:

The first category consists of a group of brands that made significant IoT PaaS deployment contributions in Q1 last year. Due to their leading and scalable characteristics, these customers had higher baseline numbers last year and larger inventory levels. As a result, they have been prioritizing inventory adjustment and have adopted a more conservative strategy this year. Consequently, their contribution in Q1 was down versus last year, causing a notable impact to our business. However, we are not concerned about this group of customers for several reasons. Firstly, our well-implemented customer-focus service strategy has fostered closer relationships, collaboration, and planning with these customers. Secondly, we understood that the majority of them have achieved stable to growing end-user device activations, indicating healthy sales of consumer end products and progress in destocking. These findings align with input we gathered with brand customers in late February and early March.

The second category encompasses growth-oriented customers that we have acquired from last year up to this Q1. For instance, we successfully secured a prominent Southeast Asian telecom operator group through our comprehensive solution, which integrates hardware and software enhancements, combining IPC product solutions and value-added cloud storage services. This customer contributed several hundred thousand units of IoT PaaS deployments, nearly doubling year over year. Several brand customers in our incubated product lines, such as robotic vacuum cleaners and outdoor products, each contributed over 100,000 incremental units of deployment year over year, driving significant year-over-year growth. Incremental deployments from these high-quality new customers offset a portion of the overall decline and laid a solid foundation for future business. Furthermore, we see some signs of recovery among e-commerce customers who were previously impacted by store closures. Additionally, some promising new players have emerged in overseas e-commerce following a market reshuffling, showcasing impressive growth potential with year-over-year growth ranging from 30% to multiple times.

Secondly, we are committed to investing in and incubating high-yield, cost-effective products. Looking at the consumer sector, the electrical and lighting category still experienced significant pressure due to high inflation and destocking. In the home appliances category, the situation varies across different subcategories but our strategy of expanding product offerings and focusing on high-value products contributed to Q1 revenue growth of approximately 10% year-over-year. In the safety and sensor category, a slight decline in revenue compared to the previous year was due to changes in product mix, but the volume of deployments remained stable.

Furthermore, I would like to share that we have seen positive results from our efforts in seizing the opportunities in developing, expanding and augmenting entrance-level and core IoT product categories. In terms of product line performance, the revenue contribution from energy-saving and energy-related products in Q1 has already reached 50% of the total revenue for the full year of

2022. The revenue contribution from professional and industry-specific products, such as smart switch circuit breakers, water valves, and irrigators, in Q1 has approached two-thirds of the total revenue for the full year of 2022. Our gateway product portfolio has become more diverse, covering wired and wireless options, supporting protocols such as 4G, Ethernet, Wi-Fi, and Zigbee, and catering to various application scenarios including home, SMB, commercial, and engineering. This, combined with our rich device ecosystem, has made us the preferred choice for many well-known brands and industry service providers. Our voice control products have experienced an over 90% year-over-year revenue growth in Q1, and we will continue to target different market segments and regions with tailored products. For example, we will enter the cost-effective market with our RTOS-based central control products, expand our downstream brand channels with smartwatch products, and focus on smart commercial scenarios such as hotels, commercial lighting, and smart homes with our speaker capabilities. Taking smart voice-enabled watch as an example, our watch solution, with its core health and fitness monitoring software features and the integration of Tuya IoT OS and Alexa build-in capabilities, can serve as a substitute for smart speakers in certain scenarios. In Q1, it received a positive response in the young brand market in Japan.

Moving on to our smart device distribution business. In Q1, our smart device distribution business generated revenue of approximately $5.4 million, representing a year-over-year decline of around 30%, which is in line with normal fluctuations in customer demand. However, it is worth mentioning that the gross profit amount reached approximately $1.14 million, showing a significant year-over-year increase of 61.1%. Thanks to the integration of hardware and software solutions and product enhancements, our smart tags, gateways, smartwatches, and bracelet product solutions showcased their value. Notably, a portion of orders placed for these solutions in the form of the finished goods business model contributed more than 25% or even over 30% of the gross margin. As a result, we observed a structural year-over-year increase of 12 percentage points in the gross margin of our smart device distribution business, which amounted to approximately 21% for the entire segment.

As an example, our smart tag product combines innovative capabilities such as Apple's Find My network and our expertise in Bluetooth Low Energy (BLE) products, along with our extensive product ecosystem. This allows for simultaneous usage of both Apple App and Tuya powerd App, creating a smart tag device with high cost-effectiveness, excellent user experience, versatile usage scenarios, and strong differentiating barriers in terms of business and product dimensions. We have developed product-specific marketing strategies for such unique product solutions to support our global core brand customers who aligns with our product positioning to seize the opportunities in emerging sector through differentiation and achieve breakthroughs.

In the SaaS and others segment, we are committed to providing more integrated software and value-added service products, with a focus on serving strategic-level customers. For instance, we have partnered with a leading real estate development group in Thailand, offering them an integrated solution that combines "real estate smart home SaaS capabilities, full device categories, and Cube smart private cloud deployment." Moving forward, we will support them in building their in-house independent and comprehensive IoT platform for their smart housing and community businesses. Our smart hotel service providers and integrator customers are leveraging our solutions to efficiently implement smart hotel projects through a unified hardware and software approach. Furthermore, our industry-specific editions of voice and central control devices complements these efforts. In terms of Cube smart private cloud, several benchmark cases from last year had been successfully accepted by customers in Q1 2023, resulting in meaningful software revenue recognition. These projects have also established a bridge and created opportunities for further collaboration between Tuya and these large professional industry groups in the IoT business.

As for the value-added services, the overall revenue scale of 2B value-added services and custom development, under our customer-focused strategy, remained largely stable compared to the same period last year. We have observed that customers' investment, demands and confidence in IoT capabilities remain strong. On the other hand, OEM app and customized voice skill revenue declined as expected due to a reduction in the number of customers. However, a range of richer, more diverse, and value-driven cloud development products achieved over 60% year-over-year growth in Q1, aligning with our development strategy of focusing on the IoT developer platform model. Additionally, certification-related value-added services demonstrated a high growth rate of nearly 5 times year-over-year mainly because of small base. In the 2C field, cloud storage value-added services consistently contributed robust and high-quality revenue in the million-dollar range, with a year-over-year growth exceeding 360%.

That concludes our report on the business in Q1. Lastly, let's touch on the hot topic of AIGC. Since many investors showed interests in AI, I'd like to briefly discuss it.

The key point is how to commercialize and implement a technology to address the pain points of customers, thus meeting their core needs. Generative AI models are still in the early stages but they have lowered the barriers to applying AI technology. We will explore using AIGC in developer applications and product applications. For example, with applications developed by IoT developers such as energy saving, efficiency and fitness solutions, we can explore how to enhance the interaction experience and practical application effects of commercial and industry solutions by incorporating AIGC. In terms of product applications, AIGC primarily improves the voice interaction experience, which could potentially accelerate the acceptance and adoption of IoT products by consumers, leading to increased IoT penetration.

Currently, discussions regarding the commercial value and direct monetization of AIGC in the IoT field may still be premature. We will continue to explore the possibilities, and will share substantial advances when they happen.

With that, I will now turn the call over to our CFO Jessie to provide everyone a closer look at our financial performance.

**Yao Liu**
*CFO & Director*

That concludes the remarks by Jerry. As I review our results, please note that all amounts are in US dollars and all comparisons are on a year-over-year basis, unless otherwise stated.

In the first quarter of 2023, our total revenue was $47.5 million, down 14.2% compared to the same period of 2022. However, adjusting for the impact of foreign exchange rates, the year-over-year decline in total revenue would be a more modest 7.7%. It is important to note that the first half of 2022 set a relatively high revenue base as the adverse impact of the inflation just beginning in the late second half of 2021 and the overstocked inventory on supply chain players had not yet fully materialized at that time.

Despite these challenges, our Q1 2023 revenue performance increased about 5% quarter-over-quarter, driven by ongoing inventory corrections, revenue generation from high-value products and services such as cloud storage, and the recognition of revenue from cube smart private cloud projects. The distribution of revenue by category and region in Q1 2023 closely mirrors the pattern observed throughout 2022, with slight increases in revenue contributions from both Asia and Europe regions, while the US region experienced a minor decline.

Our blended gross margin for the first quarter was 44.3%, aligning with expectations. The gross margin of IoT PaaS experienced a minor decrease of 1.8 percentage points, mainly due to price adjustments on specific products based on market conditions, structural shifts in product mix, and a negligible impact from the accrual of inventory allowance in Q1.

The gross margin of the smart device distribution increased significantly from 9.1% in the same period last year to 21.0%, driven by certain innovative and strategic products such as the smart air tag and smart watch in the first quarter. Our focus on enhancing product strength and improving product strategy last year allowed us to capitalize on these vertical opportunities. For our SaaS and other business segment, the gross margin continued to remain stable.

Moving on to our operating activities and the related expenses, we are presenting our operating expenses on a non-GAAP basis by excluding share-based compensation expenses from our GAAP numbers. This provides better clarity on the trends of our operating expenses, aligning with how our management team reviews our performance.

In Q1 2023, our non-GAAP total operating expenses decreased by 40.6% to $36.0 million from $60.6 million in the same period of 2022. I will break down our costs and expenses to provide additional clarity.

Our employee-related costs, excluding share-based compensation, declined by 46.2% year over year in Q1, and costs related to office and property leasing concurrently decreased by 38.4%. Maintaining a lean team of under 1,800 salaried employees at the end of the quarter was crucial for our cost-saving efforts, as these costs constituted over 75% of our total non-GAAP operating expenses in Q1. Marketing and promotion expenses decreased by 21.5% year over year, thanks to our strict budget control. Travel-related expenses increased by about 40% year over year due to the very low comparison base in Q1 2022 during the pandemic resurgence, but the expense amount remained well controlled within the expected range.

Cloud infrastructure costs decreased by 17.7% year over year. This accomplishment is rather challenging, considering our ongoing innovation, the expansion of capabilities on the cloud platform, and the maintenance of a large, stable global operation system. Our team will continue to make efforts in the technological aspect. In addition, we've introduced new reliable cloud providers to respond to the cloud demands of both our R&D side and our customers. By choosing the most effective solutions, we manage to reduce cloud costs.

Professional fees under G&A expenses increased by 22% year over year, resulting in an incremental expenses of approximately $300,000. This increase was relatively minor and manageable considering our overall financial position and was primarily driven by the need for professional services, such as legal, consultancy, financial printing services, etc., to ensure the company's compliance with additional listing and disclosure requirements following our dual primary listing in Hong Kong, in addition to those of the U.S. market.

We will not elaborate on the remaining types of expenses as they are not as significant to our overall financial performance. Our steadfast focus on cost reduction and efficiency enhancement since 2022 has led to our non-GAAP loss from operations narrowing by 60.4% to $15.0 million in Q1 2023 from $37.8 million in Q1 2022.

Moreover, we generated approximately $11.5 million in deposit interest income as a result of our conservative capital strategy. The income was recorded as our financial income for the quarter.

Consequently, our non-GAAP net loss shrank dramatically by 90% to $3.7 million in Q1 2023 from $37.3 million in Q1 2022, marking our lowest quarterly non-GAAP net loss since the beginning of 2019.

Moving on to cash. As of March 31, 2023, our cash balance, comprising cash and cash equivalents as well as short-term investments, stood at $937.5 million, slightly down from $954.3 million at the end of 2022. The decrease was primarily due to the payment of annual bonuses, a customary matter in the first quarter of each year. While cash flow is subject to fluctuations in working capital changes, our net cash used in operating activities for Q1 2023 was $18.9 million, demonstrating a significant reduction of 67.1% compared to $57.4 million in Q1 2022.

Finally, we continued our share buyback in Q1 2023, but due to various factors, such as an extended blackout period for our annual results announcement and the heavy mandatory cancellation procedures to be completed after the first stock repurchase, our buyback volume this quarter was relatively limited. However, we still have an active buyback plan with sufficient capacity and have submitted a new proposal for the approval of a new annual cycle of repurchase authorization at the upcoming shareholders' meeting. As articulated in Jerry's strategic outlook, we remain confident in the long-term prospects of our company.

With that, operator, we are now ready to take questions. Thank you.

# Question and Answer

**Operator**
[Operator Instructions] Our first question comes from Yang Liu from Morgan Stanley. Please go ahead.

**Yang Liu**
*Morgan Stanley, Research Division*

Based on the current customers inventory and also the orders placed to Tuya, when do you expect the demand will recover for the overall company, especially the trajectory for the potential demand recovery going forward? Thank you.

**Yao Liu**
*CFO & Director*

Thank you, Yang. We will update everyone on the knowledge gained from various public information and the perception from our customers.

In the consumer electronics industry, where we continue to track representative listed companies throughout the supply chain, most reported year-on-year declines in Q1 revenues, with some companies achieving growth but at a slower pace. The signs of stress among upstream and downstream companies remained widespread and obvious in early 2023.

We've observed 12 upstream semiconductor and module companies, ranging in market capitalization from tens of billions of RMB to hundreds of billions of USD. Their Q1 revenues varied between a year-over-year decrease of about 40% to an increase of about 10%, averaging down 10%. Many of these firms believe that Q1, especially for consumer spending, was still under pressure due to a slowdown in demand and not-so-low inventory levels, suggesting a slow recovery and bottoming out. Some companies expressed cautious optimism for the second half of the year but emphasized that actual conditions still warrant observation.

On the brand side, we observed 17 representative listed companies. Except for a charging product company that saw year-over-year revenue growth of about 18% and three companies offering near-necessity products with slight year-over-year increases, the remaining 13 companies spanning sectors like lighting, robot vacuum, kitchen appliances, outdoor products, and mobile phones all reported year-over-year revenue declines in Q1, ranging from -45% to -6%. They generally perceived some relief in their own and channel inventory pressures, expressing hope for a recovery beginning in the second half. From a product perspective, companies with more discretionary offerings faced greater pressures, while those closer to necessity products had a more positive outlook.

In downstream retail channels, BestBuy, a specialty consumer electronics retailer, reported a year-over-year revenue decline of 10.3% and guide a further decline of about 6.4% year-over-year in Q2. BestBuy views 2023 as the bottom for consumer electronics, with industry adjustments continuing in the first half of the year and a potential recovery in the second half, leveling out for the year. General retailers like Walmart and Amazon mainly analyzed the robust demand for necessity such as foods and consumer goods under inflation, pointing out that consumers still have a cautious attitude towards discretionary items, especially electronic products that are focusing on value.

From a macroeconomic perspective, recent months' consumer economic data have shown some improvement, and with three quarters of inventory destocking, the operational pressures on global downstream enterprises and end consumer pressures should have eased to some extent. Most companies are still under performance pressure, however, highlighting the substantial continued impact of inventory adjustments. But on the other hand, the outlook that the second half of 2023 would possibly start to warm up reflects, to some extent, the hope for industry recovery and signals that the bottom has been reached.

For Tuya, our main brand customers are generally still cautious about placing orders, though they exhibit optimism for high-value, strong-demand products in areas such as renewable energy related home products, home appliances, consumer safety related products, and outdoor products. There's considerable variation among different device categories, customers, and regions. We note a common trend, aligning with the perceptions of those representative listed companies in the industry, where our brand customers, in the context of weaker purchasing power, tend to be conservative with non-essential categories, and instead strive to expand other more necessary and cost-effective categories.

From a regional perspective, in Europe, brands involved in lighting products tend to have higher inventory, so they are relatively conservative; brands in other categories, however, are more optimistic. In North America, due to sustained economic pressure, there's yet no sign of obvious recovery in discretionary spending, hence no signals at the brand level. In Latin America, given the limited IoT penetration in emerging markets and the half-year inventory digestion, the inventory of some customers whose revenue declined last year has returned to a manageable range, so brand customers are relatively active now. Brand customers in the Asia-Pacific region are cautious, with different circumstances; for instance, Japanese customers, faced with soft consumer spending, high inventory, and currency depreciation, prefer to focus on and promote popular and attractive products. In China, the focus of post-pandemic consumption is primarily on tourism and enjoyment.

On the China OEM side, we continue to maintain communications with our major top-tier OEM customers. Among them, 60% adopt a wait-and-see approach, about 20% are optimistic based on their own business conditions, and the remaining 20% believe that right now it's still hard to make a judgment about the rest of the year.

Overall, different regions face varying market challenges and economic pressures. Under these circumstances, customers' order volume won't return to the aggressive levels seen in 2021, but will instead lean towards arranging subsequent orders by closely observing sales performance month over month. Therefore, we still maintain a viewpoint similar to last quarter's, the first half of 2023 market performance will be relatively mediocre, while the second half may see some turning points and opportunities. As such, we need to persist in the strategy of focusing on and intensifying efforts on key products and customers, proactively expand efficient revenue to offset the revenue uncertainty caused by market downturns, and also understand and pay attention to market dynamics in different regions to seize business opportunities.

That would be my answer to the questions. Operator, let’s move on to the next question.

**Operator**
Thank you. Next question comes from Timothy Zhao with Goldman Sachs. You may proceed.

**Timothy Zhao**
*Goldman Sachs, Research Division*

My question is about the gross margin trend into the second half of the year and full year. Noted that in the first quarter, gross margin was impacted by the product mix change and the inventory provision and also foreigh exchange, just wondering if we look into the second half when there’s less pressure from foreigh exchange, what is the margin outlook?

**Yao Liu**
*CFO & Director*

Thank you. Continuing to improve gross margin is one of the most important goals of the company. We believe we will be able to maintain a stable gross margin around Q1 level for the rest of the year. If there’s opportunity to improve the gross margin, we will do. So there are several factors affecting gross margin.

First is the chip's cost. The chip shortage is now a thing of the past. The semiconductor industry, aside from products related to AI such as GPUs and industrial scenarios, generally faces the challenge of sluggish demand for chip application scenarios and the challenge of excess production capacity. The financial impact of falling chip prices will be slower to manifest in high inventory and destocking periods, but it will indeed create some room for price adjustments in business, which will be transmitted downstream through the industrial chain, thus lowering costs for customers and end users.

As for gross margin, we largely ensure set gross margin targets for different periods through our pricing committee mechanism. While achieving our own gross margin, we will support our customers as much as possible, jointly face challenges, or share the price reduction dividends from upstream. In Q1, considering our own costs, market conditions, and customers' business situations, we adjusted the price of some of the PaaS products to help our customers navigate slowing industry cycles while we maintained a gross margin above 40%, in line with our own cost control expectations. Additionally, we are always committed to producing products with a corresponding value proposition. Therefore, even if there are short-term fluctuations, it's not a major issue. Over an extended period, value will always be reflected in the overall gross margin.

So this is my answer to your question. Operator, please move to the next question.

**Operator**
Thank you. Next question will be from the line of Mingran Li with CICC. Please proceed.

**Mingran Li**
*CICC, Research Division*

My question is about strategy like for the next 2 years. What you do on your products with higher investment priorities? And color would be good.

**Yao Liu**
*CFO & Director*

Okay. We shared our core strategic themes and thoughts for the foreseeable future at the beginning of the year. Among these, on the product line, focus on products that carry high value propositions, high revenue efficiency, strong market demand with long-term potential. We will continue to commit on the strategy to seeking opportunities beyond consumer electronics fields. For example, the outdoors, for example our renewable energy-related field.

In addition to the front-line perspectives shared just now from our interactions with core brands and customers, we have gained another important insight. For example, in the European region, there are numerous reorders and promotions for energy-saving related products such as power metering plugs, thermostatic valves, and thermostats. There is an increasing demand for consumer safety products worldwide, and IPC demand is becoming more robust, contributing to the continued growth in cloud storage revenue. Sensor products, such as temperature and humidity sensors, are also seeing increased demand. Moreover, our Q1 Smart Tag product, which is an outdoor product falls under the outdoor tracker category, has seen rapid demand growth with the resurgence of travel and increase in outdoor activities. We can clearly see a commonality in value consumption across global markets.

Energy-saving, central control and gateways, and some outdoor categories will continue to be the newer categories that we persistently invest in. Take energy-saving products as an example, categories including smart circuit breakers and inverters achieved nearly five times year-over-year growth in Q1, and we see a very strong downstream demand. Of course, the lower base from the same period last year, as being a relatively new category, also contributed to a high growth rate. We will continue to build core hardware and software systems around energy saving, create central products, and form a product system with a complete solution. We will expand the overall revenue scale by rapidly promoting and expanding by leveraging our existing customer base and global business foundation.

In reinvesting in existing categories and incubating new ones, we need to choose the right sector, focus on the products, and avoid working in isolation.

Thank you. I think this comes to the end of the conference on the region. The operator, you can go ahead.

**Operator**

So as a confirmation, there are no additional questions at this time. So I'll hand back to the management team for any closing remarks.

**Reg Chai**
*Investor Relations Director*

Thank you again for joining our call. If you have any further questions, please feel free to contact us or request through our IR website. We look forward to speaking with everyone in our next earnings call. Have a great day.