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KEY HIGHLIGHTS

Sector

Insurance

Outstanding 1H23 results from PICC P&C, Ping An and Prudential.

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Results

China Longyuan Power (916 HK/BUY/HK\$6.27/Target: HK\$8.80)

1H23: Above expectations; wind power utilisation hours grew 8.4% yoy.

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China Merchants Port (144 HK/BUY/HK\$9.46/Target: HK\$13.33)

1H23: Results broadly in line; attractive valuation amid cautious outlook. Maintain BUY.

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CR Land (1109 HK/BUY/HK\$33.25/Target: HK\$47.48)

1H23: Results beat expectations; leading market position further strengthened.

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CR Mixc (1209 HK/BUY/HK\$34.35/Target: HK\$49.69)

1H23: Results beat with higher payout ratio; pursue high-quality growth.

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China Shineway Pharmaceutical

(2877 HK/BUY/HK\$7.49/Target: HK\$10.00)

1H23: Earnings growth beats expectations; expecting revenue CAGR of 20.6% for 2023-25.

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COSCO SHIPPING Holdings (1919 HK/BUY/HK\$8.04/Target: HK\$9.71)

1H23: Results in line; dividend payout topping guided range. Maintain BUY.

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Ganfeng Lithium (1772 HK/SELL/HK\$40.15/Target: HK\$33.00)

2Q23: Report profit beats on one-off gains, core earnings in line. Maintain SELL. Target price: HK\$33.00.

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Haidilao International Holding Ltd

(6862 HK/BUY/HK\$21.55/Target: HK\$26.00)

1H23: In line; higher table turnover in 2H23.

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Midea Group (000333 CH/BUY/Rmb56.82/Target: Rmb67.30)

1H23: Results slightly beat; demand continues to be lukewarm.

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Ningbo Xusheng Group (603305 CH/BUY/Rmb23.33/Target: Rmb36.00)

2Q23: Results miss on revenue, cut target price to Rmb36.00. Maintain BUY.

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Shenzhen Mindray Bio-Medical Electronics

(300760 CH/BUY/Rmb269.00/Target: Rmb320.00)

1H23: Results satisfactory; anti-corruption campaign may slow revenue growth in 2H23.

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Shenzhou International Group Holdings

(2313 HK/BUY/HK\$76.75/Target: HK\$86.80)

2Q23: Business operations bottomed out.

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The United Laboratories International

(3933 HK/BUY/HK\$7.06/Target: HK\$8.50)

1H23: Results beat; revenue expected to grow by about 20% yoy in 2023.

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Zhejiang Shuanguan Driveline Co

(002472 CH/HOLD/Rmb34.03/Target: Rmb36.20)

2Q23: Results in line; resilient margins showcase strong pricing power.

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Zijin Mining (2899 HK/BUY/HK\$12.36/Target: HK\$15.00)

1H23: In line; global recession fears to weigh on industrial metal prices.

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TRADERS' CORNER

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Xiaomi Corporation (1810 HK): Trading Buy range: HK\$12.10-12.40

Zhaojin Mining Industry Co. Ltd. (1818 HK): Trading Buy range: HK\$10.40-10.70

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34890.2	0.1	1.2	(1.6)	5.3
S&P 500	4514.9	0.4	1.8	(1.5)	17.6
FTSE 100	7473.7	0.1	2.8	(2.9)	0.3
AS30	7506.8	1.2	1.9	(1.5)	3.9
CSI 300	3788.5	(0.0)	2.5	(5.6)	(2.1)
FSSTI	3220.2	(0.1)	1.5	(4.6)	(1.0)
HSCEI	6356.5	(0.5)	3.9	(7.9)	(5.2)
HSI	18482.9	(0.0)	3.6	(7.9)	(6.6)
JCI	6966.7	0.1	0.7	0.5	1.7
KLCI	1451.9	(0.2)	0.8	(0.5)	(2.9)
KOSPI	2561.2	0.4	2.2	(2.7)	14.5
Nikkei 225	32333.5	0.3	1.0	(2.5)	23.9
SET	1576.7	0.5	1.8	1.3	(5.5)
TWSE	16719.8	0.6	0.9	(2.5)	18.3
BDI	1094	(1.2)	(8.4)	(2.9)	(27.8)
CPO (RM/mt)	3730	(2.5)	(3.4)	(2.7)	(7.9)
Brent Crude (US\$/bbl)	86	0.4	3.2	1.0	(0.1)

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
COUNTRY GARDEN	0.88	(3.3)	634,351
SENSETIME-W	1.51	(1.9)	220,729
CHINA POWER INTE	2.76	(3.8)	148,891
XIAOMI CORP-W	12.46	0.6	145,583
SMIC	19.22	0.7	98,165

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
BYD ELECTRONIC	35.40	8.6	25,843
LENOVO GROUP	8.66	3.8	61,254
NEW WORLD DEV	17.04	3.1	15,026
CHINA HONGQIAO	7.94	3.1	36,982
ANTA SPORTS	89.50	2.9	10,374

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
NIO INC-CLASS A	82.00	(7.4)	3,384
KUAISHOU-W	64.95	(5.4)	40,491
WEIBO CORP-CL A	102.40	(5.0)	64
CHINA RES POWER	15.10	(4.7)	44,214
CHINA POWER INTE	2.76	(3.8)	148,891

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	0.8	1.2
Euro Zone	3.5	0.1	1.0
Japan	1.0	1.0	1.5
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.4	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	4.9	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

UOBKH EVENTS

Date	Corporate/Stock Code	Event
05 Sep	Giordano International Limited (709 HK)	Investor Luncheon at 12:30pm

CORPORATE AND MACRO CALENDAR

Date	Corporate/Stock Code	Event
30 Aug	MicroPort (853 HK)	1H23 results
31 Aug	Hansoh Pharma (3692 HK)	1H23 results
31 Aug	Venus Medtech (2500 HK)	1H23 results (4 Sep briefing)

Date	Country/Region	Economic Indicator
31 Aug	China	Aug PMI

SECTOR UPDATE

Insurance – China / Hong Kong

Outstanding 1H23 Results From PICC P&C, Ping An And Prudential

PICC P&C, Ping An and Prudential delivered impressive interim results, as reflected by strong growth in their premium income and new business value. In particular, the robust demand for saving products from China customers boosted the life insurers' NBV with double-digit growth. Meanwhile, PICC P&C's underwriting profit benefitted from the economic reopening and better combined ratio. Maintain OVERWEIGHT. Top picks: Ping An and Prudential.

PICC P&C (2328 HK/BUY/HK\$9.07/Target: HK\$10.00)

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H23	1H22	yoy % chg
Gross Written Premiums	300,930	276,671	8.8%
Underwriting Profit	9,469	8,847	7.0%
Investment Income	15,146	14,608	3.7%
Profit Attributable to Owners	20,256	19,220	5.4%
Financial Ratios (%)	1H23	1H22	yoy ppt chg
Total investment yield (unannualised)	2.6	2.7	-0.1ppt
Core Solvency Margin Ratio	193.5	201.9	-8.4ppt
Combined Ratio	95.8	95.7	0.1ppt
-Expense Ratio	26.9	26.9	0.0ppt
-Loss Ratio	68.9	68.8	0.1ppt

Source: PICC Property and Casualty, UOB Kay Hian

RESULTS

- Beat estimates.** PICC Property and Casualty's (PICC) 1H23 net profit increased by 5.4% yoy to Rmb20,256m, ahead of our and the street's estimates of 6-8%. The robust earnings growth was driven by a solid recovery of premium income (+8.8% yoy) after the economic reopening. PICC still dominated Mainland China's property and casualty (P&C) insurance market, commanding an impressive market share of 34.3%.
- Insurance revenue surged 9.35 yoy** to Rmb224,368m, attributed to commendable growth of agriculture/accidental insurance (+34.1% yoy/+22.2% yoy). Auto insurance sales also achieved a moderate growth (+5.2%yoy), benefitting from the new auto sales growth and the extension of purchase tax relief policy for new electric vehicles (EV). Business diversification continues as the proportion of non-auto insurance premiums to total premiums expanded by 2.4ppt yoy to 38.5%.
- Better-than-expected CoR.** PICC's 1H23 combined ratio (CoR) is lower than our assumptions (96.4%) with a marginal increase of 0.1ppt to 95.8%. Expense ratio stayed flat at 26.9% but loss ratio CoR increase slightly to 68.9% following increasing claims expenses after the resumption of economic activities. CoR of PICC's main business, auto insurance hiked by 0.9ppt to 96.7% in 1H23 due to an increase of acquisition cost but claim ratio surprisingly reduced by 0.1ppt to 69.7%.
- Insurance fund investment.** PICC's unannualised total investment yield registered a marginal decline of 0.01ppt to 2.6% and achieved a stable increase in total investment income of Rmb15,146m (+3.7% yoy). The mixed result is due to the market value of bonds increasing following the decline of yield, which offset the fluctuation of market value of equity assets.

EARNING REVISION

- We raised our 2023/24 earnings by 3.5%/5.0%** to reflect a better insurance premium growth outlook and more optimistic CoR assumptions in 2023.

VALUATION

- Maintain BUY with a higher target price of HK\$10.00.** We increase our target price to HK\$10.00 from HK\$9.16 on higher 2023 premium and earnings, implying 0.83x 2024F P/B.

OVERWEIGHT

(Maintained)

TARGET PRICE SUMMARY

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
PICC P&C	2328 HK	BUY	9.07	10.00
Ping An	2318 HK	BUY	47.05	73.00
Prudential	2378 HK	BUY	100.80	150.00

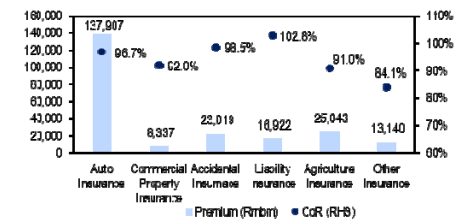
Source: PICC Property and Casualty, Bloomberg, UOB Kay Hian

PICC P&C KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Gross written premiums	449,533	487,533	537,075	606,314	686,099
Net earned premiums	396,997	425,480	477,997	539,619	610,628
Underwriting profit/(loss)	1,521	10,329	18,501	22,085	25,015
Net profit (rep./act.)	22,365	26,708	31,996	35,419	38,069
Net profit (adj.)	22,365	26,708	31,996	35,419	38,069
EPS (Fen)	100.6	120.1	143.9	159.2	171.2
PE (x)	8.2	6.9	5.8	5.2	4.8
*P/EV (x)	8.3	8.3	8.3	8.3	8.3
Dividend yield (%)	4.9	5.8	6.9	7.7	8.3
Total investment yield (%)	5.0	4.2	4.3	4.5	5.5
Combined ratio (%)	99.6	97.6	96.1	95.9	95.9
ROE (%)	11.5	12.5	13.7	14.5	15.6
Consensus net profit	-	-	31,426	34,911	38,396
UOBKH/Consensus (x)	-	-	1.02	1.01	0.99

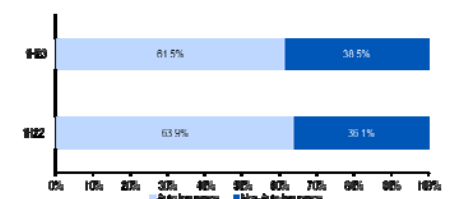
Source: PICC Property and Casualty, Bloomberg, UOB Kay Hian

PICC P&C INSURANCE TYPE AND COR



Source: PICC Property and Casualty, UOB Kay Hian

PICC P&C PRODUCT MIX



Source: PICC Property and Casualty, Bloomberg, UOB Kay Hian

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PING AN INSURANCE GROUP (2318 HK/BUY/HK\$47.05/Target: HK\$73.00)

1H23 RESULTS

Net Profit (Rmbm)	1H23	1H22	yoy change %
Life & Health Insurance (L&H)	45,121	43,940	2.7
Property & Casualty Insurance (P&C)	9,242	8,602	7.4
Banking	14,714	12,802	14.9
Others	764	5,381	-85.8
Group Net Profit	69,841	70,725	-1.2
Basic earnings per share (EPS)	4.63	4.94	-6.2
New Business Value (NBV)	25,960	17,093	45.0
Group EV per share (Rmb)	82.0	78.8	4.0
Financial Ratios (%)	1H23	1H22	yoy change (pps)
New business margin (FYP)	22.8	23.5	-0.7
Combined ratio (P&C)	98.0	97.1	0.9
Net interest margin (Ping An Bank)	2.55	2.76	-21.0bp
Core Solvency Margin:	219.4	217.6	1.8

Source: Ping An, Bloomberg, UOB Kay Hian

RESULTS

- In line.** Ping An Insurance Group (Ping An) registered a net profit of Rmb69,841m, indicating a 1.2% negative growth, in line with our expectations and 3% above consensus'.
- Success life reform reflects strong growth in NBV.** The new business value (NBV) of life & health (L&H) insurance soared by an impressive 45% yoy (second-highest among peers) to Rmb25,960m in 1H23, with NBV of the agent channel and the bancassurance channel surging 43.0% and 174.7% yoy respectively. This is attributed to: a) hot-selling whole life insurance with 3.5% rate, b) 94.3% yoy increase in agent productivity, and c) the rapid growth of the private wealth adviser team in the bancassurance channel. However, NBV margin shed by 0.7ppt to 22.8% due to a change in product mix. Among that, the margin of the bancassurance channel stood at 19.7%, much higher than other peers due to the cost synergy generated from the cooperation with its subsidiaries, Ping An Bank.
- Smooth transition after end of 3.5% rate.** We expect Ping An's premium growth to slow down in 2H23 after the suspension of life insurance with a 3.5% rate. However, the growth will be supported by the robust saving insurance products demand due to its relatively higher yield advantages. Furthermore, Ping An may leverage on its "finance+ healthcare & elderly care" integrated model to maintain a more sustainable NBV growth. This is proven when Ping An experienced a smaller qoq decline (-12.6%) of premium income in July compared with its peers (-30% to -60% qoq).
- P&C performance.** Ping An's P&C premiums grew by 7.8% yoy to \$155,899m and delivered a 98.0% of CoR in 1H23 (vs 97.1% in 1H22). The higher CoR is due to rising auto insurance claims driven by customers' growing travel demand. The guarantee insurance business continues to underperform with a -79.3% yoy in premiums income and CoR also surged by 4.7ppt to 117.7% due to weakening SME repayment capacity under the current macroeconomic environment.
- Property and LGFV risk exposure under control.** Management reiterated that Ping An's risk exposure in these two platforms are limited due to its advanced investment risk management framework. Ping An's local government financing vehicle (LGFV) investment is relatively smaller as most of its investments are concentrated in Tier 1 cities. Additionally, Ping An's real estate investments only account for 4.5% of its total insurance fund and 75% of them are deployed in high-quality real properties which can generate stable income in the long term.

EARNING REVISION

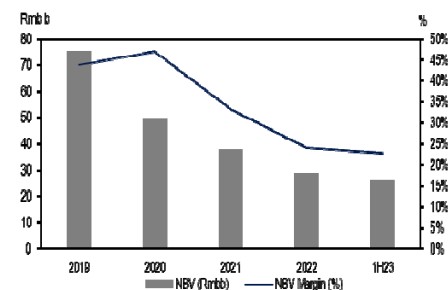
- Tweak our 2023/24 EV per share forecasts upward by 3% to Rmb88.2/Rmb95.3** as we revise our NBV assumptions to 23.5%/24.0% and increase our NBV growth forecast by 20%/10% after considering the resilient margin and steady NBV contribution from the agency and bancassurance channels in the long run after the complete of life reform.

PING AN KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Gross written premiums	760,843	769,633	846,596	931,256	1,024,382
Net earned premiums	739,933	742,418	818,234	900,058	990,063
Underwriting profit/(loss)	(130,457)	(122,675)	(79,249)	(30,281)	25,051
Net profit (rep./act.)	101,618	83,774	140,271	158,028	176,645
Net profit (adj.)	101,618	83,774	140,271	158,028	176,645
EPS (Fen)	577.1	480.0	803.7	894.1	999.4
PE (x)	7.3	8.8	5.3	4.7	4.2
*P/EV (x)	0.5	0.5	0.5	0.4	0.4
Dividend yield (%)	5.6	5.7	6.2	6.8	7.5
Total investment yield (%)	4.6	5.4	5.5	5.5	0.0
Combined ratio (%)	98.0	98.1	98.5	98.4	0.0
NBM as % of FYP (%)	33.0	35.0	36.0	37.0	38.0
ROE (%)	12.9	9.9	14.9	14.8	14.5
Consensus net profit	-	-	133,001	154,902	173,656
UOBKH/Consensus (x)	-	-	1.05	1.02	1.02

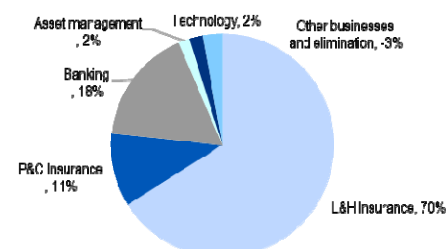
Source: Ping An, Bloomberg, UOB Kay Hian
*P/EV: Price/Embedded Value

PING AN NBV AND MARGIN



Source: Ping An, UOB Kay Hian

PING AN OPERATING PROFIT CONTRIBUTION BY SEGMENT



Source: Ping An, UOB Kay Hian

PING AN LIFE INSURANCE NBV GROWTH VS PEERS

1H23	NBV (Rmb m)	NBV Growth (%)
Ping An Life	25.96	+45.0%
CPIC Life	7.36	+31.5%
PICC Life	2.49	+66.8%
China Life	30.86	+19.9%
New China Life	2.47	+17.1%

Source: Companies, UOB Kay Hian

PRUDENTIAL KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Gross written premiums	24,217	24,701	27,171	29,889	32,877
Net earned premiums	22,373	22,820	25,103	27,613	30,374
Underwriting profit/(loss)	23,014	23,494	25,843	28,427	31,270
Net profit (rep./act.)	(2,813)	1,007	2,066	2,654	3,011
Net profit (adj.)	2,214	1,007	2,066	2,654	3,011
EPS (US\$)	0.8	0.4	0.8	1.0	1.1
PE (x)	15.0	33.9	16.5	12.8	11.3
*P/EV (x)	0.7	0.8	0.8	0.7	0.7
Dividend yield (%)	1.4	1.5	1.2	1.6	0.0
ROE (%)	11.7	5.6	10.5	12.2	12.6
Consensus net profit	-	-	2,085	2,388	2,730
UOBKH/Consensus (x)	-	-	0.99	1.11	1.10

Source: Prudential PLC, Bloomberg, UOB Kay Hian

VALUATION

- **Maintain BUY with a higher SOTP-based target price of HK\$73.00** to reflect high quality NBV growth. Our target price implies 0.7x 2024F P/EV. We continue to like Ping An given: a) the success of its “four channels + three products” life reform, and b) competitive advantage from its “integrated finance + service” business model.

Prudential (2378 HK/BUY/HK\$100.80/Target: HK\$150.00)

1H23 RESULTS

Year to 31 Dec (US\$ m)	NBP Margin %			New Business (VONB)		
	1H23	1H22	yoy ppt chg	1H23	yoy chg (AER)*	yoy chg (CER)*
Hong Kong	65.2%	93.0%	-27.8	670	217.5%	217.5%
China JV	43.4%	43.0%	0.4	171	-21.2%	-15.8%
Indonesia	40.7%	47.0%	-6.3	61	17.3%	22.0%
Malaysia	39.5%	41.0%	-1.5	73	4.3%	10.6%
Singapore	51.3%	63.0%	-11.7	198	-18.9%	-20.5%
Other life insurance markets	35.7%	38.0%	-2.3	316	3.9%	9.0%
Total VONB	49.2%	50.8%	1.6	1,489	35.6%	39.3%
EEV operating profit				2,155	19.3%	22.4%
EV per share (US\$)				15.88	3.5%	

AER= actual exchange rate, CER= constant exchange rate
Source: Prudential PLC, Bloomberg, UOB Kay Hian

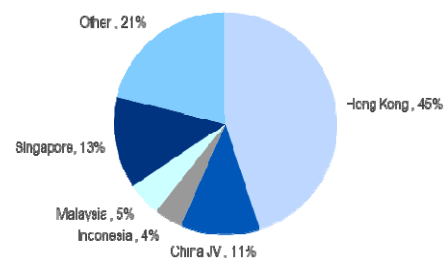
RESULTS

- **NBP growth in line.** Prudential (Pru) reported outstanding growth in its 1H23 new business profit (NBP) which increased significantly by 39% yoy on CER basis to US\$1,489m, and if we exclude economic impacts, it rose by 48%, in line with our full-year forecast of US\$2,736m. Annual premium equivalent (APE) sales also soared by 37% to US\$3,027m. NBP margin declined by 1.6ppt to 49.2%, as the updated economic assumptions impacted the margin by 5ppt.
- **Hong Kong.** Pru's NBP tripled in 1H23 to US\$670m, thanks to the returning of Mainland China visitors (MCV) and robust domestic demand. NBP margin narrowed by 28ppt to 65% due to the shift in product mix towards low-margin savings products. According to management, margin was improving in 2Q23 as health & production products ratio improved to 56% of total policy counts.
- **China.** Compared with domestic and regional insurers who achieved impressive growth in Mainland China, CITIC Prudential life (CPL) recorded a negative NBP yoy growth in 1H23 as management is focusing to reshape a more balanced and sustainable product mix instead of merely focusing on volume growth. As a result, CPL's margin in China was up 7ppt (excluding economic impact) while its competitors are facing severe margin compression.
- **ASEAN and India.** In 1H23, ASEAN market contributed around 40% of Pru's total NBP as the insurer gained strong sales momentum in Malaysia and Indonesia with double-digit NBP growth due to its leading position in the conventional and takaful markets. Meanwhile, ICICI Prudential India registered a 27% yoy NBP growth with industry-leading NBP margins. Management is optimistic on the growth and it sees huge opportunities in the health business as low health insurance market penetration in India.
- **2H23 outlook and new strategy.** Management guided that the strong growth momentum has continued into 3Q23 as the MCV arrivals picked up in July and August, about 80% of the pre-pandemic level. Alongside interim results, the CEO of Pru announced a new strategy to build a sustainable growth platform and achieve two key financial objectives: a) growing NBP with a CAGR of 15-20% between 2022 and 2027, and b) targeting double-digit CAGR in operating free surplus generated from in-force insurance and the asset management business in the same period.

VALUATION

- **Maintain BUY with a higher target price of HK\$150.00** after factoring in higher growth in the Hong Kong market and better margin outlook. Our target price is pegged to 2023F 1.16x P/EV.

PRU NBP GEOGRAPHICAL MIX



Source: Prudential, UOB Kay Hian

PRU NEW STRATEGY UPDATE

Strategic actions	Customer advocacy driving acquisition & retention
	Quality agency growth
	Deepen penetration of bank partner customer base
Enablers	Connected health model: transform to trusted partner
	Engaged people and performance culture
	Wealth & Investment capabilities

Source: Prudential, UOB Kay Hian

PRU AND PEERS CSM INDICATORS COMPARISON

1H23	Pru	AIA	Ping An
CSM Release Rate (%)	10.6	9.7	9.0
New CSM over NBV (x)	0.8	1.7	1.1

Source: Companies, UOB Kay Hian

COMPANY RESULTS

China Longyuan Power (916 HK)

1H23: Above Expectations; Wind Power Utilisation Hours Grow 8.4% YOY

Longyuan reported 1H23 earnings of Rmb5,124.3m (+18.3% yoy), above expectations. EBITDA margin expanded 8.7ppt to 66.7%, with a higher contribution ratio from the higher-margin photovoltaic segment. Wind power utilisation hours increased 8.4% yoy to 1,271 hours, thanks to the 2.2% yoy higher wind velocity. The company has guided a base case new installation target of 5.5GW with photovoltaic power contributing a higher share. Maintain BUY. Target price: HK\$8.80.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22R	1H23	yoy chg
Revenue	21,662.4	19,846.7	(8.4)
- Wind Power	14,294.0	15,214.6	6.4
- Coal Power	6,700.0	3,850.0	(42.5)
- Photovoltaic Power	312.0	460.0	47.4
- Others	356.0	322.0	(9.6)
Other Net Income	612.4	664.8	8.6
Operating Expenses	(14,078.7)	(11,895.9)	(15.5)
Operating profit	8,196.0	8,615.5	5.1
Net finance expenses	(1,776.0)	(1,563.3)	(12.0)
PBT	6,309.2	6,998.9	10.9
Tax	(1,169.0)	(1,164.5)	(0.4)
Minority interest	(808.1)	(710.2)	(12.1)
Net Profit	4,332.1	5,124.3	18.3
EBIT margin (%)	37.8	43.4	5.6
Net profit margin (%)	20.0	25.8	5.8

Source: China Longyuan Power, UOB Kay Hian

RESULTS

- **Above expectations.** China Longyuan Power (Longyuan) reported 1H23 earnings of Rmb5,124.3m, up 18.3% yoy, representing 65% of our full-year forecast, above expectations.
- **1H23 revenue dropped 8.4% yoy.** The decline in 1H23 revenue was largely due to the 6.8%/64.4% yoy decline in contribution from coal power electricity sales/coal sales, given lower generation load rate and downscaling of the coal sales segment. Contribution from wind/photovoltaic power's electricity sales expanded by 6.4%/47.4% yoy.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover (Rmb)	37,195.5	39,861.6	43,548.3	47,718.2	53,957.5
EBITDA (Rmb)	20,739.6	22,030.9	27,805.6	31,707.3	36,114.7
Operating profit (Rmb)	12,557.9	11,902.9	16,386.9	18,952.9	21,746.4
Net profit (rep./act.) (Rmb)	6,158.6	4,903.5	8,397.4	9,998.4	11,686.0
Net profit (adj.) (Rmb)	6,158.6	4,903.5	8,397.4	9,998.4	11,686.0
EPS (sen)	76.6	58.6	100.4	119.3	139.4
PE (x)	7.6	9.9	5.8	4.9	4.2
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	11.3	10.7	8.4	7.4	6.5
Dividend yield (%)	2.6	2.0	3.4	4.1	4.8
Net margin (%)	16.6	12.3	19.3	21.0	21.7
Net debt/(cash) to equity (%)	147.1	149.4	137.1	130.9	129.9
Interest cover (x)	6.4	5.8	8.8	9.3	9.2
ROE (%)	10.2	7.5	11.7	12.6	13.2
Consensus net profit	-	-	7,967	9,480	10,986
UOBKH/Consensus (x)	-	-	1.05	1.05	1.06

Source: China Longyuan Power, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$6.27
Target Price	HK\$8.80
Upside	+40.4%
(Previous TP)	HK\$11.50

COMPANY DESCRIPTION

China Longyuan is the largest listed wind farm operator in China. Its operational wind capacity grew to 18.6GW as of end-18. It also operates solar farm and thermal power plants.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	916 HK
Shares issued (m):	3,340.0
Market cap (HK\$m):	127,671.3
Market cap (US\$m):	16,269.7
3-mth avg daily t'over (US\$m):	15.6

Price Performance (%)

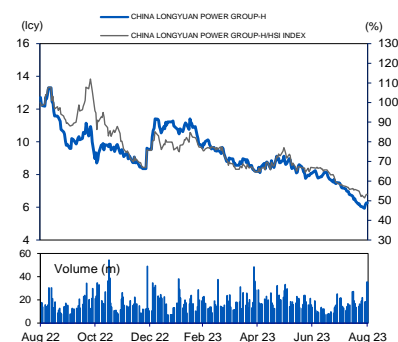
52-week high/low	HK\$13.30/HK\$5.94			
1mth	3mth	6mth	1yr	YTD
(16.5)	(31.3)	(34.9)	(51.6)	(34.3)

Major Shareholders

China Guodian Corporation	63.7
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FY23 NAV/Share (RMB)	8.39
FY23 Net Debt/Share (RMB)	12.33

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Adjusted EBITDA expanded by 8.7ppt yoy to 66.7%.** Expansion of adjusted EBITDA margin was largely driven by the higher contribution ratio from the photovoltaic segment. Incremental operating profit was contributed by: a) wind power segment at Rmb364m, and b) photovoltaic power segment at Rmb90m. Besides, there was also an incremental personnel cost of Rmb317m due to the recognition timing adjustment of staff remuneration.

STOCK IMPACT

- **Power generation up 9.48% yoy; 8.4% higher wind power utilisation hours.** With the high-pace capacity expansion in the past year, wind/photovoltaic and other renewable power generation was up 9.6%/96.7% yoy to 33,108GWh/1,610GWh. The average utilisation hours of wind power was 1,271 hours (+98 hours/+8.4% yoy), 34 hours higher than industry average. Other than improvement in the reliability of wind turbine units with availability factor of 99.4%, average wind velocity was also 2.1% yoy higher at 6.1m/s compared to 5.97/5.83m/s in 1H22/2022.
- **Installed capacity up 9.7% yoy; targeting 5.5GW in new installations.** In 1H23, 36 new projects commenced operations with installed capacity of 515.41MW, namely a) four new wind power projects with capacity of 125.20MW; and b) 32 photovoltaic power projects with capacity of 390.21MW. As at 30 Jun 23, Longyuan's consolidated installed capacity reached 31,623.3MW, of which wind/photovoltaic and other renewable energy installed capacity hit 26,317.0MW/3,431.2MW. Longyuan guided base case target for 2023 installation of 5.5GW, with photovoltaic power contributing slightly larger share over wind power.
- **Considerable projects in the pipeline.** Longyuan has signed 29.34GW of new development agreements in 1H23 (+77.9% yoy), with 15.32GW of wind power and 14.02GW of photovoltaic power. The cumulative development quota secured by the company has hit 4.01GW, of which 3.07GW quota was obtained through bidding/with benchmark tariff, including 1.58GW wind power and 1.49GW photovoltaic power.

EARNINGS REVISION/RISK

- We lift our earnings forecasts for 2023/24 by 9%/8% to factor in higher-than-expected wind power utilisation hours.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of HK\$8.80.** The considerable number of projects secured by Longyuan thus far should ensure a sustainable pace of capacity growth in the short to medium term, eventually achieving the target of doubling their installed capacity by the end of the 14th Five-Year Plan period. About 75% of the company's existing wind farm projects (70% of the installed capacity) have passed the eligibility assessment for renewable subsidies and are listed in the first approved list, with management confident that the majority of the remaining projects will obtain approvals in due course. The company has also guided no impairment loss from a wind turbine replacement scheme to be recognised in 2023, and is not expecting exceptional items this year. Longyuan received a renewable subsidies repayment of Rmb527m from the government in 1H23, with the balance of outstanding renewable subsidies standing at Rmb33.0b (end-22: Rmb26.2b).

SHARE PRICE CATALYST

- Acceleration in repayment of outstanding renewable energy subsidies.

OPERATIONAL DATA

Installed Capacity (MW)	1H22	1H23	yoy chg
Wind power	25,711	26,317	2.4
Coal power	1,875	1,875	-
Photovoltaic and other renewable power	1,242	3,431	176.4
Total	28,828	31,623	9.7
Power Generation (GWh)	1H22	1H23	yoy chg
Wind power	30,216	33,108	9.6
Coal power	5,271	5,028	(4.6)
Photovoltaic and other renewable power	819	1,610	96.7
Total	36,305	39,747	9.5
Utilisation hours (hours)	1H22	1H23	yoy chg
Wind power	1,173	1,271	8.4
Coal power	2,811	2,682	(4.6)

Source: China Longyuan Power, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Net turnover	39,862	43,548	47,718	53,958
EBITDA	22,031	27,806	31,707	36,115
Deprec. & amort.	10,128	11,419	12,754	14,368
EBIT	11,903	16,387	18,953	21,746
Total other non-operating income	0	0	0	0
Associate contributions	(419)	(377)	(340)	(137)
Net interest income/(expense)	(3,800)	(3,166)	(3,410)	(3,914)
Pre-tax profit	7,684	12,844	15,203	17,695
Tax	(1,554)	(2,569)	(3,041)	(3,539)
Minorities	(997)	(1,672)	(1,979)	(2,304)
Preferred dividends	(228)	(206)	(185)	(166)
Net profit	4,903	8,397	9,998	11,686
Net profit (adj.)	4,903	8,397	9,998	11,686

BALANCE SHEET

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Fixed assets	151,600	162,624	180,930	203,710
Other LT assets	18,755	17,338	15,844	14,398
Cash/ST investment	18,338	27,000	36,962	46,249
Other current assets	34,526	35,561	36,323	40,720
Total assets	223,219	242,524	270,059	305,079
ST debt	53,546	55,266	57,677	61,783
Other current liabilities	20,481	21,241	22,303	24,438
LT debt	67,071	75,070	88,694	105,323
Other LT liabilities	2,378	2,609	2,886	3,219
Shareholders' equity	68,448	75,370	83,552	93,065
Minority interest	11,296	12,968	14,947	17,251
Total liabilities & equity	223,219	242,524	270,059	305,079

CASH FLOW

Year to 31 Dec (RMBm)	2022	2023F	2024F	2025F
Operating	29,606	24,635	28,711	29,080
Pre-tax profit	7,684	12,844	15,203	17,695
Tax	(1,570)	(2,569)	(3,041)	(3,539)
Deprec. & amort.	10,260	11,549	12,880	14,490
Associates	419	377	340	137
Working capital changes	7,055	(1,131)	(600)	(4,151)
Non-cash items	2,470	0	0	0
Other operating cashflows	3,287	3,565	3,929	4,448
Investing	(19,009)	(20,446)	(28,855)	(33,741)
Capex (growth)	(22,320)	(21,664)	(30,157)	(36,083)
Investments	3,212	0	0	0
Proceeds from sale of assets	19	0	0	0
Others	81	1,217	1,302	2,342
Financing	3,839	4,473	10,105	13,948
Dividend payments	(1,232)	(1,681)	(2,001)	(2,339)
Proceeds from borrowings	169,537	62,998	71,034	78,145
Loan repayment	(153,802)	(53,279)	(54,999)	(57,410)
Others/interest paid	(10,664)	(3,565)	(3,929)	(4,448)
Net cash inflow (outflow)	14,436	8,662	9,962	9,287
Beginning cash & cash equivalent	3,913	18,338	27,000	36,962
Changes due to forex impact	(11)	0	0	0
Ending cash & cash equivalent	18,338	27,000	36,962	46,249

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	55.3	63.9	66.4	66.9
Pre-tax margin	19.3	29.5	31.9	32.8
Net margin	12.3	19.3	21.0	21.7
ROA	2.4	3.6	3.9	4.1
ROE	7.5	11.7	12.6	13.2
Growth				
Turnover	7.2	9.2	9.6	13.1
EBITDA	6.2	26.2	14.0	13.9
Pre-tax profit	(12.2)	67.2	18.4	16.4
Net profit	(20.4)	71.3	19.1	16.9
Net profit (adj.)	(20.4)	71.3	19.1	16.9
EPS	(23.5)	71.3	18.8	16.9
Leverage				
Debt to total capital	60.2	59.6	59.8	60.2
Debt to equity	176.2	172.9	175.2	179.6
Net debt/(cash) to equity	149.4	137.1	130.9	129.9
Interest cover (x)	5.8	8.8	9.3	9.2

COMPANY RESULTS

China Merchants Port (144 HK)

1H23: Results Broadly In Line; Attractive Valuation Amid Cautious Outlook

CMP's 1H23 net profit of HK\$3.35b (-30.5% yoy) was broadly in line with our expectations. The yoy decline was partly driven by lower profit contribution from its material associate SIPG, whose performance was adversely affected by non-port exposure including shipping investments and property sales. Despite the cautious outlook in the near term, CMP's valuation appears attractive, trading at 7.3x 2024F PE and offering attractive yields of over 6%. Maintain BUY. Target price: HK\$13.33.

1H23 RESULTS

Year to 31 Dec (HK\$m)	1H23	1H22	yoy % chg	2H22	hoh % chg	UOBKH proj.	1H as % of 2023F
Revenue	5,805	6,508	(10.8)	6,037	(3.8)	11,308	51.3%
Gross profit	2,610	3,108	(16.0)	2,460	6.1	4,825	54.1%
Operating profit	2,109	1,959	7.7	1,458	44.7	4,662	45.2%
Core operating profit	2,052	2,128	(3.6)	1,665	23.2	3,591	57.1%
Net interest cost	-666	-808	(17.6)	-646	3.1	-1,366	48.8%
JV/asso. contribution	3,057	5,036	(39.3)	3,076	(0.6)	5,149	59.4%
PAT	3,984	5,561	(28.4)	3,648	9.2	7,232	55.1%
Attri. to Perpetual Securities	-114	-113	0.9	-116	(1.7)	-229	
Minority interest	-519	-623	(16.7)	-396	31.1	-910	
Net profit	3,351	4,825	(30.5)	2,956	13.4	6,093	55.0%
Margins (%)							
GPM	45.0	47.8	-2.8ppt	40.7	+4.2ppt	42.7	
OPM	36.3	30.1	+6.2ppt	24.2	+12.2ppt	41.2	
NPM	57.7	74.1	-16.4ppt	49.0	+8.8ppt	53.9	

Source: CMP, UOB Kay Hian

RESULTS

• **1H23 net profit broadly in line.** China Merchants Port's (CMP) 1H23 reported net profit of HK\$3.35b (-30.5% yoy) was broadly in line with our expectations. Excluding one-off items such as fair valuation gains/losses of financial instruments, CMP's recurrent net profit declined 35.5% yoy to HK\$3.89b in 1H23 (1H22: HK\$4.97b). Revenue declined 10.8% yoy to HK\$5.81b in 1H23, driven by: a) lower container throughput of subsidiary entities (-12.8% yoy), and b) unfavourable forex translation effects from weakened Renminbi (functional currency for CMP's China ports/terminals) against HK\$ (CMP's reporting currency). These negative impacts were partly offset by higher ASP, which saw low-single-digit growth yoy. Gross profit margins dipped 2.8ppt in 1H23, due mainly to lower margins of port operation.

• **Lower JV/associate contribution (-39% yoy) driven by SIPG.** Shanghai International Port Group (SIPG, 600018 SH, NR), a 28.05% associate of CMP, was the single largest profit contributor to CMP, forming 69% of CMP's net profit in 1H23. The profit contribution by SIPG fell 34% yoy in 1H23, largely driven by lower earnings from non-port businesses/investments, including shipping investments and property development.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2021	2022	2023F	2024F	2025F
Net turnover	11,850	12,545	11,403	11,078	11,556
EBITDA	7,073	5,790	6,804	5,515	5,751
Operating profit	4,787	3,417	4,523	3,299	3,440
Net profit (rep./act.)	8,144	7,781	6,211	5,179	5,399
EPS (HK\$ cent)	203.5	210.3	135.1	129.4	134.9
PE (x)	4.6	4.5	7.0	7.3	7.0
P/B (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	5.7	5.4	7.1	7.4	7.1
Dividend yield (%)	9.9	8.7	7.4	6.2	6.4
Net margin (%)	68.7	62.0	54.5	46.8	46.7
Net debt/(cash) to equity (%)	27.9	26.8	24.9	24.5	23.2
ROE (%)	8.2	7.5	6.1	5.0	5.1

Source: China Merchants Port Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$9.46
Target Price	HK\$13.33
Upside	+40.9%
(Previous TP)	HK\$13.04

COMPANY DESCRIPTION

China Merchants Port is a globally leading independent port/terminal developer, investor and operator with a global presence.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	144 HK
Shares issued (m):	4,131.0
Market cap (HK\$m):	39,079.1
Market cap (US\$m):	4,980.0
3-mth avg daily t'over (US\$m):	4.3

Price Performance (%)

52-week high/low	HK\$12.60/HK\$9.19			
1mth	3mth	6mth	1yr	YTD
(11.4)	(18.4)	(14.0)	(21.3)	(17.3)

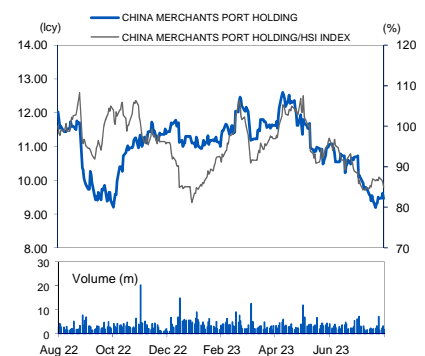
Major Shareholders

	%
China Merchants Port Group	43.9

FY23 NAV/Share (HK\$) 24.95

FY23 Net Debt/Share (HK\$) 7.31

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Total gross throughput grew 0.3% yoy in 1H23.** CMP's portfolio-wide gross container throughput rose marginally by 0.3% yoy to 66.5m TEUs in 1H23. Gross throughput of the Greater China portfolio rose 1.2% yoy to 50.0m TEUs (1H22: 49.4m TEUs), driven by throughput growth of ports/terminals at Bohai Rim (+8.9% yoy) and Yangtze River Delta (+3.6% yoy), partly offset by the decline of Pearl River Delta (-13.0% yoy) and others in the Greater China region (-11.9%). Gross throughput of the overseas portfolio declined 2.1% yoy to 16.5m TEUs (1H22: 16.9m TEUs), due to lower container volume of Colombo Port in Sri Lanka and the Terminal Link portfolio.

- **Healthy balance sheet.** CMP's net gearing (including the outstanding perpetual securities of HK\$6.25b) stood at 26.4% as at end-1H23 (end-22: 26.8%), quite a benign level for such a steady cash-generative business.

- **Maintaining interim dividend of 22 HK\$ cents.** CMP maintained its interim dividend of 22 HK\$ cents per share for 1H23, flat yoy. CMP has guided that it intends to maintain the 40-50% payout ratio for the full year.

STOCK IMPACT

- **Cautious outlook for 2H23.** The several factors that subdued global trade demand in 1H23, such as high inflation, high interest rates environment and geopolitical tension, may persist in 2H23. New export orders PMI of China stayed in the contractionary territory at 46.3 in Jul 23, still pointing to weak demand for China exports in the near term.

- **Management guided for low-single-digit throughput growth in 2023.** Given the subdued macro outlook, management is looking at low single-digit-throughput growth in 2023; this guidance is broadly in line with our expectations as well as Drewry's projected 1% industry-wide throughput growth for 2023.

- **Refinancing US\$1.6b debt at potentially higher interest costs.** CMP has US\$900m 4.375% notes up for repayment in Aug 23 and US\$600m 3.5% perpetual capital securities up for redemption in Oct 23. Given the current high interest rate environment, CMP intends to first refinance these instruments using short-term borrowings (of higher interest costs than that of the instruments), while awaiting opportunities to replace the short-term refinancing with long-term instruments once the interest rate environment stabilises in future. According to management, factoring in the higher refinance costs, CMP's blended interest cost is expected to climb to 4.5-5% in 2H23, from the current level of 4.3% in 1H23.

EARNINGS REVISION/RISK

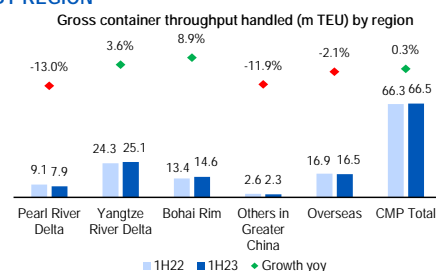
- **2023-25 net profit forecasts raised by 2%** as we incorporated slightly higher JV/association contribution.

- **Key risk:** Weaker-than-expected container volume amid an economic slowdown.

VALUATION/RECOMMENDATION

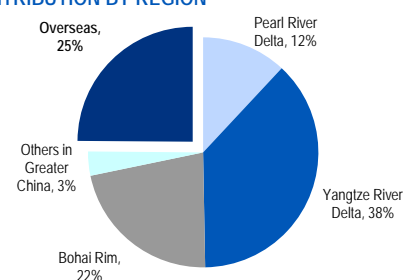
- **Maintain BUY with slightly higher target price of HK\$13.33.** Our target price has been adjusted higher to HK\$13.33 (previously HK\$13.04) due to our slightly higher 2024F earnings estimate, on which we have applied the same 10.3x PE peg (based on HK-listed Chinese port sector historical mean). At the current price, CMP offers attractive 2023-25F yields of over 6%.

GROSS CONTAINER THROUGHPUT PERFORMANCE BY REGION



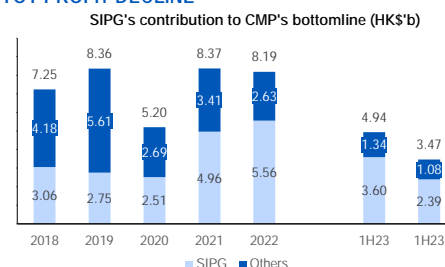
Source: CMP

1H23 GROSS CONTAINER THROUGHPUT CONTRIBUTION BY REGION



Source: CMP

SIPG WAS THE SINGLE LARGEST PROFIT CONTRIBUTOR TO CMP AND A KEY REASON FOR YOY PROFIT DECLINE



Source: CMP

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Net turnover	12,545.0	11,403.0	11,077.8	11,555.9
EBITDA	5,790.0	6,803.5	5,514.8	5,751.3
Deprec. & amort.	2,373.0	2,280.6	2,215.6	2,311.2
EBIT	3,417.0	4,522.9	3,299.3	3,440.2
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	8,112.0	5,270.5	4,971.9	5,126.8
Net interest income/(expense)	(1,454.0)	(1,432.2)	(1,517.5)	(1,492.5)
Pre-tax profit	10,075.0	8,361.2	6,753.7	7,074.4
Tax	(1,046.0)	(1,052.8)	(712.7)	(779.1)
Minorities	(1,019.0)	(910.1)	(801.2)	(835.8)
Preferred dividends	(229.0)	(187.5)	(60.8)	(60.8)
Net profit	7,781.0	6,210.8	5,179.0	5,398.8

BALANCE SHEET

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Fixed assets	49,217.0	49,673.1	50,116.2	50,578.5
Other LT assets	108,409.0	111,044.2	113,530.2	116,093.6
Cash/ST investment	9,629.0	6,685.5	6,542.1	6,263.4
Other current assets	4,900.0	4,899.1	4,895.9	4,903.1
Total assets	172,155.0	172,302.0	175,084.4	177,838.5
ST debt	16,626.0	16,626.0	16,626.0	16,626.0
Other current liabilities	4,376.0	5,281.8	5,199.4	5,383.8
LT debt	18,853.0	19,324.0	19,324.0	18,324.0
Other LT liabilities	9,724.0	9,724.0	9,724.0	9,724.0
Shareholders' equity	103,215.0	101,439.1	103,823.1	106,891.4
Minority interest	19,361.0	19,907.1	20,387.8	20,889.3
Total liabilities & equity	172,155.0	172,302.0	175,084.4	177,838.5

CASH FLOW

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Operating	6,189.0	6,657.4	4,723.0	5,149.4
Pre-tax profit	10,075.0	8,361.2	6,753.7	7,074.4
Tax	(950.0)	(1,052.8)	(712.7)	(779.1)
Deprec. & amort.	2,373.0	2,280.6	2,215.6	2,311.2
Associates	(8,112.0)	(5,270.5)	(4,971.9)	(5,126.8)
Working capital changes	401.0	906.7	(79.1)	177.1
Non-cash items	948.0	0.0	0.0	0.0
Other operating cashflows	1,454.0	1,432.2	1,517.5	1,492.5
Investing	(1,232.0)	298.5	107.3	70.0
Capex (maintenance)	(1,514.0)	(2,736.7)	(2,658.7)	(2,773.4)
Investments	198.0	3,035.2	2,765.9	2,843.4
Proceeds from sale of assets	10.0	0.0	0.0	0.0
Others	74.0	0.0	0.0	0.0
Financing	(4,904.0)	(9,899.5)	(4,973.6)	(5,498.1)
Dividend payments	(941.0)	(3,282.8)	(2,794.9)	(2,330.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	471.0	0.0	0.0
Loan repayment	(1,479.0)	0.0	0.0	(1,000.0)
Others/interest paid	(2,484.0)	(7,087.7)	(2,178.8)	(2,167.6)
Net cash inflow (outflow)	53.0	(2,943.5)	(143.4)	(278.7)
Beginning cash & cash equivalent	9,974.0	9,625.0	6,681.5	6,538.1
Changes due to forex impact	(402.0)	0.0	0.0	0.0
Ending cash & cash equivalent	9,625.0	6,681.5	6,538.1	6,259.4

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	46.2	59.7	49.8	49.8
Pre-tax margin	80.3	73.3	61.0	61.2
Net margin	62.0	54.5	46.8	46.7
ROA	4.4	3.6	3.0	3.1
ROE	7.5	6.1	5.0	5.1
Growth				
Turnover	5.9	(9.1)	(2.9)	4.3
EBITDA	(18.1)	17.5	(18.9)	4.3
Pre-tax profit	(5.2)	(17.0)	(19.2)	4.7
Net profit	(4.5)	(20.2)	(16.6)	4.2
Net profit (adj.)	7.7	(33.4)	(4.2)	4.2
EPS	3.4	(35.8)	(4.2)	4.2
Leverage				
Debt to total capital	22.4	22.9	22.4	21.5
Debt to equity	34.4	35.4	34.6	32.7
Net debt/(cash) to equity	26.8	24.9	24.5	23.2

COMPANY RESULTS

CR Land (1109 HK)

1H23: Results Beat Expectations; Leading Market Position Further Strengthened

Core attributable net profit increased 10.9% yoy to Rmb11.3b, beating our 2023 earnings growth forecast of 5.9%. Interim dividend is Rmb0.198/share, up 8.8% yoy. The retail portfolio outperformed markets on a wide margin. The lower GP margin of DP was offset by the higher margin of IP. Proactive land acquisition was backed by strong sales cashflow. Thus, net gearing stayed low. Slightly lower DP margin assumption and lower 2023/24/25 forecasts by 3.8%/3.5%/3.9%. Maintain BUY. Target price: HK\$47.48.

1H22 RESULTS

Year to 31 Dec (Rmbm)	1H23	1H22	yoy	2H22	Hoh
Revenue	72,971	72,894	0.1%	134,167	-46%
Gross Profit	18,722	19,636	-4.7%	34,655	-46%
Other income, other gains and losses	4,473	1,224	265.4%	1,889	137%
Share of profits & losses of asso & JV	1,950	1,679	16.1%	2,422	-19%
Finance costs	-892	-905	-1.3%	-795	12%
Income tax expenses	-6,994	-7,121	-1.8%	-16,018	-56%
Non-controlling interests	2,322	2,081	11.6%	2,197	6%
Attributable net profit	13,738	10,603	29.6%	17,489	-21%
Core underlying net profit	11,270	10,160	10.9%	16,840	-33%
EPS (RMB / share)	1.93	1.49	29.5%	2.45	-21%
DPS (RMB / share)	0.198	0.182	8.8%	1.219	-84%
Margin	1H23	1H22	yoy	2H22	Hoh
Gross Profit Margin	25.7%	26.9%	-1.3 ppt	25.8%	-0.2 ppt
SG&A to revenue	-6.8%	-5.8%	-1.0 ppt	-5.3%	-1.5 ppt
Core Net Profit Margin	15.4%	13.9%	1.5 ppt	12.6%	2.9 ppt

Source: CR Land, UOB Kay Hian

RESULTS

• **1H23 results better than expected.** Excluding revaluation gain from investment properties, core attributable net profit increased by 10.9% yoy to Rmb11.3b, better than our 2023 earnings growth forecast of 5.9%. Key drivers include: a) strong growth in recurring income (+35.6% yoy); and b) contribution from bargain purchase gain generated from the acquisition of China Fortune Land Development projects. GP margin was 25.7%, down 1.3ppt yoy and 0.2ppt hoh. Interim dividend is Rmb0.198/share, up 8.8% yoy.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	212,108.4	207,061.1	231,572.1	265,991.2	294,027.2
EBITDA	46,540.0	44,395.2	46,169.3	54,339.4	61,599.3
Operating profit	45,234.3	43,010.3	45,107.7	53,134.4	60,250.9
Net profit (rep./act.)	32,401.2	28,091.9	27,419.6	31,207.3	35,307.7
Net profit (adj.)	26,600.0	27,000.0	27,419.6	31,207.3	35,307.7
EPS (sen)	373.0	378.6	384.5	437.6	495.1
PE (x)	8.3	8.2	8.0	7.1	6.2
P/B (x)	1.0	0.9	0.8	0.7	0.6
EV/EBITDA (x)	8.6	9.0	8.6	7.3	6.5
Dividend yield (%)	4.5	4.5	4.6	5.2	5.6
Net margin (%)	15.3	13.6	11.8	11.7	12.0
Net debt/(cash) to equity (%)	32.3	49.8	27.3	16.1	5.3
Interest cover (x)	33.3	26.1	30.4	37.6	41.3
ROE (%)	15.1	11.9	10.5	10.6	10.7
Consensus net profit	-	-	28,336	30,825	34,840
UOBKH/Consensus (x)	-	-	0.97	1.01	1.01

Source: CR Land, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$33.25
Target Price	HK\$47.48
Upside	+42.8%

COMPANY DESCRIPTION

China Resources Land is a strategic business unit under China Resources Group. It is mainly engaged in residential development, investment property, urban redevelopment and property management operations.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	1109 HK
Shares issued (m):	7,130.9
Market cap (HK\$m):	237,103.7
Market cap (US\$m):	30,217.8
3-mth avg daily t'over (US\$m):	43.5

Price Performance (%)

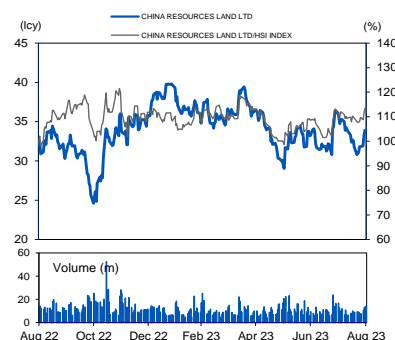
52-week high/low HK\$39.80/HK\$24.60

1mth	3mth	6mth	1yr	YTD
(8.8)	10.8	(4.5)	4.1	(7.0)

Major Shareholders

	%
China Resources Holdings	65.4
FY23 NAV/Share (HK\$)	39.29
FY23 Net Debt/Share (HK\$)	10.71

PRICE CHART



Source: Bloomberg

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- **Strong rebound of retail portfolio.** Same store tenant sales went up by 27.4% yoy from the low base in 1H22. Same-store rental income went up by 38.0% yoy. Consequently, occupancy ratio slightly increased to 12.6%, still a very healthy level. During the same period, national retail sales increased by only 8.2% yoy. CR Land's retail portfolio outperformed the national market on a wide margin.
- **Lower GP margin of DP offset by higher margin of IP.** The 6.8 ppt decline of development properties' (DP) gross profit (GP) margin is partly due to inventory impairment. The 5.8ppt increase in investment properties' (IP) GP margin demonstrates improved operation efficiency. Recurring income's contribution to revenue and core net profit rose to 25.1%/42.8% respectively, pointing to higher earnings quality.
- **Proactive land acquisition.** On an attributable basis: a) premium of land acquisition amounts to Rmb70.5b, equivalent to 56.0% of attributable contracted sales in 1H23, as compared to 52.8% in 2022; and b) newly added saleable resources amounted to Rmb145.8b, higher than the attributable contracted sales of Rmb125.9b in 1H23.
- **Balance sheet remained solid.** The net gearing of 28.5% as of Jun 23 hit the lowest in 10 years, thanks to strong cashflow from contracted sales.

STOCK IMPACT

- **Sales strategy for 2H23.** Management is targeting sales growth in 2023, after CR land achieved 40.6% yoy sales growth in 1H23. Total saleable resources for 2H23 amounts to Rmb385.9b, of which: a) 35%/54% is located in Tier 1/Tier 2 cities; and b) 62%/38% is inventory/new launch respective. The strategy focuses on: a) high turnover (shortening purchase to pre-sale cycle to seven months), and b) sales of inventory.
- **Reiterate margin guidance.** Company continues to target over no less than 20% GP margin for DP and 65-70% GP margin for IP (including hotels). Management also reiterated its target to achieve 20-25% growth in rental income. Thus, overall margin will be supported by revenue structure optimisation.

EARNINGS REVISION/RISK

- **Slightly lower earnings forecasts.** We revise down 2023/24/25 forecast by 3.8%/3.5%/3.9% to factor in slightly lower development properties' GP margin assumption.
- **Key risks:** a) economic recovery is worse than expected, and b) harsher-than-expected COVID-19 restrictions in 2H22.

VALUATION/RECOMMENDATION

- **We maintain BUY on CR Land with an unchanged target price of HK\$47.48,** derived from a 15% discount to its estimated NAV of HK\$55.85. Our target price implies 1.1x 2023 P/B. CR Land is currently trading at 0.8x 2023 P/B, 8x 2023PE and with 2023 dividend yield of 4.6%. As a top SOE developer and leading mall operator, we think CR land will continue to raise its market share and is among the best proxies to invest in China's property sector.

SHARE PRICE CATALYST

- Significant recovery of yoy growth of contracted sales in 2H23.
- Local governments of Tier 1 cities easing mortgage policies to unleash demand.

CONTRACTED SALES & LAND ACQUISITIONS OF CR LAND

(Rmb b/m sqm)	1H23	2022
Contracted sales (a)	170	301
Land acquisition (b)	102	144
=(b)/(a)	60.1%	47.9%
Land bank (m sqm)	54.6	54.9
Attr.contracted sales (c)	126	209
Attri.utable land cost (d)	71	110
=(d)/(c)	56.0%	52.8%
Attributable ratio – contracted sales	74.0%	69.3%
Attributable ratio - land acquisition	68.9%	76.4%

Source: CR Land, UOB Kay Hian

1H2023 REVENUE-SEGMENT BREAKDOWN

(Rmb m)	1H23	1H22	yoy
Property development	54,620	59,365	-8.0%
Property investment and management	10,724	7,604	41.0%
Asset-light management business	5,009	3,640	37.6%
Eco-system elementary business	2,618	2,285	14.5%
Total revenue	73,741	72,899	-1.1%

Source: CR Land, UOB Kay Hian

1H2023 GP MARGIN OF KEY SEGMENT

(Rmb m)	1H23	1H22	yoy
Property development	17.0%	23.8%	-6.8ppt
Property investment and management	71.3%	65.5%	5.8 ppt
Asset-light management business	33.2%	31.7%	1.5 ppt

Source: CR Land, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmb m)	2022	2023F	2024F	2025F
Net turnover	207,061.1	231,572.1	265,991.2	294,027.2
EBITDA	44,395.2	46,169.3	54,339.4	61,599.3
Deprec. & amort.	1,384.8	1,061.7	1,205.0	1,348.4
EBIT	43,010.3	45,107.7	53,134.4	60,250.9
Total other non-operating income	10,097.1	5,000.0	4,000.0	4,000.0
Associate contributions	4,101.4	4,716.6	5,188.3	5,707.1
Net interest income/(expense)	(1,699.5)	(1,520.2)	(1,443.9)	(1,491.2)
Pre-tax profit	55,509.4	53,304.1	60,878.7	68,466.8
Tax	(23,139.6)	(21,658.2)	(24,861.3)	(27,717.0)
Minorities	(4,277.9)	(4,226.3)	(4,810.1)	(5,442.1)
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	28,091.9	27,419.6	31,207.3	35,307.7
Net profit (adj.)	27,000.0	27,419.6	31,207.3	35,307.7

CASH FLOW

Year to 31 Dec (Rmb m)	2022	2023F	2024F	2025F
Operating	(14,385.6)	42,669.6	49,749.7	56,246.4
Pre-tax profit	55,509.4	53,304.1	60,878.7	68,466.8
Tax	(23,139.6)	(21,658.2)	(24,861.3)	(27,717.0)
Deprec. & amort.	(918.3)	(1,061.7)	(1,205.0)	(1,348.4)
Associates	(4,101.4)	(4,716.6)	(5,188.3)	(5,707.1)
Working capital changes	(45,738.3)	13,158.4	16,271.6	18,364.1
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	4,002.6	3,643.5	3,854.0	4,188.0
Investing	(50,000.0)	(50,000.0)	(50,000.0)	(50,000.0)
Capex (growth)	(30,000.0)	(30,000.0)	(30,000.0)	(30,000.0)
Investments	(20,000.0)	(20,000.0)	(20,000.0)	(20,000.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	53,157.6	29,812.1	28,526.5	36,358.8
Dividend payments	(9,990.4)	(10,145.3)	(11,546.7)	(12,357.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	90,000.0	90,000.0	90,000.0	90,000.0
Loan repayment	(54,544.0)	(50,042.6)	(49,926.8)	(41,283.5)
Others/interest paid	27,692.0	0.0	0.0	0.0
Net cash inflow (outflow)	(11,228.0)	22,481.7	28,276.2	42,605.2
Beginning cash & cash equivalent	106,772.8	95,544.6	118,026.3	146,302.5
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	95,544.8	118,026.3	146,302.5	188,907.7

BALANCE SHEET

Year to 31 Dec (Rmb m)	2022	2023F	2024F	2025F
Fixed assets	253,897.0	286,397.0	318,897.0	351,397.0
Other LT assets	114,150.3	114,032.2	130,275.9	146,613.5
Cash/ST investment	95,544.6	118,026.3	146,302.5	188,907.7
Other current assets	617,740.1	670,423.6	718,471.3	759,404.1
Total assets	1,081,331.9	1,188,879.1	1,313,946.6	1,446,322.2
ST debt	61,243.0	49,926.8	41,283.5	33,473.3
Other current liabilities	466,013.0	551,376.5	632,864.4	707,461.3
LT debt	155,860.4	144,461.5	155,178.0	173,704.6
Other LT liabilities	56,508.4	61,068.7	66,557.7	72,870.1
Shareholders' equity	244,047.1	280,159.3	311,366.6	346,674.3
Minority interest	97,660.0	101,886.3	106,696.4	112,138.6
Total liabilities & equity	1,081,331.9	1,188,879.1	1,313,946.6	1,446,322.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	21.4	19.9	20.4	21.0
Pre-tax margin	26.8	23.0	22.9	23.3
Net margin	13.6	11.8	11.7	12.0
ROA	2.8	2.4	2.5	2.6
ROE	11.9	10.5	10.6	10.7
Growth				
Turnover	(2.4)	11.8	14.9	10.5
EBITDA	(4.6)	4.0	17.7	13.4
Pre-tax profit	(8.0)	(4.0)	14.2	12.5
Net profit	(13.3)	(2.4)	13.8	13.1
Net profit (adj.)	1.5	1.6	13.8	13.1
EPS	1.5	1.6	13.8	13.1
Leverage				
Debt to total capital	38.9	33.7	32.0	31.1
Debt to equity	89.0	69.4	63.1	59.8
Net debt/(cash) to equity	49.8	27.3	16.1	5.3
Interest cover (x)	26.1	30.4	37.6	41.3

COMPANY RESULTS

CR Mixc (1209HK)

1H23: Results Beat With Higher Payout Ratio; Pursue High-quality Growth

CR Mixc's core attributable net profit grew 36.7% yoy, beating expectations. Interim payout ratio increased 7.9ppt to 35.8% in 1H23. Excluding contribution from M&As in 1H23, net profit grew by 27.4% yoy. CR Mixc's expansion of third-party shopping malls remains robust. Management is committed to pursuing high-quality growth, with positive outlook for retail sales recovery. Maintain BUY. Raise target price to HK\$49.69.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	2H22	1H23	hoh	yoy
Revenue	5,278	6,738	6,793	0.8%	28.7%
Property management segment	3,354	4,448	4,484	0.8%	33.7%
Commercial Management Segment	1,924	2,290	2,310	0.8%	20.1%
Gross profit	1,672	1,938	2,253	16.2%	34.7%
EBIT	1,442	1,550	1,973	27.3%	36.9%
Core net profit	1,040	1,185	1,422	20.0%	36.7%
EPS	0.450	0.517	0.614	18.9%	36.4%
DPS	0.127	0.312	0.223	n/m	75.6%
Dividend Payout Ratio	27.9%	45.0%	35.8%	n/m	7.9%
Cash	12,852	12,592	12,653	0.5%	-1.5%
Margins/Ratios				yoy chg	yoy chg
Gross Profit Margin	31.2%	29.1%	32.5%	3.3%	1.3%
Property management segment	21.0%	17.3%	19.9%	2.6%	-1.1%
Commercial Management Segment	49.0%	52.2%	57.0%	4.8%	8.0%
SG&A/revenue	9.1%	10.7%	8.0%	-2.7%	-1.1%
Account Receivable Turnover Days	54 days	39 days	48 days	9 days	-6 days

Source: CR Mixc, UOB Kay Hian.

RESULTS

• **Results better than expectations with higher payout ratio.** CR Mixc's core net profit grew 36.7% yoy to Rmb1,422m. Revenue expanded 28.7% yoy, driven by strong performance of malls under management (retail sales and rental income of managed malls +41.0%/+ 52.1% yoy respectively), and new contribution from M&As, excluding which revenue/net profit increased by 11.5%/27.4% yoy. Gross profit margin increased by 1.5ppt to 33.2%, caused by the operating leverage effect in the commercial PM segment. CR Mixc declared an interim DPS of Rmb0.223/share, growing by 75.6% yoy, implying payout ratio of 35.8% (vs 27.9% in 2021).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	8,875	12,016	16,375	19,522	23,197
EBITDA	1,930	2,459	3,254	4,265	5,196
Operating profit	1,861	2,369	3,137	4,114	5,000
Net profit (rep./act.)	1,725	2,220	2,780	3,520	4,201
Net profit (adj.)	1,725	2,220	2,780	3,520	4,201
EPS (Fen)	75.6	97.3	121.8	154.2	184.0
PE (x)	42.2	32.8	26.2	20.7	17.3
P/B (x)	5.2	5.1	4.6	4.0	3.5
EV/EBITDA (x)	30.4	23.9	18.1	13.8	11.3
Dividend yield (%)	0.9	1.4	1.5	1.9	2.3
Net margin (%)	19.4	18.5	17.0	18.0	18.1
Net debt/(cash) to equity (%)	(98.6)	(88.2)	(88.5)	(94.6)	(94.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	13.1	15.8	18.4	20.7	21.7
Consensus net profit	-	-	2,847	3,628	4,404
UOBKH/Consensus (x)	-	-	0.98	0.97	0.95

Source: CR Mixc, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$34.35
Target Price	HK\$49.69
Upside	+44.7%
(previous TP:	HK\$48.20)

COMPANY DESCRIPTION

China Resources Mixc Lifestyle Services Limited offer property management services. The Company provides residential property management, community value added services, commercial operational services, commercial subleasing services, and other services.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	1209 HK
Shares issued (m):	2,282.5
Market cap (HK\$m):	78,403.9
Market cap (US\$m):	9,991.1
3-mth avg daily t'over (US\$m):	10.7

Price Performance (%)

52-week high/low	HK\$46.35/HK\$22.79			
1mth	3mth	6mth	1yr	YTD
(11.6)	(6.0)	(20.1)	2.4	(12.6)

Major Shareholders

%

FY23 NAV/Share (Rmb)	6.97
FY23 Net Cash/Share (Rmb)	6.37

PRICE CHART



Source: Bloomberg

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- Proven track record of third-party mall expansion.** In 1H23, CR Mixc signed seven third-party projects for its commercial management segment with an average GFA of 101,000 sqm. All seven projects were Transit Oriented Development (TOD) projects in Tier1/2 cities. The company also collaborated with an overseas real estate fund for the first time and launched Shanghai Crystal Galleria project.
- Efficiency further improved.** Gross profit margins of the residential management segment slightly decreased 1.1ppt yoy to 19.9%, and commercial management segment gross profit margin improved 8.0ppt yoy to 57.0% in 1H23. SG&A/revenue further dropped 1.1% yoy/2.7% hoh to 8.0%.
- Stronger cash generation abilities.** Receivables grew 30% hoh to Rmb2.0b and receivables from third parties increased 50% to 1.3b, mainly due to the increase in longer payback-cycle non-residential third-party projects. However, the AR turnover days further decreased by six days yoy to 48 days, demonstrating stronger cash-generating abilities.

STOCK IMPACT

- Pursuing high-quality growth.** Management is committed to accomplishing its 40% core net profit CAGR target for the 14th Five-Year Period with greater attention to the quality of growth. M&As and third-party project expansion will continue to be among the company's key growth drivers. Besides, management expects the gross profit margin will remain at around 30%. Targets for gross profit margin remains unchanged, ie 17-20% gross profit margin of property management segment, and >50% gross profit margin of commercial management segment.
- Positive outlook on shopping malls in 2H23.** Management expects the retail sales growth rate in 2H23 to be slightly lower than 1H23, mainly due to the relatively high base in 2H22. Management targets the accumulated retail sales increasing by 25-30% in 2023, and the same-store retail sales growth rate at 15-20%.

EARNINGS REVISION/RISK

- Raise earnings forecast.** We raise 2023/24/25 core earnings forecast by 1.9%/3.1%/2.1% to factor in higher-than-expected gross profit margin of commercial operation segment.
- Key risks include:** a) wages of workers rising at a faster-than-expected pace, and b) the government unexpectedly tightening regulations on the property management sector.

VALUATION/RECOMMENDATION

- We maintain BUY on CR Mixc with higher target price of HK\$49.69,** derived from the DCM model with a WACC of 12.0%. CR Mixc is trading at 21.3x 2024F PE, or about 1.0SD below the mean. Our target price implies 29x 2024F PE, which is slightly below mean. We think CR Mixc' leading position in mall operation will support sustainable and high-quality growth of the company's earnings.

SHARE PRICE CATALYST

- Faster-than-expected business expansion.
- Government policies supporting the upgrading of old residential communities.

MANAGED GFA OF RESIDENTIAL SEGMENT

Operation data	1H22	2H22	1H23	hoh	yoy
Total GFA	245	280	313	12%	28%
From CR Land	101	116	124	7%	23%
From 3rd Party	143	164	189	15%	32%

Source: CR Mixc, UOB Kayhian

OPENED SHOPPING MALLS DATA

Operation data	1H22	2H22	1H23	hoh	yoy
Number of Projects for Contracted GFA	133	142	150	8	17
Number of Projects in operation	72	84	85	1	13
From CR Land	59	67	68	1	9
From 3rd Party	13	17	17	0	4
GFA of contracted malls (mn sqm)	14.2	15.1	16.3	8%	15%
GFA of projects in operation (mn sqm)	7.9	9.0	9.1	1%	15%
From CR Land	7.0	7.7	7.8	1%	11%
From 3rd Party	0.9	1.3	1.3	0%	44%

Source: CR Mixc, UOB Kayhian

REVENUE OF COMMERCIAL SEGMENT

RMB' million	1H23	1H22	Change
Revenue	2,309	1,924	20.1%
Shopping malls	1,409	1,173	20.2%
Shopping Malls -operation	958	747	28.3%
Shopping Malls -property management	191	257	-25.6%
Shopping Malls -sub-leasing	260	169	54.3%
Office	900	751	19.8%
Office -operation	69	54	26.7%
Office -property management	831	697	19.2%

Source: CR Mixc

REVENUE OF PM SEGMENT

RMB' million	1H23	1H22	Change
Revenue	4,484	3,354	33.7%
Basic property services	3,450	2,382	44.8%
Value-added services to non-property owners	407	412	-1.0%
Community value-added services	627	560	11.8%

Source: CR Mixc

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	12,016.2	16,374.6	19,522.5	23,196.7
EBITDA	2,458.5	3,253.9	4,265.3	5,196.3
Deprec. & amort.	89.5	116.4	151.3	196.7
EBIT	2,369.0	3,137.5	4,113.9	4,999.6
Total other non-operating income	155.3	155.3	155.3	155.3
Associate contributions	1.2	1.6	2.1	2.7
Net interest income/(expense)	337.4	369.8	375.6	392.7
Pre-tax profit	2,906.2	3,694.2	4,677.0	5,580.3
Tax	(692.9)	(923.6)	(1,169.2)	(1,395.1)
Minorities	7.1	9.3	12.0	15.6
Net profit	2,220.4	2,779.9	3,519.7	4,200.9
Net profit (adj.)	2,220.4	2,779.9	3,519.7	4,200.9

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	3,649.7	3,382.4	5,375.1	5,282.6
Pre-tax profit	2,906.2	3,694.2	4,677.0	5,580.3
Tax	(692.9)	(923.6)	(1,169.2)	(1,395.1)
Deprec. & amort.	158.1	205.5	267.2	347.3
Associates	(1.2)	(1.6)	(2.1)	(2.7)
Working capital changes	1,745.5	942.8	2,032.8	1,225.8
Other operating cashflows	(465.9)	(535.0)	(430.6)	(473.1)
Investing	(3,236.6)	(784.3)	(1,201.1)	(1,482.9)
Capex (growth)	(1,489.3)	(585.8)	(732.1)	(916.5)
Investments	579.9	612.4	618.2	635.3
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(2,327.2)	(810.8)	(1,087.2)	(1,201.7)
Financing	(1,518.5)	(1,080.0)	(1,199.2)	(1,495.1)
Dividend payments	(630.0)	(992.8)	(1,112.0)	(1,407.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(801.2)	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(87.2)	(87.2)	(87.2)	(87.2)
Net cash inflow (outflow)	(1,105.4)	1,518.1	2,974.8	2,304.5
Beginning cash & cash equivalent	13,698.2	12,592.8	14,110.9	17,085.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	12,592.8	14,110.9	17,085.7	19,390.3

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	3,935.1	4,105.9	4,327.8	4,616.4
Other LT assets	6,063.6	6,996.4	7,954.3	9,084.0
ST debt	n.a.	n.a.	n.a.	n.a.
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	12,592.8	14,110.9	17,085.7	19,390.3
Other current assets	3,246.3	3,859.4	4,505.5	5,329.1
Total assets	25,837.8	29,072.6	33,873.4	38,419.7
Other current liabilities	8,039.6	9,615.6	12,316.6	14,358.0
Other LT liabilities	3,472.5	3,472.5	3,472.5	3,472.5
Shareholders' equity	14,279.7	15,947.7	18,059.5	20,580.1
Minority interest	46.0	36.7	24.7	9.1
Total liabilities & equity	25,837.8	29,072.6	33,873.4	38,419.7

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	20.5	19.9	21.8	22.4
Pre-tax margin	24.2	22.6	24.0	24.1
Net margin	18.5	17.0	18.0	18.1
ROA	9.4	10.1	11.2	11.6
ROE	15.8	18.4	20.7	21.7
Growth				
Turnover	35.4	36.3	19.2	18.8
EBITDA	27.4	32.4	31.1	21.8
Pre-tax profit	24.4	27.1	26.6	19.3
Net profit	28.7	25.2	26.6	19.4
Net profit (adj.)	28.7	25.2	26.6	19.4
EPS	28.7	25.2	26.6	19.4
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	(88.2)	(88.5)	(94.6)	(94.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

China Shineway Pharmaceutical (2877 HK)

1H23: Earnings Growth Beats Expectations; Expecting Revenue CAGR Of 20.6% For 2023-25

Shineway's 1H23 revenue grew 32.1% to Rmb2,399m and net earnings increased by 48.4% yoy to Rmb492m. The earnings were above our and market estimates. We expect revenue CAGR of 20.6% for the company in 2023-25, supported by strong TCM formula granules and injections business expansion. We lower our 2023 revenue growth estimate from 30% yoy to 25% yoy to reflect the uncertainties regarding multiple policy risks. Maintain BUY with a lower target price of HK\$10.00.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	1H23	% chg yoy
Revenue	1,815.2	2,398.7	32.1%
Injection	697.1	957.3	37.3%
Oral medicine	1,118.0	1,441.4	28.9%
- Soft capsule	296.0	352.1	19.0%
- Granules	257.8	331.2	28.5%
- TCM formula granules	469.3	628.7	34.0%
- Others	95.0	129.5	36.3%
Gross Profit	1,324.8	1,804.0	36.2%
Selling cost	(824.8)	(1,025.2)	24.3%
Administrative cost	(128.0)	(138.4)	8.1%
R&D cost	(28.7)	(48.2)	68.1%
Operating Profit	358.8	614.4	71.2%
Investment income	56.5	56.6	0.1%
Net income	331.1	491.5	48.4%
Adjusted net income	331.1	491.5	48.4%
Ratios	1H22	1H23	ppt chg yoy
GP margin	73.0%	75.2%	2.2
Selling expense %	45.4%	42.7%	-2.7
Admin expense %	7.0%	5.8%	-1.3
R&D %	1.6%	2.0%	0.4
OP margin	19.8%	25.6%	5.8
Investment income %	3.1%	2.4%	-0.8
Adjusted net income margin	18.2%	20.5%	2.2

Source: Shineway, UOB Kay Hian

RESULTS

• **Net earnings growth above estimates.** China Shineway Pharmaceutical (Shineway) reported revenue and net earnings of Rmb2,398.7m and Rmb491.5m respectively in 1H23, representing an increase of 32.1% and 48.4% yoy. Revenue growth was in line with our forecast for 2023, while net earnings growth was in line with the company's expected 45-50% yoy for 1H23, beating our and consensus' 2023 estimates. Shineway declared the second interim dividend for 2023 at Rmb0.11/share.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	3,223.6	3,950.6	4,923.4	5,958.1	7,159.6
EBITDA	643.6	835.8	1,148.6	1,407.9	1,704.7
Operating profit	643.6	835.8	1,148.6	1,407.9	1,704.7
Net profit (rep./act.)	556.7	722.8	936.5	1,130.9	1,353.5
Net profit (adj.)	556.7	722.8	936.5	1,130.9	1,353.5
EPS (Fen)	73.7	95.7	124.0	149.7	179.2
PE (x)	9.4	7.3	5.6	4.6	3.9
P/B (x)	0.9	0.8	0.8	0.7	0.6
EV/EBITDA (x)	0.5	0.4	0.3	0.2	0.2
Dividend yield (%)	5.6	4.6	6.0	6.6	7.3
Net margin (%)	17.3	18.3	19.0	19.0	18.9
Net debt/(cash) to equity (%)	(71.0)	(78.5)	(78.0)	(81.1)	(80.8)
Interest cover (x)	513.2	1,326.6	n.a.	n.a.	n.a.
ROE (%)	9.5	11.8	14.0	15.3	16.4
Consensus net profit	-	-	862	1,010	1,164
UOBKH/Consensus (x)	-	-	1.09	1.12	1.16

Source: Shineway, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$7.49
Target Price	HK\$10.00
Upside	+33.5%
(Previous TP)	HK\$11.00

COMPANY DESCRIPTION

China Shineway Pharmaceutical Group Limited develops, manufactures, and sells modern Chinese medicines in the Peoples Republic of China. The Company also produces and sells a series of western pharmaceuticals.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	2877 HK
Shares issued (m):	827.0
Market cap (HK\$m):	6,194.2
Market cap (US\$m):	789.4
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

52-week high/low	HK\$9.79/HK\$4.67			
1mth	3mth	6mth	1yr	YTD
(7.0)	(15.0)	9.2	25.7	(1.3)

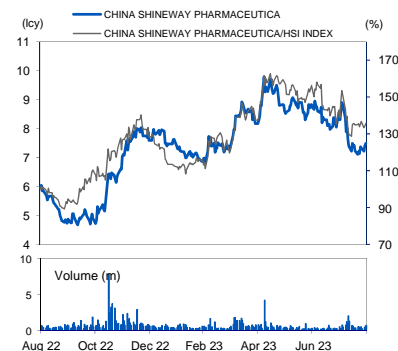
Major Shareholders

Li Zhenjiang	66.12
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FY23 NAV/Share (Rmb) 9.27

FY23 Net Cash/Share (Rmb) 7.23

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- 1H23 revenue grew 32.1% yoy.** Revenue from TCM injections increased by 37.3% yoy in 1H23, while revenue of soft capsules and finished granule products grew steadily by 19.0% yoy and 28.5% yoy. The TCM formula granules segment remained a key growth driver, with revenue growing by 34.0% yoy. The segment contributed 26.2% of the total revenue in 1H23 (vs 25.8% in 1H22). Meanwhile, its prescription product revenue grew by 27.2% yoy to Rmb2.06b in 1H23, contributing 85.7% of total revenue. Of this, revenue from respiratory system, cardio-cerebrovascular (CCV) injection, and exclusive oral prescription products grew by 82%, 13% and 18% yoy respectively in 1H23. In particular, Qing Kai Ling Injection, a respiratory system prescription drug, recorded sales revenue of Rmb401m in 1H23, up 92.8% yoy. Its OTC product revenue also surged by 72.6% yoy to Rmb341.8m in 1H23, contributing 27.2% of total revenue.
- Profit margins improved in 1H23.** Gross profit margin improved 2.2ppt to 75.2% in 1H23 vs 1H22, driven by increasing economies of scale. Selling expenses/revenue ratio decreased 2.7ppt to 42.7%, which implies enhanced sales and marketing efforts. G&A/revenue ratio declined by 1.3ppt to 5.8% in 1H23, indicating effective cost control. As a result, operating margin increased by 5.8ppt yoy to 25.6% in 1H23. Adjusted net profit margin increased by 2.2ppt to 20.5% in 1H23.
- Expect robust revenue CAGR of 20.6% in 2023-25.** Shineway was ranked among the top five listed companies in terms of TCM formula granules sales in 1H23. It has completed registration for online hospital procurement in 13 provinces. It expects its TCM formula granule business to deliver revenue expansion of around 40% yoy in 2023. Meanwhile, it attributes the revenue surge of Qing Kai Ling Injection in 1H23 to the high incidence of influenza in China in early-23, which is subject to lots of uncertainty. It expects possibly slower revenue expansion of the product in 2H23 vs 1H23, but remains confident in the product's growth potential. It also expects its CCV injection prescription products, exclusive oral prescription products, and OTC products to deliver revenue CAGR of 10-20%, 30-50%, and 10-20% respectively in the next few years. Shineway guides revenue CAGR of 20-25%, while we expect its revenue to expand at 20.6% CAGR in 2023-25.
- Expect limited impact from the anti-corruption campaign and GPO tenders on TCM formula granules.** Shineway indicates it generates about 30%, 14%, 36%, and 9% of its revenue from essential prescription drugs, OTC products, TCM formula granules, and exclusive oral prescription products respectively. It believes these segments (aggregately accounted for 89% of the total revenue) are generally not the target of the anti-corruption campaign, and will see little impact from it. It also states it has conducted all its marketing activities in a compliant manner. Meanwhile, led by Shandong Province, the 15-province group purchasing organization (GPO) tender on TCM formula granules is expected to take place later this year, which defines a 40% price cut for winning the bids. Shineway indicates the benchmark for the price cut has not yet been clearly stated, and it may possibly see a lower GPO price cut in Hebei Province, which contributes the majority of its TCM formula granule sales and has lower product prices than other provinces.

EARNINGS REVISION/RISKS

- We lower our 2023 revenue growth estimate from 30.0% yoy to 24.6% yoy to reflect risks including: a) worse-than-expected impact from the anti-corruption campaign, b) GPO risks on TCM formula granules, and c) intensifying market competition.

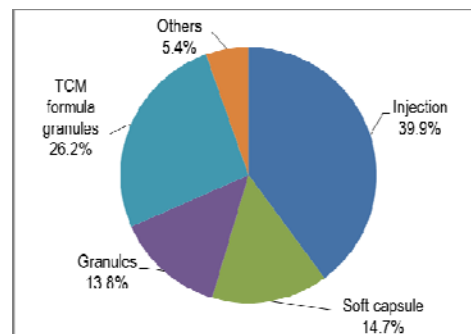
VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of HK\$10.00**, based on 6.2x 2024F PE. The stock is currently trading at an attractive HK\$7.49, at 4.5x 2024F PE, only slightly higher than the net cash/share of HK\$7.03.

SHARE PRICE CATALYSTS

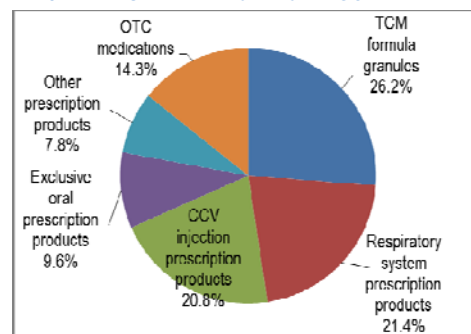
- a) Stronger-than-expected revenue growth from the TCM formula granule business; b) normalisation of business environment to boost sales growth of all segments; and c) potential marketing approval of innovative TCM drugs.

1H23 REVENUE BY SEGMENT



Sources: Shineway, UOB Kay Hian

1H23 REVENUE BY MEDICINE CATEGORY



Sources: Shineway, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	3,950.6	4,923.4	5,958.1	7,159.6
EBITDA	835.8	1,148.6	1,407.9	1,704.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	835.8	1,148.6	1,407.9	1,704.7
Total other non-operating income	81.9	100.0	100.0	100.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.6)	0.0	0.0	0.0
Pre-tax profit	917.0	1,248.6	1,507.9	1,804.7
Tax	(194.3)	(312.2)	(377.0)	(451.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	722.8	936.5	1,130.9	1,353.5
Net profit (adj.)	722.8	936.5	1,130.9	1,353.5

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	1,109.7	782.0	1,221.9	1,158.7
Pre-tax profit	917.0	1,248.6	1,507.9	1,804.7
Tax	(194.3)	(312.2)	(377.0)	(451.2)
Deprec. & amort.	185.9	175.7	170.4	166.4
Working capital changes	301.1	(218.7)	54.3	(227.5)
Non-cash items	(117.2)	(117.2)	(117.2)	(117.2)
Other operating cashflows	17.2	5.7	(16.6)	(16.6)
Investing	(17.9)	(17.9)	(17.9)	(17.9)
Capex (growth)	(150.0)	(150.0)	(150.0)	(150.0)
Investments	87.8	87.8	87.8	87.8
Proceeds from sale of assets	44.2	44.2	44.2	44.2
Others	0.0	0.0	0.0	0.0
Financing	(241.7)	(317.3)	(349.0)	(383.9)
Dividend payments	(241.7)	(317.3)	(349.0)	(383.9)
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	0.0	0.0	0.0
Net cash inflow (outflow)	850.0	446.8	854.9	756.9
Beginning cash & cash equivalent	4,205.7	5,026.3	5,473.0	6,328.0
Changes due to forex impact	(29.5)	0.0	0.0	0.0
Ending cash & cash equivalent	5,026.3	5,473.0	6,328.0	7,084.8

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	1,216.9	1,206.6	1,197.6	1,189.8
Other LT assets	232.5	218.9	209.2	202.3
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	5,026.3	5,473.0	6,328.0	7,084.8
Other current assets	1,756.1	2,305.6	2,624.7	3,303.0
Total assets	8,231.9	9,204.1	10,359.4	11,780.0
ST debt	13.8	13.8	13.8	13.8
Other current liabilities	1,651.8	2,004.8	2,378.3	2,829.2
Other LT liabilities	183.7	183.7	183.7	183.7
Shareholders' equity	6,382.5	7,001.7	7,783.6	8,753.3
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,231.9	9,204.1	10,359.4	11,780.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	21.2	23.3	23.6	23.8
Pre-tax margin	23.2	25.4	25.3	25.2
Net margin	18.3	19.0	19.0	18.9
ROA	9.4	10.7	11.6	12.2
ROE	11.8	14.0	15.3	16.4
Growth				
Turnover	22.6	24.6	21.0	20.2
EBITDA	29.9	37.4	22.6	21.1
Pre-tax profit	27.3	36.2	20.8	19.7
Net profit	29.8	29.6	20.8	19.7
Net profit (adj.)	29.8	29.6	20.8	19.7
EPS	29.8	29.6	20.8	19.7
Leverage				
Debt to total capital	0.2	0.2	0.2	0.2
Debt to equity	0.2	0.2	0.2	0.2
Net debt/(cash) to equity	(78.5)	(78.0)	(81.1)	(80.8)
Interest cover (x)	1,326.6	n.a.	n.a.	n.a.

COMPANY RESULTS

COSCO SHIPPING Holdings (1919 HK)

1H23: Results In Line; Dividend Payout Topping Guided Range

CSH's 1H23 net profit of Rmb16.6b (-74.5% yoy) was in line with our expectations at 52% of our full-year forecast. It declared an interim dividend of Rmb0.51 based on a 50% payout ratio which tops the guided range of 30-50%. Although container shipping sector's outlook remains uncertain in the near- to medium-term, CSH is cheap and currently trading at merely 0.60x 2023F P/B (2.5SD below sector historical mean), offering an outsized yield of 12.5% for 2023. Maintain BUY. Target: HK\$9.71.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H23	1H22	yoy % chg	2H22	hoh % chg	UOBKH 2023F	1H23 as % of 2023F
Revenue	91,843	210,792	(56.4)	180,267	(49.1)	190,888	48.1%
Cost of sales	-72,062	-112,752	(36.1)	-107,829	(33.2)	-150,333	47.9%
Gross profit	19,781	98,040	(79.8)	72,438	(72.7)	40,555	48.8%
Business & admin exp	-4,087	-6,523	(37.3)	-5,273	(22.5)	-10,500	38.9%
Other op inc/exp	2,435	439	455.3	3,878	(37.2)	2,820	
Operating profit	18,129	91,956	(80.3)	71,043	(74.5)	32,875	55.1%
Net interest inc/(exp)	2,352	422	456.7	1,443	63.0	8,128	28.9%
JV/asso. contribution	2,451	1,175	108.7	1,137	115.5	4,654	52.7%
PBT	22,933	93,553	(75.5)	73,623	(68.9)	45,657	50.2%
Net profit	16,561	64,820	(74.5)	44,864	(63.1)	32,057	51.7%
Margins (%)							
GPM	21.5	46.5	-25.0ppt	40.2	-18.6ppt	21.2	
OPM	19.7	43.6	-23.9ppt	39.4	-19.7ppt	17.2	
NPM	18.0	30.8	-12.7ppt	24.9	-6.9ppt	16.8	

Source: CSH, UOB Kay Hian

RESULTS

- 1H23 results in line.** COSCO SHIPPING Holdings' (CSH) 1H23 net profit of Rmb16.6b (down 74.5% yoy) was in line with its preliminary guidance and our expectations, forming 52% of our full-year projection. Revenue declined 56.4% yoy, mainly driven by: a) lower average freight rates (-58.1% yoy), and b) weaker container lifting volume (-8.6% yoy). Business and administrative expenses fell 37% yoy, which we believe was driven by: a) good cost management, and b) a one-off reversal of staff bonus provision made in 2022 at its 71.1%-subsidiary Orient Overseas (316 HK). Excluding the reversal of bonus provision, we believe that CSH's half-year run rate for business and administrative expenses should be in the range of Rmb5.0b-5.5b. Profit contribution of JV/associates rose 109% yoy to Rmb2.5b in 1H23, driven by fresh contribution by the newly-acquired stakes in Shanghai Port and COFCO Fortune (acquisition completed in early-23).
- Interim dividend of Rmb0.51.** The Rmb0.51 dividend declared was based on a 50% payout ratio, topping the 30-50% payout range stipulated in CSH's dividend policy.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	333,694	391,058	181,946	177,855	184,932
EBITDA	141,413	183,401	49,407	30,915	31,696
Operating profit	128,346	162,999	31,375	12,046	12,412
Net profit (rep./act.)	89,349	109,684	29,937	12,912	12,961
EPS (Fen)	555.8	678.5	184.7	79.7	80.0
PE (x)	1.3	1.1	4.0	9.4	9.3
P/B (x)	0.9	0.6	0.6	0.6	0.6
EV/EBITDA (x)	0.8	0.6	2.2	3.4	3.3
Dividend yield (%)	11.7	45.5	12.5	5.4	5.4
Net margin (%)	26.8	28.0	16.5	7.3	7.0
Net debt/(cash) to equity (%)	(58.7)	(76.5)	(41.2)	(36.5)	(36.1)
ROE (%)	101.0	65.8	15.0	6.4	6.3

Source: CSH, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$8.04
Target Price	HK\$9.71
Upside	+20.8%

COMPANY DESCRIPTION

COSCO SHIPPING Holdings is a globally leading integrated container shipping group; it operates the world's fourth-largest container fleet and owns one of the world's largest port/terminal operation and investment platforms.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	1919 HK
Shares issued (m):	3,354.8
Market cap (HK\$m):	161,923.6
Market cap (US\$m):	20,634.6
3-mth avg daily t'over (US\$m):	19.8

Price Performance (%)

52-week high/low	HK\$11.78/HK\$6.87			
1mth	3mth	6mth	1yr	YTD
(2.1)	10.9	(1.2)	(32.8)	1.0

Major Shareholders

COSCO SHIPPING Group	46.9%
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FY23 NAV/Share (Rmb)	12.41
FY23 Net Cash/Share (Rmb)	3.36

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Significant net cash position.** As at end-1H23, CSH had a significant net cash position of Rmb110b on its balance sheet. Excluding the part attributable to non-controlling interests, the net cash position based on CSH's effective ownership amounts to Rmb97b by our estimate. This is more than sufficient to cover CSH's outstanding capital commitment of about Rmb48b, which will be incurred over the next 4-5 years.

STOCK IMPACT

- **Container freight rates have stabilised/ slightly picked up recently.** China Containerised Freight Index (CCFI), a proxy reflecting both spot and contract freight rates, has shown stabilisation in the past few weeks, with the latest reading standing at 895 as of 25 Aug 23. Shanghai Containerised Freight Index (SCFI), a proxy for spot container freight rates, has been hovering between 900-1,050 levels since late-March, with the most recent reading standing at 1,014. These recent readings of CCFI and SCFI, although down 66% and 57% yoy, are still 9% and 25% higher than their respective 2019 average levels.

- **Outlook remains uncertain.** Despite the recent stabilisation of freight rates, we remain cautious about the container shipping outlook, noting the adverse impacts of high inflation and high interest rates on consumer spending. In addition, we reckon that the container shipping sector is likely to face an overcapacity situation in the next two years, as deliveries of new container vessels are expected to reach record levels in 2023-24, with annual gross capacity increase forming 8.2-9.0% of the sector's existing capacity. While old vessel scrapping and possible speed reductions of vessels due to new environmental regulation requirements may take off some surplus capacity, our base case remains that the supply-demand dynamics are likely to stay unfavourable in the near- to medium-term.

- **2H23 profitability is likely weaker hoh.** We expect CSH's 2H23 earnings to be weaker than 1H23, down by about 20% hoh, due to: a) overall lower freight rates (1H23 likely benefited from the tail effects of high contract rates locked in earlier, but not for 2H), and b) normalisation of business and administrative expenses in 2H23 (1H23 benefited from a one-off reversal of staff bonus provision).

- **Implementing share buyback.** In a separate release, CSH announced that the Board has approved a share repurchase plan to repurchase 30m-60m of its A-shares (601919 CN) within three months from 29 Aug 23 through centralised auction. The total number of A-shares to be repurchased accounts for 0.19-0.37% of the CSH's total share capital. The repurchase price would not exceed Rmb12.29/share. In addition to the repurchase of A shares, CSH would simultaneously implement the repurchase of H shares. According to CSH, the rationale for implementing the share repurchases is to promote the consistent valuation between the market prices and inherent value of its shares. This would allow CSH to safeguard its value and shareholders' interests and enhance investors' confidence.

EARNINGS REVISION/RISK

- We lower our 2023/24/25 net profit forecasts 6.6%/2.1%/2.1% as we finetuned our interest income/cost projection.
- **Key risk:** A prolonged container shipping sector downcycle.

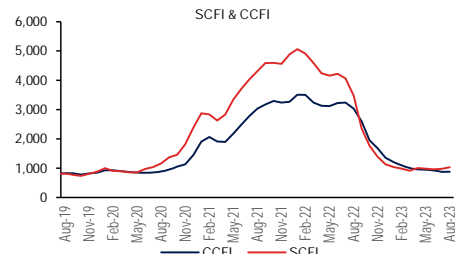
VALUATION/RECOMMENDATION

- **Maintain BUY and target price of HK\$9.71 (cum 1H23 interim dividend).** CSH is currently trading at an attractive valuation of 0.59x 2023F P/B, 2.5SD below the sector's historical mean P/B of 1.03x. Our target price of HK\$9.71 is conservatively based on 0.68x 2023F P/B (pegged to 2SD below sector historical mean), adjusted by adding 1H23 interim dividend. Based on current price, CSH offers an outsized dividend yield of 12.5% for 2023, and sustainable yields of 5.4% in 2024-25 (assuming the 50% payout ratio is maintained).
- **Our target price would be adjusted lower to HK\$9.15** once CSH shares go ex-dividend (date not yet announced, to be provided by the company later).

SHARE PRICE CATALYST

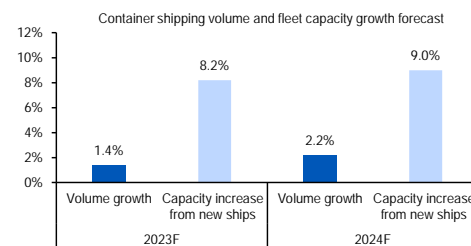
- a) Earnings-/valuation-accretive M&As, and b) possible special dividend in future.

CONTAINER FREIGHT RATES STABILISED/SLIGHTLY PICKED UP RECENTLY



Source: Shanghai Shipping Exchange

CONTAINER THROUGHPUT GROWTH VS ADDITIONAL CAPACITY FROM NEW SHIPS



Source: Alphaliner

VALUATION

BVPS (Rmb), 2023F	Rmb12.41
BVPS (HK\$), 2023F	HK\$13.54
assigned P/B multiple	0.68x
Target price (ex 1H23 interim dividend)	HK\$9.16
Add: 2023 interim (declared)	HK\$0.56
Target price (cum 1H23 interim dividend)	HK\$9.71

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	391,058	181,946	177,855	184,932
EBITDA	183,401	49,407	30,915	31,696
Deprec. & amort.	20,402	18,031	18,868	19,285
EBIT	162,999	31,375	12,046	12,412
Total other non-operating income	0	0	0	0
Associate contributions	2,312	4,678	3,939	4,093
Net interest income/(expense)	1,865	5,036	2,162	1,747
Pre-tax profit	167,176	41,089	18,148	18,252
Tax	(35,759)	(5,826)	(2,273)	(2,265)
Minorities	(21,733)	(5,327)	(2,962)	(3,025)
Net profit	109,684	29,937	12,912	12,961

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	177,139	184,457	190,939	197,004
Other LT assets	73,498	82,281	83,310	84,393
Cash/ST investment	236,865	104,960	94,589	96,492
Other current assets	24,278	19,372	22,953	23,855
Total assets	511,780	391,070	391,791	401,744
ST debt	20,937	12,888	12,888	12,888
Other current liabilities	138,527	59,138	55,454	57,401
LT debt	72,789	38,030	38,030	38,030
Other LT liabilities	26,003	26,003	26,003	26,003
Shareholders' equity	200,383	199,739	202,663	209,156
Minority interest	53,141	55,271	56,753	58,265
Total liabilities & equity	511,780	391,070	391,791	401,744

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	193,764	(30,903)	21,376	30,476
Pre-tax profit	167,176	41,089	18,148	18,252
Tax	(35,759)	(5,826)	(2,273)	(2,265)
Deprec. & amort.	20,402	18,031	18,868	19,285
Associates	(2,312)	(4,678)	(3,939)	(4,093)
Working capital changes	42,251	(74,483)	(7,265)	1,045
Non-cash items	3,871	(1)	0	0
Other operating cashflows	(1,865)	(5,036)	(2,162)	(1,747)
Investing	(29,397)	(10,164)	(7,241)	(7,556)
Capex (maintenance)	(14,000)	(14,000)	(14,000)	(14,000)
Investments	(15,397)	3,836	6,759	6,444
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(106,700)	(90,838)	(24,506)	(21,018)
Dividend payments	(46,121)	(30,580)	(9,988)	(6,468)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(30,526)	(42,808)	0	0
Others/interest paid	(30,054)	(17,451)	(14,518)	(14,549)
Net cash inflow (outflow)	57,667	(131,906)	(10,371)	1,902
Beginning cash & cash equivalent	177,947	235,614	103,708	93,338
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	235,614	103,708	93,338	95,240

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	46.9	27.2	17.4	17.1
Pre-tax margin	42.7	22.6	10.2	9.9
Net margin	28.0	16.5	7.3	7.0
ROA	23.7	6.6	3.3	3.3
ROE	65.8	15.0	6.4	6.3
Growth				
Turnover	17.2	(53.5)	(2.2)	4.0
EBITDA	29.7	(73.1)	(37.4)	2.5
Pre-tax profit	30.6	(75.4)	(55.8)	0.6
Net profit	22.8	(72.7)	(56.9)	0.4
EPS	22.1	(72.8)	(56.9)	0.4
Leverage				
Debt to total capital	27.0	16.6	16.4	16.0
Debt to equity	46.8	25.5	25.1	24.3
Net debt/(cash) to equity	(76.5)	(41.2)	(36.5)	(36.1)

COMPANY RESULTS

Ganfeng Lithium (1772 HK)

2Q23: Report Profit Beats On One-off Gains, Core Earnings In Line

GFL's 2Q23 net profit came in above our estimate at Rmb3,454m (-7% yoy/+44% qoq). Stripping out one-off items, 2Q23 core net profit came as we expected but below consensus forecast at Rmb1,975m (-60% yoy/-8% qoq). Looking ahead, we expect GFL's earnings to continue being dragged by falling lithium carbonate prices, given the increasing oversupply. We cut our 2023-25 core net profit forecasts by 1-3%. Maintain SELL. Target price: HK\$33.00.

2Q23 RESULTS

Year to 31 Dec (Rmbm)	2Q23	yoy % chg	qoq % chg	1H23	yoy % chg
Revenue	8,707	(4.1)	(7.7)	18,145	25.6
Gross profit	578	(88.8)	(83.6)	4,101	(53.1)
Gross margin (%)	6.6	(50.3)	(30.7)	22.6	(37.9)
EBIT	560	(87.9)	(81.2)	3,534	(54.5)
EBIT margin (%)	6.4	(44.7)	(25.1)	19.5	(34.3)
Net profit	3,454	(7.4)	44.1	5,850	(19.3)
Net profit (adj)	1,975	(59.9)	(7.7)	4,113	(48.8)
Net margin (%)	22.7	(31.6)	0.0	22.7	(32.9)

Source: Ganfeng

RESULTS

- Ganfeng Lithium (GFL) registered Rmb3,454m in net profit (-7% yoy/+44% qoq) in 2Q23, above our estimate and in line with consensus', due to one-off gains.** 1H23 net profit tumbled by 19% yoy to Rmb5,850m, compared with our estimated 2023 net profit of Rmb7,294m and consensus 2023 net profit of Rmb12.8b.
- Stripping out one-off items, core net profit came in as we expected but below consensus forecast at Rmb1,975m (-60%yoy/-8%qoq),** despite the rebound in lithium carbonate prices during 2Q23. 1H23 core net profit plummeted by 49% yoy to Rmb4,113m.
- Revenue** declined 4% yoy and 8% qoq to Rmb8,707m in 2Q23 but grew 26% yoy to Rmb18,145m in 1H23. Segment-wise, revenue of lithium chemicals in 1H23 grew 13% yoy to Rmb13.7b, based on sales volume of over 30,000 tonnes lithium carbonate equivalent (LCE), flat yoy. Revenue of lithium batteries surged 117% yoy to Rmb4.09b in 1H23.
- However, gross margin in 2Q23 dropped by 50ppt yoy and 31ppt qoq to 6.6%,** bringing 1H23 gross margin to 22.6% (-37.9ppt yoy). The severe gross margin contraction in 1H23 was due to a plunge in lithium carbonate prices and the sustained high cost of spodumene concentrate (SC6).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	11,162	41,823	31,229	33,711	36,507
EBITDA	3,934	18,915	5,526	5,689	5,051
Operating profit	3,550	18,391	4,859	4,903	4,159
Net profit (rep./act.)	5,228	20,504	8,892	6,746	5,857
Net profit (adj.)	2,907	19,952	7,050	6,746	5,857
EPS (fen)	363.7	1,016.5	461.5	350.1	304.0
PE (x)	9.6	3.4	7.6	10.0	11.5
P/B (x)	2.3	1.6	1.3	1.2	1.1
EV/EBITDA (x)	17.8	3.7	12.6	12.3	13.8
Dividend yield (%)	0.9	2.9	2.0	1.5	1.3
Net margin (%)	26.0	47.7	22.6	20.0	16.0
Net debt/(cash) to equity (%)	0.2	6.5	5.2	6.6	8.2
Interest cover (x)	19.5	n.a.	8.5	8.5	7.2
ROE (%)	17.8	60.5	14.8	12.6	10.0
Consensus net profit	-	-	12,815	12,304	16,067
UOBKH/Consensus (x)	-	-	0.55	0.55	0.36

Source: Ganfeng Lithium, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	HK\$40.15
Target Price	HK\$33.00
Upside	-17.8%

COMPANY DESCRIPTION

Ganfeng Lithium Co Ltd researches and produces lithium products. The Company produces and sells lithium metal, lithium aluminium hydride, lithium fluoride, lithium chloride, and other chemical products of lithium. Ganfeng Lithium also exports lithium products.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	1772 HK
Shares issued (m):	288
Market cap (Rmbm):	11,574
Market cap (US\$m):	1,493
3-mth avg daily t'over (US\$m):	15.8

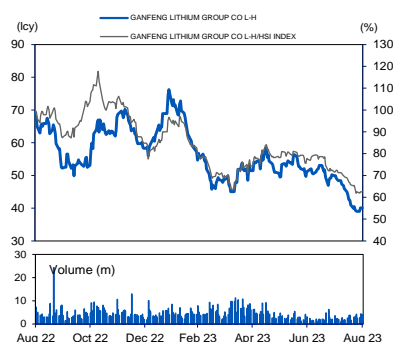
Price Performance (%)

52-week high/low	HK\$91.45/HK\$45.40			
1mth	3mth	6mth	1yr	YTD
(20.1)	(20.6)	(26.6)	(44.4)	(31.1)

Major Shareholders

	%
Li Liangbin	13.4
Wang Xiaoshen	5.00
FY23 NAV/Share (Rmb)	21.4
FY23 Net Debt/Share (Rmb)	1.6

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **We cut our 2023-25 sales volume estimates for lithium chemicals by 8%/8%/8% to 117,000/152,000/197,000 tonnes LCE respectively**, based on lower-than-expected 1H23 sales volume of over 30,000 tonnes and management's guidance of not more than 120,000 tonnes LCE in sales volume for 2023. However, considering the tripling of production capacity from 100,000 tonnes per annum (tpa) of LCE currently to 300,000 tpa LCE by 2025 with the launches of multiple new projects, including: a) the Mount Marion project, b) the Cauchari-Olaroz project, c) the Mariana project, d) the Goulamina project in Mali, e) the PPG brine project, f) the Sonora project, and g) the open-pit clay mine project in Mexico, we expect sales volume will increase from 2023 to 2025.
- **We keep our 2023-25 ASP assumptions for lithium carbonate at Rmb178,000/tonne, Rmb142,000/tonne and Rmb114,000/tonne respectively**, based on the faster-than-expected drop in lithium carbonate prices ytd and the increasing oversupply of lithium worldwide. Lithium carbonate prices have plummeted by nearly 64% from the record of Rmb590,000/tonne in Nov 22 to Rmb213,500/tonne currently. Global lithium supply is expected to grow from 760,000 tonnes of LCE in 2022 to >1.2m tonnes/>1.5m tonnes/>2m tonnes of LCE in 2023/24/25 respectively, and global supply-demand balance of lithium will reverse from a deficit of 4-5% of demand in 2022 to 4-5% surplus in 2023 and >10% surplus in 2024-25. Adding to the oversupply will be the recycling of lithium and the development of sodium-ion batteries, which will respectively reduce 6% and one-thirds in total demand for lithium in 2-3 years, based on our estimates.
- **We raise our 2023-25 sales volume estimates of Lithium-ion batteries by 54%/54%/54% to 371m/483m/627m units**, based on the doubling sales revenue of LIB in 1Q23 and management's guidance. In addition, a new battery production line was put into operation in 1H23, supporting its sales volume increase.
- **We cut our 2023 gross margin assumption by 1ppt to 21.7%, and keep 2024-25 gross profit at 19.9%/16.8% respectively**, based on the drop in gross margin in 2Q23. We believe gross margin in 2H23 will be lower than that in 1H23, due to the prospective further drop in lithium carbonate prices. We expect lithium carbonate prices to drop to below Rmb200,000/tonne before end-23.

EARNINGS REVISIONS/RISKS

- **We cut our core net profit forecasts for 2023-25 by 3%/1%/2% to Rmb7,050m/Rmb6,746m/Rmb5,857m respectively**, based on lower sales volume and lower ASP of lithium carbonate.
- **We raise our forecast on 2023 reported net profit forecast by 23% to Rmb8,892m** based on one-off gains of Rmb1.7b registered in 1H23.

RECOMMENDATION

- **Maintain SELL and keep target price at HK\$33.00**, based on our 10-year DCF (WACC: 20%; long-term lithium carbonate price: Rmb200,000/tonne; terminal growth: 4%). Our target price implies 8.6x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	41,823	31,229	33,711	36,507
EBITDA	18,915	5,526	5,689	5,051
Depreciation & amortization	(524)	(667)	(786)	(892)
EBIT	18,391	4,859	4,903	4,159
Total other non-operating income	308	1,288	-	-
Associate contributions	3,997	4,000	3,600	3,300
Net interest income/(expense)	83	(575)	(575)	(575)
Pre-tax profit	22,779	9,572	7,928	6,884
Tax	(2,318)	(689)	(1,189)	(1,033)
Minorities	43	9	7	6
Net profit	20,504	8,892	6,746	5,857
Net profit (recurrent)	19,952	7,050	6,746	5,857

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	12,491	6,191	4,155	3,629
Pre-tax profit	22,779	9,572	7,928	6,884
Tax	(2,318)	(689)	(1,189)	(1,033)
Depreciation/amortization	524	667	786	892
Associates	(3,997)	(4,000)	(3,600)	(3,300)
Working capital changes	(4,685)	1,354	(345)	(389)
Non-cash items	188	(713)	575	575
Other operating cashflows	-	-	-	-
Investing	(15,312)	(3,350)	(3,350)	(3,350)
Capex (growth)	(4,950)	(3,350)	(3,350)	(3,350)
Investments	(4,208)	-	-	-
Proceeds from sale of assets	1,513	-	-	-
Others	(7,667)	-	-	-
Financing	6,405	(2,592)	(1,908)	(1,586)
Dividend payments	(680)	(2,592)	(1,908)	(1,586)
Issue of shares	414	-	-	-
Proceeds from borrowings	10,580	12,000	12,000	12,000
Loan repayment	(3,342)	(12,000)	(12,000)	(12,000)
Others/interest paid	(567)	-	-	-
Net cash inflow (outflow)	3,583	250	(1,104)	(1,307)
Beginning cash & cash equivalent	5,234	9,073	9,323	8,219
Changes due to forex impact	256	-	-	-
Ending cash & cash equivalent	9,073	9,323	8,219	6,912

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	14,374	17,041	19,588	22,031
Other LT assets	32,820	38,124	41,740	45,056
Cash/ST investment	9,073	9,323	8,219	6,912
Other current assets	22,893	22,158	24,035	26,428
Total assets	79,160	86,645	93,582	100,426
ST debt	3,631	3,631	3,631	3,631
Other current liabilities	15,024	15,643	17,175	19,180
LT debt	9,163	9,163	9,163	9,163
Other LT liabilities	2,475	2,475	2,475	2,475
Shareholders' equity	44,043	50,918	56,330	61,175
Minority interest	4,823	4,815	4,808	4,802
Total liabilities & equity	79,160	86,645	93,582	100,426

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	45.2	17.7	16.9	13.8
Pretax margin	54.5	30.7	23.5	18.9
Net margin	47.7	22.6	20.0	16.0
ROA	33.8	8.5	7.5	6.0
ROE	60.5	14.8	12.6	10.0
Growth				
Turnover	274.7	(25.3)	7.9	8.3
EBITDA	380.9	(70.8)	3.0	(11.2)
Pre-tax profit	294.5	(58.0)	(17.2)	(13.2)
Net profit	292.2	(56.6)	(24.1)	(13.2)
Net profit (adj)	586.3	(64.7)	(4.3)	(13.2)
EPS	179.5	(54.6)	(24.1)	(13.2)
Leverage				
Debt to total capital	16.2	14.8	13.7	12.7
Debt to equity	29.0	25.1	22.7	20.9
Net debt to equity	6.5	5.2	6.6	8.2
Interest cover (x)	n.a.	8.5	8.5	7.2

COMPANY RESULTS

Haidilao International Holding Ltd (6862 HK)

1H23: In Line; Higher Table Turnover In 2H23

Haidilao's 1H23 results were in line with its profit alert. Going into 2H23, we expect new store openings to remain selective and table turnover rate to improve, thanks to the company's emphasis on menu, service and store innovations, as well as the upcoming holiday peak. Management guided for stable gross margin and staff cost ratio could improve on better operating efficiency. Maintain BUY. Target price: HK\$26.00.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H23	1H22	2H22	yoy %	hoh%
Revenue	18,886	15,155	15,883	24.6%	18.9%
Gross profit	11,201	8,679	9,453	29.1%	18.5%
Gross profit margin	59.3%	57.3%	59.5%	2.0ppt	-0.2ppt
EBIT	2,754	451	1,788	510.8%	54.0%
EBIT margin	14.6%	3.0%	11.3%	11.6ppt	3.3ppt
Attributable net profit	2,258	73	1,565	2981.7%	44.3%
Attributable net profit margin	12.0%	0.5%	9.9%	11.5ppt	2.1ppt

Source: Haidilao, UOB Kay Hian

RESULTS

- Results in line with profit alert.** Haidilao International (Haidilao) reported 1H23 revenue of Rmb18.9b (+24.6% yoy) and net profit of Rmb2.3b, in line with earlier profit alert guidance of at least Rmb18.8b in revenue and no less than Rmb2.2b in net profit. Gross margin was up 2.0ppt yoy in 1H23 on a low base (ie occupancy/diners per table was still restricted in 1H22). EBIT margin was up 11.3ppt yoy mainly due to lower staff cost ratio at 30.5% (-4.5ppt yoy).
- Net opening of 11 restaurants in 1H23.** The total number of Haidilao restaurants was 1,382 as of end-Jun 23. In 1H23, it opened five new restaurants, reopened 24 restaurants that were previously suspended and closed 18 under-performing restaurants.
- Decline in average spending per guest.** The total number of guests served was up by 27.9% yoy to 174.3m, per our estimate. Average spending per guest was down to Rmb102.90 (-2% yoy) in 1H23 given the promotions and a high base due to dining-in restrictions.
- Same-store sales (SSS) was up 12.3% yoy in 1H23,** while same-store table turnover rate was 3.5x (vs 2.9x in 1H22). By region, same-store table turnover rate was 3.6x/3.5x/3.3x in Tier 1/2/3 cities and 4.1x in the HK, Macau and Taiwan regions.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	39,097	31,039	42,432	48,213	54,978
EBITDA	4,049	5,003	7,392	8,858	10,209
Operating profit	666	2,239	5,472	6,378	7,597
Net profit (rep./act.)	(3,250)	1,638	4,015	4,823	5,762
Net profit (adj.)	(3,250)	1,638	4,015	4,823	5,762
EPS (sen)	(61.2)	30.3	72.0	86.5	103.4
PE (x)	n.m.	66.1	27.8	23.1	19.4
P/B (x)	14.1	15.0	10.2	7.8	6.0
EV/EBITDA (x)	26.6	21.5	14.6	12.2	10.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(8.3)	5.3	9.5	10.0	10.5
Net debt/(cash) to equity (%)	115.4	43.8	(34.6)	(51.8)	(76.3)
Interest cover (x)	6.9	10.6	21.8	44.3	50.7
ROE (%)	n.a.	21.3	43.8	38.1	35.0
Consensus net profit	-	-	3,878	4,726	5,488
UOBKH/Consensus (x)	-	-	1.04	1.02	1.05

Source: Haidilao, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$21.55
Target Price	HK\$26.00
Upside	+20.6%

COMPANY DESCRIPTION

Haidilao operates hotpot restaurants in Mainland China, HK, Taiwan, Singapore, US, South Korea and Japan. It also taps into condiment sales and delivery business.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	6862 HK
Shares issued (m):	5,574.0
Market cap (HK\$m):	120,119.7
Market cap (US\$m):	15,307.3
3-mth avg daily t'over (US\$m):	41.1

Price Performance (%)

52-week high/low HK\$24.35/HK\$11.21

1mth	3mth	6mth	1yr	YTD
10.6	27.4	(0.7)	28.4	(3.8)

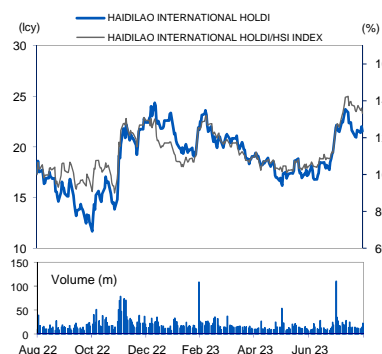
Major Shareholders

	%
NP United	32.33
ZY NP Ltd.	20.61

FY23 NAV/Share (Rmb) 1.69

FY23 Net Debt/Share (Rmb) 0.28

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Emphasis on innovation amid slow new store openings.** Management reiterated its selective approach in store openings and emphasised “innovation” during the call, by targeting product offerings, services and customised store design. The company has reduced its store management radius based on region in 1H23 and kept its appraisal system unchanged, focusing on on-site service, product presentation, environmental hygiene and food safety. Ytd, Haidilao has offered brief resting area and free shuttle buses services, as well as an upgraded supper consumption scene. We think these innovations are crucial to grab customers’ attention, and with the upcoming holidays, we believe table turnover could improve to 3.9x in 2H23. Management is targeting for table turnover to improve to 2019’s level of 4.8x.
- Gross margin to remain stable; staff cost ratio could further improve.** The company guided for a stable gross margin outlook, vs 57-59% in the past. Per management, excluding the impact from new store expansion, the staff cost ratio would be 28-29% in 2019, vs the reported 30.1%. We expect staff cost ratio at 29.5% in 2H23, which could further improve in 2024, given: a) higher operating efficiency as it raised store commission rate from 6% to 20%, b) process enhancement, offset by c) higher number of staff as sales pick up. Depreciation and amortisation (D&A) cost declined by 11.2% yoy in 1H23 as D&A for nearly 200 stores had been fully charged previously. Management explained that its store’s D&A expense is averaged across five years while it takes an average 7-8 years before a store goes to renovation. Hence, we expect D&A costs to stay low in 2023 with: a) the slow new store opening, and b) lower investment for “reopened stores”.
- Decline in average spending per guest was in line with macro trend.** Haidilao shared that its market share was around 4-5% in the Chinese cuisine with ticket size of Rmb100-Rmb150, based on an industry report. The decline in average spending per customer was in line with the macro environment and China’s CPI of +0.7% in 1H23 (vs 3-5% in previous years). In terms of customer base, it sees growing trend in younger generations, as it promoted more heavily on social media platforms and ventured into innovative services.

EARNINGS REVISION/RISK

- No earnings revision.**
- Risks.** a) Lower-than-expected table turnover rate growth, and b) higher-than-expected staff cost expense.

VALUATION/RECOMMENDATION

- We maintain BUY with unchanged target price of HK\$26.00.** Our target price of HK\$26.00 implies 32.5x 2023F PE and 27.0x 2024F PE.

OVERALL OPERATIONAL PERFORMANCES

Number of restaurants	1H23	1H22	hoh chg.
Tier 1 cities	233	238	-5
Tier 2 cities	542	521	21
Tier 3 cities and below	585	551	34
Mainland China	1,360	1,310	50
HK, Macao, and Taiwan region	22	22	0
Total	1,382	1,332	50

Table turnover rate (times/day)	1H23	1H22	yoy chg.
Tier 1 cities	3.4	3.0	13.3%
Tier 2 cities	3.5	3.0	16.7%
Tier 3 cities and below	3.2	2.8	14.3%
Mainland China restaurants	3.3	2.9	13.8%
HK, Macao, and Taiwan region	4.1	3.1	32.3%
Newly-opened restaurants	2.9	2.2	31.8%
Existing restaurants	3.3	2.9	13.8%
Overall	3.3	2.9	13.8%

Average spending per guest (Rmb)	1H23	1H22	yoy chg.
Tier 1 cities	110.3	117.4	-6.0%
Tier 2 cities	101.8	104.3	-2.4%
Tier 3 cities and below	96.1	97.8	-1.7%
Mainland China restaurants	100.9	103.5	-2.5%
HK, Macao, and Taiwan region	205.5	194.6	5.6%
Overall	102.9	105.0	-2.0%

Source: Haidilao, UOB Kay Hian

SAME-STORE PERFORMANCES

Table turnover rate (times/day)	1H23	1H22	yoy chg.
Tier 1 cities	3.6	3.1	16.1%
Tier 2 cities	3.5	3.0	16.7%
Tier 3 cities and below	3.3	2.9	13.8%
HK, Macao, and Taiwan region	4.1	3.2	28.1%
Overall	3.5	2.9	20.7%

Average SSS per day (Rmb'000)	1H23	1H22	yoy chg.
Tier 1 cities	82.6	75.4	9.5%
Tier 2 cities	77.8	69.4	12.1%
Tier 3 cities and below	72.4	65.8	10.0%
HK, Macao, and Taiwan region	167.6	116.0	44.5%
Overall	77.7	69.2	12.3%

Source: Haidilao, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	31,038.6	42,432.3	48,212.9	54,978.1
EBITDA	5,002.8	7,391.6	8,858.0	10,208.6
Deprec. & amort.	2,763.6	1,920.0	2,480.0	2,611.2
EBIT	2,239.2	5,471.6	6,378.0	7,597.4
Total other non-operating income	286.9	0.0	0.0	0.0
Associate contributions	65.4	65.4	65.4	65.4
Net interest income/(expense)	(473.9)	(339.4)	(199.9)	(201.5)
Pre-tax profit	2,117.6	5,197.6	6,243.6	7,461.3
Tax	(480.3)	(1,179.0)	(1,416.2)	(1,693.7)
Minorities	1.2	(3.6)	(4.3)	(5.2)
Net profit	1,638.5	4,015.1	4,823.0	5,762.4
Net profit (adj.)	1,638.5	4,015.1	4,823.0	5,762.4

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	5,644.8	4,204.8	4,204.8	3,225.6
Other LT assets	5,287.8	5,381.7	5,475.5	5,569.4
Cash/ST investment	6,621.2	8,944.9	12,322.1	19,385.0
Other current assets	3,885.4	5,742.5	6,417.6	7,109.4
Total assets	21,439.2	24,273.8	28,420.0	35,289.4
ST debt	3,303.8	3,029.1	1,412.6	2,279.4
Other current liabilities	3,928.3	7,999.1	8,966.2	11,303.9
LT debt	6,574.1	2,143.8	3,459.2	2,975.0
Other LT liabilities	176.9	176.9	176.9	176.9
Shareholders' equity	7,443.2	10,908.4	14,384.2	18,528.2
Minority interest	12.9	16.5	20.9	26.1
Total liabilities & equity	21,439.2	24,273.8	28,420.0	35,289.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	6,152.3	8,287.9	7,504.2	9,846.6
Pre-tax profit	1,913.8	5,197.6	6,243.6	7,461.3
Tax	(352.7)	(1,179.0)	(1,416.2)	(1,693.7)
Deprec. & amort.	2,763.6	1,920.0	2,480.0	2,611.2
Associates	93.6	(65.4)	(65.4)	(65.4)
Working capital changes	515.0	2,213.7	292.0	1,645.8
Other operating cashflows	1,218.9	201.0	(29.8)	(112.6)
Investing	(756.9)	1,637.8	(2,278.8)	(1,346.4)
Capex (growth)	(825.1)	(480.0)	(2,480.0)	(1,632.0)
Investments	(604.3)	0.0	0.0	0.0
Others	672.4	2,117.8	201.2	285.6
Financing	(4,987.5)	(7,602.0)	(1,848.2)	(1,437.3)
Dividend payments	0.0	(549.8)	(1,347.3)	(1,618.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	1,171.9	576.0	2,728.0	1,795.2
Loan repayment	(4,833.2)	(7,288.8)	(3,029.1)	(1,412.6)
Others/interest paid	(1,326.3)	(339.4)	(199.9)	(201.5)
Net cash inflow (outflow)	407.9	2,323.7	3,377.2	7,062.9
Beginning cash & cash equivalent	5,766.8	6,621.2	8,944.9	12,322.1
Changes due to forex impact	446.6	0.0	0.0	0.0
Ending cash & cash equivalent	6,621.2	8,944.9	12,322.1	19,385.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.1	17.4	18.4	18.6
Pre-tax margin	6.8	12.2	13.0	13.6
Net margin	5.3	9.5	10.0	10.5
ROA	6.6	17.6	18.3	18.1
ROE	21.3	43.8	38.1	35.0
Growth				
Turnover	(20.6)	36.7	13.6	14.0
EBITDA	23.5	47.8	19.8	15.2
Pre-tax profit	n.a.	145.4	20.1	19.5
Net profit	n.a.	145.0	20.1	19.5
Net profit (adj.)	n.a.	145.0	20.1	19.5
EPS	n.a.	138.1	20.1	19.5
Leverage				
Debt to total capital	57.0	32.1	25.3	22.1
Debt to equity	132.7	47.4	33.9	28.4
Net debt/(cash) to equity	43.8	(34.6)	(51.8)	(76.3)
Interest cover (x)	10.6	21.8	44.3	50.7

COMPANY RESULTS

Midea Group (000333 CH)

1H23: Results Slightly Beat; Demand Continues To Be Lukewarm

Midea's 1H23 results slightly beat the street's estimate. We expect home appliance demand to continue being lukewarm in 2H23, especially for air conditioners, given the earlier unleashing of consumer demand from the summer season. We think there are limited catalysts for the company in the near term. Maintain BUY with an unchanged target price of Rmb67.30.

2Q23/1H23 RESULTS

Year to 31 Dec (Rmbm)	2Q23	1Q23	2Q22	qoq chg (%)	yoy chg (%)	1H23	1H22	yoy chg (%)
Total revenue	101,159	96,636	92,725	4.7	9.1	197,796	183,663	7.7
Gross profit	27,004	23,516	22,637	14.8	19.3	50,519	43,239	16.8
Gross profit margin	26.7%	24.3%	24.4%	2.4ppt	2.3ppt	25.5%	23.5%	2.0ppt
EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	24,044	20,353	18.1
EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	12.2%	11.1%	1.1ppt
Net profit	9,979	7,673	8,698	30.1	14.7	17,652	15,692	12.5
Net profit margin	9.9%	7.9%	9.4%	1.9ppt	0.5ppt	8.9%	8.5%	0.4ppt

Source: Midea Group, UOB Kay Hian

RESULTS

• **1H23 earnings slightly beat by 1%.** Midea Group (Midea) reported 1H23 revenue of Rmb197,796m (+8% yoy), beating market consensus by 1%. Gross margin was 25.5% (+2.0ppt yoy), benefitting from product price hikes and premiumisation. EBITDA was Rmb24,044m (+18% yoy) and EBITDA margin was 12.2% (+1.1ppt yoy) due to higher SG&A expenses (+0.8ppt yoy) and R&D expenses (+0.1ppt yoy). Net profit was Rmb17,652m (+13% yoy), beating market consensus by 1%. Net profit margin was 8.9% (+0.4ppt yoy). In 2Q23, revenue was Rmb101,159m (+9% yoy, +5% qoq). Gross margin was 26.7% (+2.3ppt yoy, +2.4ppt qoq). Net profit was Rmb9,979 (+15% yoy, +30% qoq), and net profit margin was 9.9% (+0.5ppt yoy, +1.9ppt qoq).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	343,361	345,709	378,345	407,166	437,569
EBITDA	31,095	36,748	40,833	45,669	49,959
Operating profit	27,504	32,526	36,130	40,016	43,602
Net profit (rep./act.)	28,574	29,554	33,626	37,411	41,371
Net profit (adj.)	28,574	29,554	33,626	37,411	41,371
EPS (Fen)	409.0	422.4	478.8	532.8	589.2
PE (x)	13.9	13.5	11.9	10.7	9.6
P/B (x)	3.2	2.8	2.5	2.3	2.1
EV/EBITDA (x)	13.0	11.0	9.9	8.9	8.1
Dividend yield (%)	0.0	0.0	0.1	0.1	0.1
Net margin (%)	8.3	8.5	8.9	9.2	9.5
Net debt/(cash) to equity (%)	(36.1)	3.7	(1.9)	(8.0)	(13.8)
ROE (%)	23.6	22.1	22.4	22.6	22.4
Consensus net profit	-	-	33,265	36,796	40,495
UOBKH/Consensus (x)	-	-	1.01	1.02	1.02

Source: Midea Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb56.82
Target Price	Rmb67.30
Upside	+18.4%

COMPANY DESCRIPTION

Midea Group was established in 1968. After 30 years of development, Midea Group has become a large-scale comprehensive modern enterprise group and its main area of business is household electrical compliance and also involved in real estate mark, logistics and other areas.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	000333 CH
Shares issued (m):	7,023.0
Market cap (Rmbm):	399,046.0
Market cap (US\$m):	54,753.1
3-mth avg daily t'over (US\$m):	197.3

Price Performance (%)

52-week high/low	Rmb59.74/Rmb40.18			
1mth	3mth	6mth	1yr	YTD
(4.9)	8.6	8.3	8.6	9.7

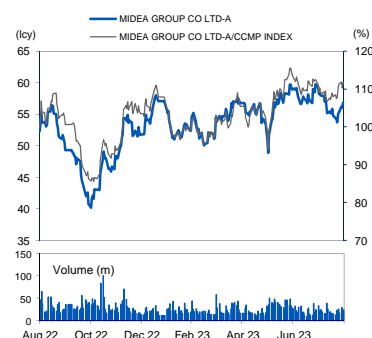
Major Shareholders

Midea Holding	31.51%
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FY23 NAV/Share (Rmb) 22.32

FY23 Net Cash/Share (Rmb) 0.43

PRICE CHART



Source: Bloomberg

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SEGMENTAL INFORMATION

Year to 31 Dec (Rmbm)	1H23	2H22	1H22	hoh chg (%)	yoy chg (%)
Revenue - by product category					
HVAC	92,007	67,398	83,236	37	10.5
Consumer appliances	68,136	58,950	66,335	16	2.7
Robotics and automation systems	16,240	16,668	13,259	(3)	22.5
Others	6,302	n.a.	4,666	n.a.	35.1
Gross Profit Margin					
HVAC	23.4%	25.0%	21.1%	-1.7ppt	2.3ppt
Consumer appliances	32.0%	31.3%	29.2%	0.7ppt	2.8ppt
Robotics and automation systems	23.3%	20.7%	21.2%	2.6ppt	2.1ppt
Others	11.5%	n.a.	7.0%	n.a.	4.5ppt
Revenue - by geographical segments					
PRC	116,452	96,450	104,822	21	11.1
Outside PRC	80,536	64,806	77,839	24	3.5
Gross Profit Margin					
PRC	24.9%	25.9%	23.6%	-1.1ppt	1.3ppt
Outside PRC	25.8%	24.9%	22.5%	0.9ppt	3.3ppt

Source: Midea Group, UOB Kay Hian

STOCK IMPACT

- Leading position further consolidated.** In 1H23, Midea's home appliances segment recorded revenue of Rmb160.1b in total, up by 7% yoy (HVAC: Rmb92.0b, +11% yoy, other consumer appliances: Rmb68.1b, +3% yoy). Midea maintained its leading position in China's home appliances sector, with market share (in terms of retail sales) of residential air conditioners, refrigerators and washing machines standing at 36%/15%/25% (vs 34%/14%/26% in 1H22) respectively. In addition, the company further consolidated its presence in China's high-end home appliances market. In 1H23, the retail sales of its premium brands "COLMO+TOSHIBA" increased by 22% yoy, with COLMO water dispensers/water purifiers/floor-standing air conditioners/dishwashers occupying more than 65%/20%/20%/13% of the offline high-end market.
- Expect home appliances demand to stay lukewarm.** Home appliances' retail sales weakened since July, given the unleashing of consumer demand earlier this year, especially air conditioner demand due to high temperatures. According to AVC, in Jul 23, offline retail sales of air conditioners, refrigerators and washing machines declined by 21%/7%/3% yoy (vs changes of +8%/-1%/-6% yoy in 1H23), while online retail sales of the three white goods declined by 14%/5%/18% (vs changes of +36%/+6%/-8% yoy in 1H23) respectively. Going forward, we expect home appliances demand to remain lukewarm. This is also mirrored by market players' production schedules. According to China IOL, the planned production volumes of air conditioners, refrigerators, and washing machines for domestic market decline by 10%/4%/19% yoy in Sep 23 (on the basis of the actual production volumes during the same period last year) and by 3%/6%/18% in October respectively.
- ToB (to business) expansion on track.** In 1H23, Midea's industrial technology business group, building technologies division, and robotics & automation division recorded revenue of Rmb13.6b (+12% yoy), Rmb14.8b (+21% yoy), and Rmb15.2b (+24% yoy) respectively. The company expects the revenue of building technologies business to reach US\$10b (vs currently around US\$3b) and EBIT contribution of robotics & automation business to reach higher than 5% (vs currently low-single-digit) in the next five years.

EARNINGS REVISION/RISK

- Earnings forecasts remain unchanged.**

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of Rmb67.30.** We are positive on Midea in the long term given its leading position in the home appliances sector, the continued home appliance premiumisation as well as its ToB business expansion. However, in the short term, we think there are limited catalysts for the company. We maintain BUY and target price of Rmb67.30. The stock currently trades at 11.9x 2023F PE, 1SD below its five-year average PE.

DCF VALUATION

Appliance segment (Rmbm)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	36,131	40,017	43,603	47,363	51,477	55,988	60,945	66,405	72,433	79,104	86,507
D&A	4,863	5,813	6,517	7,330	8,267	9,347	10,589	12,018	13,660	15,547	17,715
Capex	-8,207	-8,618	-9,048	-9,501	-9,976	-10,475	-10,998	-11,548	-12,126	-12,732	-13,369
W.C. change	1,576	1,802	1,849	1,419	1,040	1,102	1,166	1,232	1,299	1,366	1,432
FCFF	29,044	33,124	36,502	39,639	43,231	47,720	52,730	58,331	64,604	71,641	79,551
NPV of FCFF	29,044	28,795	27,585	26,040	24,689	23,691	22,757	21,884	21,070	20,311	19,606
PV of terminal value	140,041										
Enterprise value	396,751										
Non-appliance segment (Rmbm)											
EBITDA	6,070										
EV/EBITDA	12										
Enterprise value	72,840										
Overall (Rmbm)											
Enterprise value	469,590										
Net debt	-2,994										
MI	292										
Equity value	472,293										
# of shares O/S (in m)	7,022										
Value per share (Rmb)	67.30										

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	345,708.7	378,345.3	407,165.9	437,568.6
EBITDA	36,748.3	40,833.1	45,668.7	49,959.1
Deprec. & amort.	4,222.5	4,702.9	5,652.8	6,356.9
EBIT	32,525.8	36,130.2	40,015.9	43,602.2
Total other non-operating income	192.7	192.7	192.7	192.7
Associate contributions	208.1	208.1	208.1	208.1
Net interest income/(expense)	3,387.5	3,241.6	3,833.3	4,931.3
Pre-tax profit	34,955.9	39,772.5	44,249.9	48,934.2
Tax	(5,145.7)	(5,854.8)	(6,513.9)	(7,203.5)
Minorities	(256.7)	(292.1)	(325.0)	(359.4)
Net profit	29,553.5	33,625.6	37,411.0	41,371.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	38,796.0	30,977.1	37,056.4	41,352.5
Pre-tax profit	34,955.9	39,773.2	44,250.6	48,935.0
Tax	(5,145.7)	(5,854.8)	(6,513.9)	(7,203.5)
Deprec. & amort.	6,507.9	4,702.9	5,652.8	6,356.9
Working capital changes	1,708.6	1,575.7	1,802.4	1,849.2
Other operating cashflows	769.2	(9,219.9)	(8,135.6)	(8,585.1)
Investing	(13,509.5)	(6,065.6)	(6,476.0)	(6,906.9)
Capex (growth)	(7,352.1)	(8,207.2)	(8,617.6)	(9,048.5)
Investments	(5,784.4)	2,141.6	2,141.6	2,141.6
Proceeds from sale of assets	98,564.7	2,141.6	2,141.6	2,141.6
Others	(98,937.7)	(2,141.6)	(2,141.6)	(2,141.6)
Financing	(10,854.9)	(16,786.6)	(16,158.0)	(18,227.5)
Dividend payments	(13,740.0)	(19,824.4)	(19,556.3)	(21,757.8)
Issue of shares	6,844.7	0.0	0.0	0.0
Proceeds from borrowings	46,476.3	8,207.2	8,617.6	9,048.5
Loan repayment	(65,594.3)	(24,993.8)	(24,775.6)	(27,275.9)
Others/interest paid	15,158.5	19,824.4	19,556.3	21,757.8
Net cash inflow (outflow)	14,431.6	8,124.9	14,422.4	16,218.2
Beginning cash & cash equivalent	40,550.0	55,270.1	63,395.0	77,817.4
Changes due to forex impact	288.5	0.0	0.0	0.0
Ending cash & cash equivalent	55,270.1	63,395.0	77,817.4	94,035.6

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	26,083.0	27,593.2	28,506.6	29,090.7
Other LT assets	135,373.0	135,171.6	135,027.4	134,939.4
Cash/ST investment	55,270.1	63,395.0	77,817.4	94,035.6
Other current assets	205,829.2	224,251.4	240,218.6	256,985.4
Total assets	422,555.3	450,411.2	481,570.1	515,051.1
ST debt	5,169.5	5,219.3	5,518.1	5,828.1
Other current liabilities	201,172.3	211,896.4	221,476.6	231,453.6
LT debt	55,357.0	55,181.3	58,280.8	61,501.2
Other LT liabilities	8,932.7	12,096.3	12,096.3	12,096.3
Shareholders' equity	142,935.2	156,737.2	174,592.6	194,206.9
Minority interest	8,988.6	9,280.7	9,605.7	9,965.0
Total liabilities & equity	422,555.3	450,411.2	481,570.1	515,051.1

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	10.6	10.8	11.2	11.4
Pre-tax margin	10.1	10.5	10.9	11.2
Net margin	8.5	8.9	9.2	9.5
ROA	7.3	7.7	8.0	8.3
ROE	22.1	22.4	22.6	22.4
Growth				
Turnover	0.7	9.4	7.6	7.5
EBITDA	18.2	11.1	11.8	9.4
Pre-tax profit	3.7	13.8	11.3	10.6
Net profit	3.4	13.8	11.3	10.6
Net profit (adj.)	3.4	13.8	11.3	10.6
EPS	3.3	13.4	11.3	10.6
Leverage				
Debt to total capital	28.5	26.7	25.7	24.8
Debt to equity	42.3	38.5	36.5	34.7
Net debt/(cash) to equity	3.7	(1.9)	(8.0)	(13.8)

COMPANY RESULTS

Ningbo Xusheng Group (603305 CH)

2Q23: Results Miss On Revenue; Cut Target Price To Rmb36.00

NXS posted lower-than-expected 2Q23 net profit of Rmb201m (+30% yoy/+4% qoq), 20% below our estimate. The earnings miss lies in revenue. We cut our 2023-25 net profit forecasts by 16-22% to Rmb866m/Rmb1,078m/Rmb1,451m respectively. Despite the slowdown in 2023-24, NXS' revenue growth will likely reaccelerate gradually from 20-30% in 2023 to >30% in 2025 along with the ramp-up of the new plants for stamping and extrusion and the Mexico plant. Maintain BUY. Cut target price to Rmb36.00.

2Q23 RESULTS

Year to 31 Dec (Rmbm)	2Q23	yoy % chg	qoq % chg	1H23	yoy % chg	Previous estimate	2023F
Revenue	1,187	18.5	1.2	2,360	18.4		6,475
Gross profit	288	27.2	(4.7)	590	38.1		1,576
Gross margin (%)	24.3	1.7	(1.5)	25.0	3.6		24.3
EBIT	212	27.6	(6.4)	438	41.1		1,206
EBIT margin (%)	17.8	1.3	(1.5)	18.6	3.0		18.6
Net profit	201	29.9	4.3	394	43.4		1,029
Net profit (adj.)	190	34.3	3.0	327	50.2		1,029
Net margin (%)	16.0	1.9	0.3	13.8	2.9		15.9
Operating cash flow	149	262.6	(57.8)	502	159.5		1,138
Free cash flow	407	14.2	(38.6)	1,070	41.2		2,638

Source: NXS, UOB Kay Hian

RESULTS

- **2Q23 earnings miss our estimates by 20%.** Ningbo Xusheng Group (NXS) posted lower-than-expected 2Q23 net profit of Rmb201m (+29.9% yoy/+4.3% qoq) and 1H23 net profit of Rmb394m (+43.4% yoy), 20% and 11% below our estimates of Rmb250m/Rmb443m.
- **The earnings miss lies in revenue**, which only grew 18.5% yoy and 1.2% qoq to Rmb1.19b and by 18.4% yoy to Rmb2.36b, representing 36% of our full-year 2023 revenue estimate of Rmb6.475b (+45% yoy).
- **2Q23 margins miss estimates but 1H23 margins in line.** Gross margin hiked 1.7ppt yoy and dipped 1.5ppt qoq to 24.3% in 2Q23, despite a qoq revenue growth. 1H23 gross margin increased by 3.6ppt yoy to 25.0%, compared with our 2023 assumption of 24.3%. EBIT margin soared by 1.3ppt yoy and dropped 1.5ppt qoq to 17.8% in 2Q23 and increased 3ppt yoy to 18.6% in 1H23, vs our 2023 assumption of 18.6%.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	3,023	4,454	5,667	7,318	9,878
EBITDA	635	1,003	1,391	1,757	2,298
Operating profit	511	781	1,054	1,302	1,736
Net profit (rep./act.)	413	701	868	1,082	1,458
Net profit (adj.)	401	581	801	1,082	1,458
EPS (ten)	44.3	75.1	93.0	116.0	156.2
PE (x)	52.7	31.0	25.1	20.1	14.9
P/B (x)	6.0	3.9	3.4	2.9	2.5
EV/EBITDA (x)	33.5	21.2	15.3	12.1	9.3
Dividend yield (%)	0.2	0.4	0.4	0.5	0.7
Net margin (%)	13.3	13.0	14.1	14.8	14.8
Net debt/(cash) to equity (%)	8.9	(9.9)	(8.0)	(9.7)	(14.5)
Interest cover (x)	23.1	(59.5)	21.9	27.3	38.2
ROE (%)	11.5	12.5	13.3	15.7	18.1
Consensus net profit	-	-	989	1,371	1,785
UOBKH/Consensus (x)	-	-	0.81	0.79	0.82

Source: NXS, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb23.33
Target Price	Rmb36.00
Upside	+54.3%
(Previous: TP)	Rmb43.00)

COMPANY DESCRIPTION

Ningbo Xusheng Group manufactures aluminium auto parts and machinery parts, including casings of transmission systems, battery module casings, etc.

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	603305 CH
Shares issued (m):	933
Market cap (Rmbm):	21,772
Market cap (US\$m):	2,809
3-mth avg daily t'over (US\$m):	37.0

Price Performance (%)

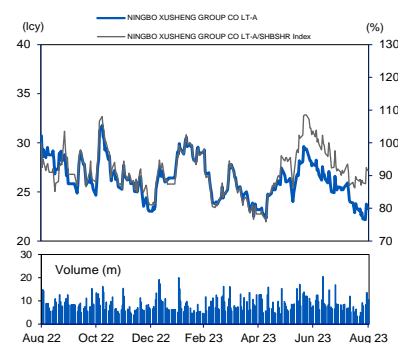
52-week high/low Rmb34.71/Rmb12.70

1mth	3mth	6mth	1yr	YTD
(11.7)	(12.2)	(8.2)	71.6	0.7

Major Shareholders

	(%)
Ningbo Meishan Xusheng Holdings Co., Ltd.	27.30
Hong Kong Xuri Industrial Co., Ltd.	20.55
Mr. Xu Xudong	12.41
FY23 NAV/Share (Rmb)	6.33
FY23 Net Cash/Share (Rmb)	0.55

PRICE CHART



Source: Bloomberg

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STOCK IMPACTS

- **Management attributes 2Q23 revenue slowdown and margin erosion to intensifying competition in the high-pressure casting segment in China.**
- **To deal with the issue, NXS has been expanding from high-pressure casting to stamping and extrusion by building new plants**, which enables it to produce new products including chassis parts connecting rods, torque arms, steering knuckles, bumpers, impact beams and car frames. The stamping and extrusion segments are supposed to be less competitive compared with the high-pressure casting segment.
- **The company will start to build a new plant in Mexico to serve the carmakers in North America, including Tesla, Lucid, Rivian, Polestar, etc.** As for Tesla, NXS' Mexico plant will not only supply parts and components for its automobile business, but also for the aerospace (SpaceX), energy storage and robotic businesses. The Mexico plant is scheduled to start operation from Oct 24 and ramp up gradually in 2025, spurring revenue growth.
- **NXS cuts revenue growth guidance for 2023-25 from not less than 40% each year to 20-30%/20-30%/over 30% respectively.** The acceleration of revenue growth will be driven by the ramp-up of the aforementioned new plants for stamping and extrusion and the Mexico plant.
- **We cut our 2023-25 revenue estimates by 12%/19%/19% to Rmb5.67b/Rmb7.32b /Rmb9.88b respectively**, implying a yoy growth of 27%/29%/35%. The prospective revenue growth will be driven by the expected 30% CAGR in global EV sales, the company's expansion of product portfolio and the ramp-up of the Mexico plant.
- **We maintain our 2023-25 gross margin assumptions at 24.3%/24.4%/24.4% respectively**, vs 23.9%/25.0%/24.3% in 2022/1H23/2Q23. NXS guides for steady gross margin in 2H23 with the ramp-up of new plants for stamping and extrusion offsetting the impact of the launch of the Mexico plant.

EARNINGS REVISIONS/RISKS

- **Cut our net profit forecasts for 2023-25 by 16%/22%/22% to Rmb868m/Rmb1,082m/ Rmb1,458m respectively**, based on lower revenue estimates.

RECOMMENDATION

- **Maintain BUY and cut target price from Rmb43.00 to Rmb36.00** based on lower free cash flow in our 10-year DCF model (WACC: 14.6%/terminal growth: 4%). Our new target price of Rmb36.00 implies 31x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	4,454	5,667	7,318	9,878
EBITDA	1,003	1,391	1,757	2,298
Depreciation & amortization	(222)	(337)	(454)	(563)
EBIT	781	1,054	1,302	1,736
Total other non-operating income	(43)	-	-	-
Associate contributions	31	-	-	-
Net interest income/(expense)	13	(48)	(48)	(45)
Pre-tax profit	782	1,006	1,255	1,690
Tax	(82)	(141)	(176)	(237)
Minorities	1	3	3	4
Net profit	701	868	1,082	1,458
Net profit (recurrent)	581	801	1,082	1,458

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	3,985	4,609	5,115	5,512
Other LT assets	581	620	660	700
Cash/ST investment	2,061	2,017	2,225	2,766
Other current assets	2,997	3,700	4,668	6,172
Total assets	9,624	10,946	12,667	15,150
ST debt	1,072	1,072	1,072	1,072
Other current liabilities	2,023	2,561	3,298	4,446
LT debt	700	700	700	700
Other LT liabilities	204	204	204	204
Shareholders' equity	5,613	6,400	7,387	8,726
Minority interest	12	10	6	2
Total liabilities & equity	9,624	10,946	12,667	15,150

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	375	1,085	1,351	1,706
Pre-tax profit	782	1,006	1,255	1,690
Tax	(82)	(141)	(176)	(237)
Depreciation/amortization	222	337	454	563
Associates	(31)	-	-	-
Working capital changes	(603)	(166)	(230)	(356)
Non-cash items	87	48	48	45
Other operating cashflows	-	-	-	-
Investing	(756)	(986)	(986)	(983)
Capex (growth)	(1,262)	(1,000)	(1,000)	(1,000)
Investments	(2,297)	-	-	-
Proceeds from sale of assets	2,757	-	-	-
Others	45	14	14	17
Financing	597	(142)	(157)	(181)
Dividend payments	(69)	(142)	(157)	(181)
Issue of shares	11	-	-	-
Proceeds from borrowings	1,050	12,000	12,000	12,000
Loan repayment	(654)	(12,000)	(12,000)	(12,000)
Others/interest paid	259	-	-	-
Net cash inflow (outflow)	216	(44)	208	541
Beginning cash & cash equivalent	1,789	2,061	2,017	2,225
Changes due to forex impact	55	-	-	-
Ending cash & cash equivalent	2,061	2,017	2,225	2,766

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	22.5	24.6	24.0	23.3
Pre-tax margin	17.6	17.8	17.1	17.1
Net margin	13.0	14.1	14.8	14.8
ROA	6.5	7.8	9.2	10.5
ROE	12.5	13.3	15.7	18.1
Growth				
Turnover	47.3	27.2	29.1	35.0
EBITDA	57.9	38.7	26.3	30.8
Pre-tax profit	68.2	28.6	24.7	34.7
Net profit	69.7	23.7	24.7	34.7
Net profit (adj.)	45.0	37.8	35.2	34.7
EPS	69.7	23.7	24.7	34.7
Leverage				
Debt to total capital	18.4	16.2	14.0	11.7
Debt to equity	31.6	27.7	24.0	20.3
Net debt/(cash) to equity	(9.9)	(8.0)	(9.7)	(14.5)
Interest cover (x)	(59.5)	21.9	27.3	38.2

COMPANY RESULTS

Shenzhen Mindray Bio-Medical Electronics (300760 CH)

1H23: Satisfactory; Anti-corruption Campaign May Slow Revenue Growth In 2H23

Mindray reported satisfactory 1H23 results with revenue and adjusted earnings growth of 20.3% yoy and 20.8% yoy for 1H23 respectively. Mindray continues to benefit from the healthcare infrastructure enhancement programme in China and its market expansion efforts in overseas markets. However, we anticipate that the heightened anti-corruption campaign could lead to slower revenue growth for 2H23. Maintain BUY with a lower target price to Rmb320.00.

1H23 RESULTS

Year to 31 Dec (Rmbm)	2022	2023	yoy % chg	1H22	1H23	yoy % chg
Revenue	8,412	10,111	20.2%	15,356	18,476	20.3%
Gross profit	5,327	6,566	23.2%	9,848	12,120	23.1%
Selling expense	(1,079)	(1,461)	35.4%	(2,152)	(2,835)	31.7%
Administrative expense	(260)	(339)	30.0%	(619)	(796)	28.6%
R&D expense	(646)	(999)	54.6%	(1,350)	(1,851)	37.1%
EBT	3,603	4,422	22.8%	6,008	7,310	21.7%
Net profit	3,183	3,871	21.6%	5,288	6,442	21.8%
Adj. net profit	3,175	3,812	20.1%	5,247	6,341	20.8%
% of sales	2022	2023	yoy ppt chg	1H22	1H23	yoy ppt chg
Gross profit	63.3%	64.9%	1.6	64.1%	65.6%	1.5
Selling expense	12.8%	14.4%	1.6	14.0%	15.3%	1.3
Administrative expense	3.1%	3.3%	0.3	4.0%	4.3%	0.3
R&D expense	7.7%	9.9%	2.2	8.8%	10.0%	1.2
EBT	42.8%	43.7%	0.9	39.1%	39.6%	0.4
Net profit	37.8%	38.3%	0.5	34.4%	34.9%	0.4
Adjusted net profit	37.7%	37.7%	(0.0)	34.2%	34.3%	0.1

Source: Mindray, UOB Kay Hian

RESULTS

- **Satisfactory results for 1H23.** Shenzhen Mindray Bio-Medical Electronics' (Mindray) revenue growth remained buoyant at 20.3% yoy, reaching Rmb18.5b in 1H23. Net profit attributable to shareholders increased by 21.8% yoy to Rmb6.4b and adjusted net earnings rose 20.8% yoy to Rmb6.3b in 1H23. The results are in line with our and market estimates.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	25,270	30,366	35,046	41,489	47,968
EBITDA	8,726	10,447	12,355	14,919	17,739
Operating profit	8,384	10,017	11,847	14,294	16,949
Net profit (rep./act.)	8,002	9,607	11,267	13,461	15,790
Net profit (adj.)	7,850	9,525	11,267	13,461	15,790
EPS (Fen)	645.8	785.6	929.2	1,110.2	1,302.3
PE (x)	41.7	34.2	28.9	24.2	20.7
P/B (x)	12.1	10.2	8.9	7.6	6.6
EV/EBITDA (x)	34.8	29.1	24.6	20.4	17.1
Dividend yield (%)	1.3	1.7	2.0	2.3	2.7
Net margin (%)	31.7	31.6	32.1	32.4	32.9
Net debt/(cash) to equity (%)	(56.1)	(59.3)	(60.0)	(59.3)	(58.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	31.9	32.6	32.7	33.9	34.3
Consensus net profit	-	-	11,616	14,028	16,906
UOBKH/Consensus (x)	-	-	0.97	0.96	0.93

Source: Mindray, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb269.00
Target Price	Rmb320.00
Upside	+19.0%
(Previous TP)	Rmb400.00)

COMPANY DESCRIPTION

Mindray is a leading medical devices producer.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	300760 SZ
Shares issued (m):	1,212.4
Market cap (Rmbm):	326,146.7
Market cap (US\$m):	44,750.6
3-mth avg daily t'over (US\$m):	158.1

Price Performance (%)

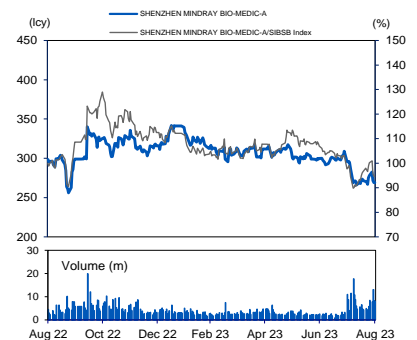
52-week high/low Rmb341.88/Rmb255.89

1mth	3mth	6mth	1yr	YTD
(12.9)	(12.5)	(14.3)	(6.9)	(14.9)

Major Shareholders

Major Shareholders	%
Mr LI Xiting	28.7
Mr Xu Hang	26.0
FY23 NAV/Share (Rmb)	30.39
FY23 Net Cash/Share (Rmb)	18.25

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Revenue growth remained strong in 1H23.** Mindray's total revenue increased by 20.3% yoy to reach Rmb18.5b in 1H23. Its three key business segments all achieved rapid growth in 1H23. The life information & support segment reported revenue expansion of 28.0% yoy to reach Rmb8.7b in 1H23, with respective increases of approximately 46% yoy and 6% yoy in domestic and overseas markets. The in-vitro diagnosis (IVD) segment's revenue rose 16.2% yoy to reach Rmb6.0b in 1H23, with that of domestic and overseas markets expanding by 17% and 13% yoy respectively. Revenue of the medical imaging systems segment grew by 13.4% yoy to Rmb3.7b in 1H23, with domestic and overseas markets posting approximately 10% and 16% yoy respectively. The domestic business delivered accelerated revenue growth of 27.0% yoy, reaching Rmb11.8b in 1H23, up from 22.3% yoy in 2022. The buoyant growth was mainly supported by the business opportunities provided by new hospital construction programmes and the continued import substitution trend for high-quality medical equipment. Due to weak economic condition, overseas revenue expanded steadily at about 10.1% yoy in 1H23. The overseas revenue from North America stayed relatively flat, but EU and developing markets saw significant revenue growth recovery to over 20% yoy in 2Q23. The management expects the developing market should see over 20% yoy growth, and the EU and US markets should also see faster revenue growth at double-digits in 2H23.

- Domestic business experienced accelerated revenue growth in 1H23.** The domestic business achieved accelerated revenue growth of 27.0% yoy in 1H23, up from 22.3% yoy in 2022. The strong growth was mainly attributable to: a) COVID-19 outbreak boosting purchase orders for ICU equipment in China in 1Q23, which led to a robust revenue growth of life information and support business to approximately 46% yoy in 1H23; and b) new business opportunities provided by hospital construction program leading to increasing demand for IVD and medical imaging products since 2Q23. Purchase orders of IVD reagents and ultrasound systems recovered steadily since Feb 23 and rebounded significantly by 38% yoy and 36% yoy respectively in 2Q23. According to management, the domestic healthcare infrastructure strengthening programme will continue to boost domestic revenue growth for Mindray. It expects the IVD business to continue to be the key growth driver, and the overseas business to recover gradually in 2H23.

- Expects significant short-term impact from anti-corruption campaign in 3Q23.** The management indicates the anti-corruption campaign has led to 30-40% delays in purchase activities for medical equipment, especially for ultrasound and life information and support equipment, which may result in significant impact on revenue in 3Q23. The purchase activities for medical equipment will regain pace in the next few months given the rigid demand for medical products. We believe the anti-corruption campaign may depress domestic demand in the short term, but will promote a healthy business environment for Mindray in the long term.

EARNING REVISION/RISK

- We lower our growth assumptions from 20.3% yoy to 15.4% yoy for 2023 given the possible considerable impact from the anti-corruption campaign. We believe the adjusted net profit will be less impacted as the company puts continued effort in cost control and improves operating efficiency. Our adjusted earnings growth forecast is lowered from 21.5% yoy to 18.3% yoy in 2023.
- Risks:** a) Possible worse-than-expected impact from anti-corruption campaign in healthcare industry, b) further weakening of the business environment in the overseas markets, c) foreign exchange risks, and d) geopolitical risks.

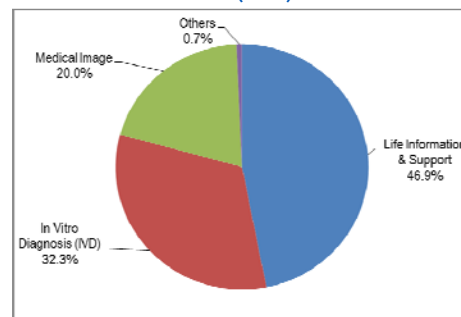
VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of Rmb320.00** based on 29x 2024F PE, or 2x PEG. The company is trading at 24.2x 2024F PE, 1SD below mean, which is attractive in our view.

STOCK PRICE CATALYSTS

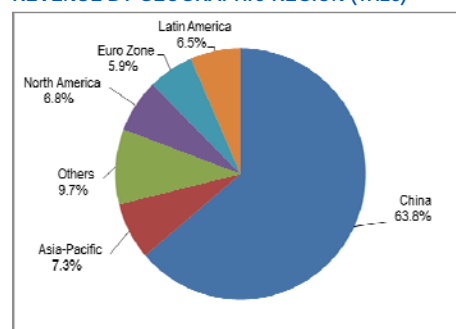
- New hospital construction programme continues to support Mindray's strong revenue growth in China.
- Volume-based procurement and Diagnosis Related Groups/Big Data Diagnosis-Intervention Packet programmes allow the company to gain market share in China.

REVENUE BY SEGMENT (1H23)



Source: Mindray, UOB Kay Hian

REVENUE BY GEOGRAPHIC REGION (1H23)



Source: Mindray, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	30,365.6	35,046.1	41,489.3	47,968.0
EBITDA	10,446.6	12,354.7	14,919.2	17,739.1
Deprec. & amort.	429.9	507.9	625.4	789.9
EBIT	10,016.8	11,846.8	14,293.9	16,949.2
Total other non-operating income	485.8	547.7	602.5	602.5
Net interest income/(expense)	451.0	451.0	451.0	451.0
Pre-tax profit	10,953.6	12,845.5	15,347.4	18,002.8
Tax	(1,342.8)	(1,574.8)	(1,881.5)	(2,207.0)
Minorities	(3.5)	(4.2)	(5.0)	(5.8)
Net profit	9,607.2	11,266.6	13,460.9	15,789.9
Net profit (adj.)	9,525.1	11,266.6	13,460.9	15,789.9

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	6,063.7	7,173.9	8,903.8	11,165.4
Other LT assets	10,075.8	10,075.8	10,075.8	10,075.8
Cash/ST investment	18,973.6	22,122.7	25,288.3	28,918.7
Other current assets	11,632.2	12,513.6	13,917.2	15,341.6
Total assets	46,745.2	51,886.0	58,185.1	65,501.4
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	11,769.8	12,038.2	12,515.9	13,003.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	2,976.3	2,976.3	2,976.3	2,976.3
Shareholders' equity	31,980.8	36,849.0	42,665.4	49,488.1
Minority interest	18.3	22.4	27.4	33.2
Total liabilities & equity	46,745.2	51,886.0	58,185.1	65,501.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	12,141.1	11,165.6	13,165.4	15,649.0
Pre-tax profit	10,953.6	12,845.5	15,347.4	18,002.8
Tax	(1,342.8)	(1,574.8)	(1,881.5)	(2,207.0)
Deprec. & amort.	429.9	507.9	625.4	789.9
Working capital changes	2,101.7	(613.0)	(925.8)	(936.6)
Other operating cashflows	(1.1)	0.0	0.0	0.0
Investing	(3,219.8)	(1,618.1)	(2,355.2)	(3,051.5)
Capex (growth)	(1,503.2)	(1,618.1)	(2,355.2)	(3,051.5)
Investments	(1,816.3)	0.0	0.0	0.0
Proceeds from sale of assets	97.8	0.0	0.0	0.0
Others	1.9	0.0	0.0	0.0
Financing	(5,194.3)	(6,398.4)	(7,644.6)	(8,967.2)
Dividend payments	(5,456.0)	(6,398.4)	(7,644.6)	(8,967.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	n.a.	n.a.	n.a.	n.a.
Others/interest paid	261.7	0.0	0.0	0.0
Net cash inflow (outflow)	3,727.1	3,149.1	3,165.6	3,630.4
Beginning cash & cash equivalent	15,132.7	18,973.6	22,122.7	25,288.3
Changes due to forex impact	113.8	0.0	0.0	0.0
Ending cash & cash equivalent	18,973.6	22,122.7	25,288.3	28,918.7

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	34.4	35.3	36.0	37.0
Pre-tax margin	36.1	36.7	37.0	37.5
Net margin	31.6	32.1	32.4	32.9
ROA	22.6	22.8	24.5	25.5
ROE	32.6	32.7	33.9	34.3
Growth				
Turnover	20.2	15.4	18.4	15.6
EBITDA	19.7	18.3	20.8	18.9
Pre-tax profit	21.5	17.3	19.5	17.3
Net profit	20.1	17.3	19.5	17.3
Net profit (adj.)	21.3	18.3	19.5	17.3
EPS	21.7	18.3	19.5	17.3
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	(59.3)	(60.0)	(59.3)	(58.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY RESULTS

Shenzhou International Group Holdings (2313 HK)

2Q23: Business Operations Bottom Out

Shenzhou's 1H23 results missed market consensus by 7%, mainly due to the weaker-than-expected top-line. However, we believe that the worst is over for Shenzhou. Orders continue to recover going into 3Q23, and are expected to record orders' positive growth from early-4Q23. We expect gross margin to improve given better production capacity utilisation. Maintain BUY and fine-tune target price by 2% to HK\$86.80.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H23	2H22	1H22	hoh chg (%)	yoy chg (%)
Total revenue	11,562	14,189	13,593	(18.5)	(14.9)
Gross profit	2,595	3,060	3,066	(15.2)	(15.4)
Gross profit margin	22.4%	21.6%	22.6%	0.9ppt	-0.2ppt
EBITDA	3,246	3,339	3,550	(2.8)	(8.6)
EBITDA margin	28.1%	23.5%	26.1%	4.5ppt	2.0ppt
Net profit	2,127	2,196	2,367	(3.2)	(10.1)
Net profit margin	18.4%	15.5%	17.4%	2.9ppt	1.0ppt
Core net profit	1,753	1,847	1,700	(5.1)	3.1
Core net profit margin	15.2%	13.0%	12.5%	2.1ppt	2.7ppt

Source: Shenzhou International, UOB Kay Hian

*Note: Core net profit excludes government incentives and exchange gain & losses, net of tax

RESULTS

• **1H23 results missed.** Shenzhou International (Shenzhou) reported 1H23 revenue of Rmb11,562m (-15% yoy), missing consensus estimates by 6%. The revenue decline was contributed by a 19% yoy decline in sales volume, due to: a) the weak global consumer demand, and b) brand customers' de-stocking, offset by a 5% yoy growth in ASP in terms of Rmb (-1% yoy decline in ASP in terms of US\$). Gross margin was 22.4% (-0.2ppt yoy), mainly due to: a) the subnormal utilisation rate amid the soft demand and brand customers' de-stocking, and b) overseas employees' lower production efficiency. EBITDA was Rmb3,246m (-9% yoy) and EBITDA margin was 28.1% (+2.0ppt yoy), benefitting from higher non-operating income contribution (+2.2ppt yoy).

Core net profit (excluding government incentives and exchange gains, net of tax) was Rmb1,753m (+3% yoy), missing market consensus by 7%, and core net margin was 15.2% (+2.7ppt yoy), driven by lower tax expense (-1.0ppt yoy) and higher interest income (+1.9ppt yoy), offset by higher SG&A expenses (+0.3ppt yoy).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	23,845	27,781	29,168	34,020	37,877
EBITDA	5,083	5,760	6,789	8,453	9,856
Operating profit	4,009	4,452	5,343	6,896	8,189
Net profit (rep./act.)	3,372	4,563	4,653	6,022	7,133
Net profit (adj.)	3,372	4,563	4,653	6,022	7,133
EPS (Fen)	224.3	303.5	309.5	400.6	474.5
PE (x)	31.8	23.5	23.0	17.8	15.0
P/B (x)	3.9	3.5	3.3	2.9	2.6
EV/EBITDA (x)	21.0	18.5	15.7	12.6	10.8
Dividend yield (%)	1.9	2.3	2.2	2.8	3.3
Net margin (%)	14.1	16.4	16.0	17.7	18.8
Net debt/(cash) to equity (%)	14.5	6.3	(1.0)	(7.3)	(14.3)
Interest cover (x)	35.3	25.2	55.3	78.4	91.8
ROE (%)	12.3	15.6	14.6	17.3	18.5
Consensus net profit	-	-	4,674	5,926	7,090
UOBKH/Consensus (x)	-	-	1.00	1.02	1.01

Source: Shenzhou International, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$76.75
Target Price	HK\$86.80
Upside	+13.1%
(Previous TP	HK\$85.00)

COMPANY DESCRIPTION

Shenzhou is a leading garment manufacturing company. The company's key clients include Nike, Adidas, Puma, and Uniqlo. The company established production bases in China, Vietnam, and Cambodia.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	2313 HK
Shares issued (m):	1,503.2
Market cap (HK\$m):	115,372.3
Market cap (US\$m):	14,702.4
3-mth avg daily t'over (US\$m):	38.0

Price Performance (%)

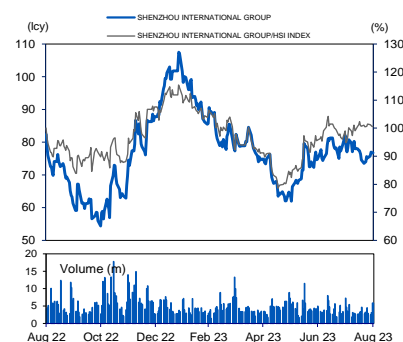
52-week high/low	HK\$107.50/HK\$54.40			
1mth	3mth	6mth	1yr	YTD
(2.8)	19.8	(10.4)	(5.8)	(12.6)

Major Shareholders

	%
Ma Jiangrong	44.8
Ma Renhe	5.0

FY23 NAV/Share (Rmb)	21.89
FY23 Net Cash/Share (Rmb)	0.23

PRICE CHART



Source: Bloomberg

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SEGMENTAL RESULTS

Year to 31 Dec (Rmbm)	1H23	2H22	1H22	hoh chg (%)	yoy chg (%)
Revenue - by products					
- Sportswear	8,561	10,182	10,687	(15.9)	(19.9)
- Casual wear	2,300	3,664	2,088	(37.2)	10.1
- Lingerie wear	613	209	610	193.7	0.4
- Other knitwear	89	134	207	(33.7)	(57.2)
Sportswear % total	74.0%	71.8%	78.6%	2.3ppt	-4.6ppt
Revenue - by markets					
- Japan	1,666	2,293	1,633	(27.4)	2.1
- Europe	2,421	2,888	3,327	(16.2)	(27.2)
- US	1,831	2,153	2,721	(14.9)	(32.7)
- Other	2,540	3,001	2,692	(15.4)	(5.7)
- Domestic sales	3,103	3,853	3,221	(19.5)	(3.6)
Domestic % of total	26.8%	27.2%	23.7%	-0.3ppt	3.1ppt

Source: Shenzhou International, UOB Kay Hian

STOCK IMPACT

- **Expect orders to achieve positive growth in 4Q23.** Although the demand was weak in 1H23, management saw a sequential improvement trend, with decline in orders demand narrowing qoq (-11% yoy in 2Q23 vs -18% yoy in 1Q23). This also led to higher production capacity utilisation and thus a higher gross margin of 24% in 2Q23 (vs 20% in 1Q23). Management expects the order demand to gradually recover and orders' yoy growth to turn positive from early-4Q23, as brand customers' de-stocking is ending. By now, the production capacity utilisation rate has picked up to ~85% in China and >95% in overseas production bases (vs 80% in China and 95% in overseas production bases in 2Q23).
- **Client structure optimised in 1H23.** The company's clients became more diversified, with four key clients and Chinese brands accounting for 80% and 11% of the total revenue in 1H23 (vs 83% and 9% in 1H22) respectively. Cooperation with new clients progressed well, with Lululemon's sales doubling in 1H23. The company also added some new fabric categories this year, which we think sharpens its competitiveness to secure more new clients in the coming years.
- **Overseas production capacity expansion to boost margin improvement in the long term.** Overseas production bases now contribute 55% of the total production capacity. Management expects the ratio to gradually rise to 65%, with further capacity expansion and improvement of operating efficiency in overseas production bases, which we think will help to boost the company's gross margin in the long term.

EARNINGS REVISION/RISK

- **Fine-tune 2023/24 earnings by 2%/2%.** We keep our 2023/24F revenue forecasts unchanged, but raise the gross margin estimates by 0.1ppt/0.3ppt respectively to reflect the sequential production utilisation improvement. We also incorporate the non-operating income contributions and lower tax rate impacts in 1H23. Thus, our earnings forecasts in 2023/24F are fine-tuned by 2%/2% respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY and raise target price by 2% to HK\$86.80.** Shenzhou's business operations bottomed out in 2Q23, in our view, and we foresee a mild and gradual recovery going forward. We maintain BUY and raise target price by 2% to HK\$86.80. Our target price implies 25.8x 2023F PE. The stock currently trades at 23.0x 2023F PE, 1SD below the five-year average.

DCF VALUATION

(Rmbm)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	5,343	6,896	8,189	9,100	9,721	10,380	11,082	11,828	12,621	13,464	14,359
D&A	1,446	1,556	1,667	1,778	1,866	1,955	2,029	2,102	2,176	2,250	2,324
Capex	-1,500	-1,500	-1,500	-1,200	-1,200	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000
W.C. change	204	-1,401	-1,123	-1,185	-732	-378	-788	-829	-872	-916	-964
FCFF	4,932	4,793	6,291	7,446	8,537	9,764	10,048	10,742	11,474	12,249	13,068
NPV of FCFF	4,932	4,322	5,116	5,461	5,646	5,823	5,404	5,210	5,019	4,831	4,648
PV of terminal value	56,059										
Enterprise value	112,471										
Net debt	-3,500										
MI	13										
Equity value	115,957										
# of shares O/S (in m)	1,503										
Value per share (Rmb)	77.14										
Value per share (HK\$)	86.80										

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	27,781.4	29,167.9	34,019.7	37,876.5
EBITDA	5,760.1	6,789.0	8,452.5	9,855.7
Deprec. & amort.	1,308.5	1,445.8	1,556.4	1,667.1
EBIT	4,451.6	5,343.3	6,896.1	8,188.6
Associate contributions	(21.4)	(21.4)	(21.4)	(21.4)
Net interest income/(expense)	(228.4)	(122.7)	(107.9)	(107.3)
Pre-tax profit	5,262.1	5,199.1	6,766.8	8,059.8
Tax	(698.9)	(545.9)	(744.4)	(926.9)
Minorities	(0.4)	0.0	0.0	0.0
Net profit	4,562.8	4,653.2	6,022.5	7,133.0
Net profit (adj.)	4,562.8	4,653.2	6,022.5	7,133.0

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	11,593.7	11,648.0	11,591.5	11,424.4
Other LT assets	5,734.6	5,749.3	5,764.0	5,778.7
Cash/ST investment	7,369.5	7,506.4	9,893.1	12,919.2
Other current assets	18,795.0	18,639.8	20,391.9	21,787.1
Total assets	43,492.9	43,543.6	47,640.5	51,909.4
ST debt	7,227.2	5,029.5	5,054.5	5,067.0
Other current liabilities	3,032.2	3,081.5	3,432.6	3,704.7
LT debt	2,087.1	2,137.1	2,162.1	2,024.6
Other LT liabilities	380.6	380.6	380.6	380.6
Shareholders' equity	30,752.9	32,902.0	36,597.9	40,719.6
Minority interest	12.9	12.9	12.9	12.9
Total liabilities & equity	43,492.9	43,543.6	47,640.5	51,909.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	4,628.1	6,321.3	6,195.8	7,694.9
Pre-tax profit	5,262.1	5,199.1	6,766.8	8,059.8
Tax	(0.1)	(545.9)	(744.4)	(926.9)
Deprec. & amort.	1,398.9	1,463.6	1,574.3	1,685.0
Working capital changes	(1,395.1)	204.5	(1,401.0)	(1,123.0)
Non-cash items	13.4	0.0	0.0	0.0
Other operating cashflows	(651.1)	0.0	0.0	0.0
Investing	(371.3)	(1,532.6)	(1,532.6)	(1,532.6)
Capex (growth)	(1,240.5)	(1,500.0)	(1,500.0)	(1,500.0)
Investments	0.1	0.0	0.0	0.0
Proceeds from sale of assets	70.8	0.0	0.0	0.0
Others	798.3	(32.6)	(32.6)	(32.6)
Financing	(3,914.8)	(4,651.8)	(2,276.6)	(3,136.2)
Dividend payments	(2,063.2)	(2,504.1)	(2,326.6)	(3,011.2)
Proceeds from borrowings	10,572.6	5,050.0	5,050.0	4,900.0
Loan repayment	(12,395.5)	(7,197.7)	(5,000.0)	(5,025.0)
Others/interest paid	(28.7)	0.0	0.0	0.0
Net cash inflow (outflow)	342.0	136.9	2,386.6	3,026.2
Beginning cash & cash equivalent	6,687.6	7,369.5	7,506.4	9,893.1
Changes due to forex impact	339.9	0.0	0.0	0.0
Ending cash & cash equivalent	7,369.5	7,506.4	9,893.1	12,919.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	20.7	23.3	24.8	26.0
Pre-tax margin	18.9	17.8	19.9	21.3
Net margin	16.4	16.0	17.7	18.8
ROA	12.8	13.1	16.0	18.0
ROE	17.2	16.9	20.5	22.6
Growth				
Turnover	16.5	5.0	16.6	11.3
EBITDA	13.3	17.9	24.5	16.6
Pre-tax profit	37.6	(1.2)	30.2	19.1
Net profit	35.3	2.0	29.4	18.4
Net profit (adj.)	35.3	2.0	29.4	18.4
EPS	8.6	13.1	29.8	18.3
Leverage				
Debt to total capital	23.2	17.9	16.5	14.8
Debt to equity	30.3	21.8	19.7	17.4
Net debt/(cash) to equity	6.3	(1.0)	(7.3)	(14.3)
Interest cover (x)	25.2	55.3	78.4	91.8

COMPANY RESULTS

The United Laboratories International (3933 HK)

1H23: Results Beat; Revenue Expected To Grow By About 20% YOY In 2023

TUL reported revenue and adjusted net profit growth of 33.3% yoy and 104.0% yoy respectively in 1H23. Management expects possible ASP hikes to continue supporting strong momentum of bulk medicines in 2H23. Its insulin products and veterinary drugs bode well for stronger growth in 2H23. Pursuing sustainable growth, TUL is also making smooth progress in R&D. Maintain BUY and target price of HK\$8.50.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	1H23	YoY%
Revenue	5,182	6,907	33.3%
Intermediate	741	1,047	41.4%
Bulk medicine	2,553	3,423	34.1%
Finished products	1,888	2,436	29.1%
Gross profit	2,254	3,213	42.6%
Selling expense	(806)	(975)	21.0%
G&A expense	(345)	(381)	10.4%
R&D expense	(243)	(339)	39.6%
Operating profit	903	1,554	72.1%
Finance expense	(22)	(39)	77.7%
Net profit	630	1,284	104.0%
Adjusted net profit	630	1,284	104.0%
Ratios (%)	1H22	1H23	ppt +/-
GP margin %	43.5%	46.5%	3.0
Selling expense %	15.5%	14.1%	(1.4)
G&A expense %	6.7%	5.5%	(1.1)
R&D expense %	4.7%	4.9%	0.2
OP margin %	17.4%	22.5%	5.1
Financing expense %	0.4%	0.6%	0.1
Net profit margin %	12.1%	18.6%	6.4
Adjusted net profit margin %	12.1%	18.6%	6.4

Source: TUL, UOB Kay Hian

RESULTS

- **1H23 results above estimates.** The United Labs' (TUL) 1H23 revenue increased by 33.3% yoy to Rmb6.9b. Net profit jumped 104.0% yoy to Rmb1.3m. The results are above our and consensus' full-year growth estimates for 2023. The company declared an interim dividend of Rmb0.12/share, representing an increase of 140.0% yoy in 1H23.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	9,703.4	11,334.3	13,624.8	14,330.7	15,054.9
EBITDA	2,005.2	2,620.7	3,171.1	3,392.5	3,629.7
Operating profit	1,384.3	1,999.6	2,534.1	2,739.6	2,960.9
Net profit (rep./act.)	991.1	1,581.1	2,055.3	2,217.6	2,392.4
Net profit (adj.)	1,287.6	1,581.1	2,055.3	2,217.6	2,392.4
EPS (Fen)	70.0	86.8	113.1	122.0	131.7
PE (x)	9.4	7.6	5.8	5.4	5.0
P/B (x)	1.3	1.1	1.0	0.9	0.8
EV/EBITDA (x)	4.0	3.1	2.5	2.4	2.2
Dividend yield (%)	0.9	0.9	0.9	0.9	0.9
Net margin (%)	10.2	14.0	15.1	15.5	15.9
Net debt/(cash) to equity (%)	(16.1)	(21.6)	(33.5)	(42.4)	(50.3)
Interest cover (x)	232.2	241.4	139.5	149.2	159.6
ROE (%)	11.0	15.9	18.4	17.8	16.9
Consensus net profit	-	-	1,674	1,749	1,944
UOBKH/Consensus (x)	-	-	1.23	1.27	1.23

Source: TUL, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$7.06
Target Price	HK\$8.50
Upside	+20.4%

COMPANY DESCRIPTION

Produces antibiotics finished products, bulk medicine and intermediate products, and sells them both domestically and overseas. It is one of the major manufacturers of antibiotics and diabetes medicine producers in China.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	3933 HK
Shares issued (m):	1,817.0
Market cap (HK\$m):	12,828.2
Market cap (US\$m):	1,634.7
3-mth avg daily t'over (US\$m):	3.8

Price Performance (%)

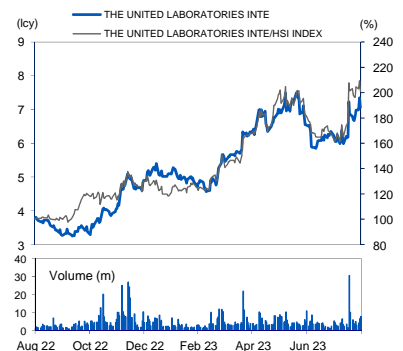
52-week high/low	HK\$7.43/HK\$3.22			
1mth	3mth	6mth	1yr	YTD
11.2	1.8	51.8	88.2	45.6

Major Shareholders

Herent Far East Ltd	49.4%
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FY23 NAV/Share (HK\$)	6.43
FY23 Net Cash/Share (HK\$)	2.15

PRICE CHART



Source: Bloomberg

ANALYST(S)

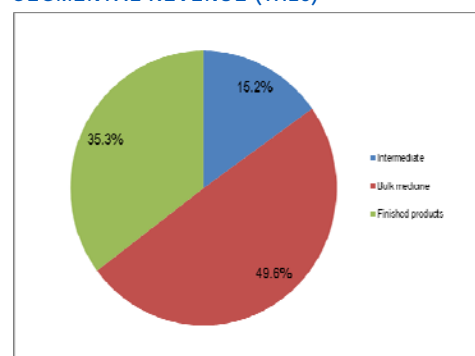
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STOCK IMPACT

- Revenue grew 33.3% yoy in 1H23.** TUL's total revenue grew by 33.3% yoy to Rmb6.9b in 1H23. External revenue of intermediate products and bulk medicines increased by 41.4% yoy and 34.1% yoy to Rmb1.0b and Rmb3.4b respectively in 1H23, contributing 15.2% and 49.6% of 1H23 total revenue. Revenue from overseas intermediate and bulk medicine export registered an increase of 29.4% yoy to Rmb1.4b, accounting for 19.7% of total revenue in 1H23. Revenue from finished products grew by 29.1% yoy to Rmb2.4b in 1H23. Despite GPO (Group Purchasing Organisation) price pressure, diabetes products witnessed revenue growth of 19.6% yoy to Rmb498.0m, among which human insulin reported sales growth of 86.4% yoy to Rmb230.9m, and insulin analogues achieved total revenue of Rmb267.1m in 1H23. Antibiotics (including animal healthcare products) reported strong revenue growth of 50.5% yoy to reach Rmb1.7b in 1H23. Animal healthcare products generated the fastest growth of 158.6% yoy to Rmb534m in 1H23.
- Insulin products should regain growth momentum in 2H23.** Impacted by significant GPO price cuts since May 22, TUL's insulin products reported sales decrease of 19.6% yoy to Rmb498.0m in 1H23. Sales revenue of recombinant human insulin and insulin glargine decreased 33.6% yoy to Rmb230.9m and 22.5% yoy to Rmb183.4m in 1H23 respectively. Being relatively new to the market, insulin aspart sales amounted to Rmb83.7m, up 137.8% yoy in 1H23. We believe that insulin product revenue should generate positive growth in 2H23 due to: a) a relatively low base, and b) insulin aspart further boosting volume in 2H23.
- Expects animal healthcare product revenue to become a new growth driver.** Animal healthcare product revenue surged 158.6% yoy to Rmb534m in 1H23, beating management's revenue growth guidance of 40% yoy in 2023. This new segment has become a significant revenue contributor, bringing in 7.7% of total revenue or 21.9% of finished drug revenue in 1H23. We believe the segment will generate revenue of Rmb1.1b in 2023 and become a new revenue growth driver in the years ahead, as it further expands R&D pipelines and increases market presence.
- Price hikes continue to support strong revenue growth of intermediates and bulk medicines in 2H23.** TUL has seen a steady increase in prices of bulk medicine and intermediate products in 1H23. 6-APA ex-factory prices have increased further by about 7.1% in 1H23 from Rmb225.0/kg in 2022. TUL sees more room for ASP hikes to support about 25-30% yoy revenue growth of these two segments in 2023.
- Enriching R&D pipeline.** TUL saw R&D expenses grow by 44.4% yoy to Rmb350.3m, or 13.0% of finished drug revenue in R&D, indicating an increasing focus on innovation. It continues to enrich its R&D pipeline covering diabetes drugs, internal secretion, autoimmune disease, ophthalmology and weight management. It obtained clinical trial approvals for semaglutide injection for weight management in Apr 23 and obtained clinical trial approval for self-developed class 1 innovative drug UBT251 injection on the indication of adult type 2 diabetes, weight management and non-alcoholic fatty liver/non-alcoholic steatohepatitis (NASH) in Jun 23. The company expects the market launch of semaglutide injection and UBT251 in 2025 and 2029 respectively. The pipeline will yield increasing R&D and commercial benefit for the company in the next few years.

SEGMENTAL REVENUE (1H23)



Source: TUL, UOB Kay Hian

EARNINGS REVISION/RISKS

- We revised our 2023 revenue growth assumption from 15% yoy to 20% yoy to reflect the stronger-than-expected 1H23 and possible short-term impact from anti-corruption campaign.
- Risks:** a) Worse-than-expected impact from anti-corruption campaign, b) intensifying market competition, and c) GPO risks on certain generic products.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of HK\$8.50**, based on 6.5x 2024F PE, or 0.8x PEG.

SHARE PRICE CATALYSTS

- a) Insulin GPO tender wins bring market expansion opportunities; and b) strong revenue growth of bulk medicine and veterinary drugs.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	11,334.3	13,624.8	14,330.7	15,054.9
EBITDA	2,620.7	3,171.1	3,392.5	3,629.7
Deprec. & amort.	621.2	637.0	652.9	668.8
EBIT	1,999.6	2,534.1	2,739.6	2,960.9
Total other non-operating income	95.1	91.1	91.1	91.1
Net interest income/(expense)	(10.9)	(22.7)	(22.7)	(22.7)
Pre-tax profit	2,083.8	2,602.4	2,807.9	3,029.3
Tax	(425.7)	(547.1)	(590.4)	(636.9)
Minorities	(0.1)	0.0	0.0	0.0
Net profit	1,581.1	2,055.3	2,217.6	2,392.4
Net profit (adj.)	1,581.1	2,055.3	2,217.6	2,392.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	2,030.5	2,584.8	2,701.6	2,950.6
Pre-tax profit	2,006.8	2,602.4	2,807.9	3,029.3
Tax	(425.7)	(547.1)	(590.4)	(636.9)
Deprec. & amort.	621.2	637.0	652.9	668.8
Working capital changes	(342.9)	(260.4)	(383.2)	(266.6)
Non-cash items	(11.1)	0.0	0.0	0.0
Other operating cashflows	182.3	152.9	214.3	156.0
Investing	(128.5)	(256.7)	(256.7)	(256.7)
Capex (growth)	(355.9)	(327.5)	(327.5)	(327.5)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	227.4	70.7	70.7	70.7
Financing	(490.0)	(703.0)	(730.6)	(780.9)
Dividend payments	(454.3)	(590.5)	(637.2)	(687.4)
Issue of shares	(0.2)	0.0	0.0	0.0
Proceeds from borrowings	623.9	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(659.4)	(112.5)	(93.5)	(93.5)
Net cash inflow (outflow)	1,412.1	1,625.1	1,714.3	1,913.0
Beginning cash & cash equivalent	3,331.0	4,743.1	6,368.2	8,082.4
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	4,743.1	6,368.2	8,082.4	9,995.5

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	5,932.3	5,272.2	4,963.4	4,638.7
Other LT assets	532.4	518.8	502.2	485.5
Cash/ST investment	4,743.1	6,368.2	8,082.4	9,995.5
Other current assets	7,771.9	8,816.0	9,158.3	9,558.4
Total assets	18,979.6	20,975.2	22,706.3	24,678.1
ST debt	1,359.4	1,359.4	1,359.4	1,359.4
Other current liabilities	5,673.7	6,587.6	6,738.3	7,005.1
LT debt	1,095.8	1,095.8	1,095.8	1,095.8
Other LT liabilities	241.4	241.4	241.4	241.4
Shareholders' equity	10,608.1	11,691.0	13,271.4	14,976.4
Minority interest	1.3	0.0	0.0	0.0
Total liabilities & equity	18,979.6	20,975.2	22,706.3	24,678.1

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	23.1	23.3	23.7	24.1
Pre-tax margin	18.4	19.1	19.6	20.1
Net margin	14.0	15.1	15.5	15.9
ROA	9.0	10.3	10.2	10.1
ROE	15.9	18.4	17.8	16.9
Growth				
Turnover	16.8	20.2	5.2	5.1
EBITDA	30.7	21.0	7.0	7.0
Pre-tax profit	40.8	24.9	7.9	7.9
Net profit	59.5	30.0	7.9	7.9
Net profit (adj.)	22.8	30.0	7.9	7.9
EPS	24.0	30.4	7.9	7.9
Leverage				
Debt to total capital	18.8	17.4	15.6	14.1
Debt to equity	23.1	21.0	18.5	16.4
Net debt/(cash) to equity	(21.6)	(33.5)	(42.4)	(50.3)
Interest cover (x)	241.4	139.5	149.2	159.6

COMPANY RESULTS

Zhejiang Shuanghuan Driveline (002472 CH)

2Q23: Results In Line; Resilient Margins Showcase Strong Pricing Power

While the 2Q23 headline numbers are in line with preliminary results, the detailed breakdown shows that the EV business' sales growth was slightly behind our expectations, but this is more than offset by the robust recovery in the CV business. Also, the stable margins amid the EV price war showcases Shuanghuan's strong pricing power over its client, and we expect its sales growth to pick up in 2H23 with the shipment orders recovering since June. Maintain HOLD and raise target to Rmb36.20.

2023 RESULTS

Year to 31 Dec (Rmbm)	2Q22	1Q23	2Q23	yoy % chg	qoq % chg	1H22	1H23	yoy % chg
Revenue	1,443	1,792	1,895	31.3	5.7	3,098	3,686	19.0
Gross profit	300	372	408	36.2	9.7	620	780	25.9
OP income	178	206	235	31.6	13.9	310	440	42.1
Net profit	132	171	198	49.4	15.5	251	369	46.9
Margins (%)								
GPM	20.8	20.8	21.5	0.8	0.8	20.0	21.2	1.2
OPM	12.4	11.5	12.4	0.0	0.9	10.0	11.9	1.9
NPM	9.2	9.5	10.4	1.3	0.9	8.1	10.0	1.9

Source: Shuanghuan Driveline, UOB Kay Hian

RESULTS

- Zhejiang Shuanghuan Driveline's (Shuanghuan) 2Q23 headline numbers in line with preliminary results...** with revenue growing 31% yoy and 6% qoq to Rmb1.9b, and net profit surging 49% yoy and 16% qoq to Rmb198m.
- ..but sales mix in 1H23 is slightly different vs our expectations.** In 1H23, the passenger vehicle (PV) business' revenue grew 14% yoy but declined 9.8% hoh to Rmb1.8b, of which the ICE-car/EV business contributed to about 45% and 55% of the PV business' revenue. This implies that EV revenue grew about 30% yoy and fell by 11% hoh to Rmb1b (or 27% of total revenue), which is slightly behind our expectations. This is however more than offset by the surprisingly strong performance of the commercial vehicle (CV) business which registered a robust 78% yoy and 67% qoq growth to Rmb443m, as shipment starts to bottom up while the upgrade from manual transmission to automatic transmission resumes. Other businesses, including "reducers and others" which registered a 66% yoy revenue growth in 1H23, are largely in line.
- Blended margins of 21.2% in 1H23 are slightly behind our expectations,** as margins for the PV business came in slightly below at 20.3%, flat yoy and down 1.6ppt hoh. This is partially offset by surprisingly strong margins in the CV business at 24.9% which registered a sharp 7.2ppt yoy expansion.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	5,391	6,838	7,660	9,038	10,237
EBITDA	1,012	1,344	1,574	1,904	2,217
Operating profit	559	791	943	1,200	1,443
Net profit	326	582	783	1,019	1,250
Net profit (adj.)	288	567	783	1,019	1,250
EPS (fen)	51.2	68.4	92.1	119.9	147.0
P/E (x)	66.5	49.7	37.0	28.4	23.1
P/BV (x)	4.5	3.9	3.6	3.2	0.0
EV/EBITDA (x)	31.5	23.7	20.3	16.8	0.0
Dividend yield (%)	0.2	0.2	0.3	0.4	0.5
Net margin (%)	6.1	8.5	10.2	11.3	12.2
Net debt to equity (%)	40.0	7.8	1.2	2.6	(11.3)
Interest cover (x)	4.5	11.1	12.5	17.1	24.9
ROE (%)	6.8	9.3	10.2	12.0	13.1
Consensus net profit	-	-	804	1,039	1,324
UOBKH/Consensus (x)	-	-	0.97	0.98	0.94

Source: Shuanghuan, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Rmb34.03
Target Price	Rmb36.20
Upside	+6.4%
(Previous: TP)	Rmb33.00)

COMPANY DESCRIPTION

Zhejiang Shuanghuan Driveline produces and sells gears and shafts. The company's products are widely used in automobiles, motorcycles, power tools, heavy equipment and industrial robots.

STOCK DATA

GICS sector	Automation Parts
Bloomberg ticker:	002472 CH
Shares issued (m):	850.4
Market cap (Rmbm):	29,024
Market cap (US\$m):	4,345
3-mth avg daily t'over (US\$m):	143.1

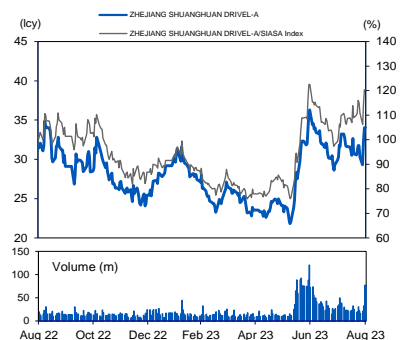
Price Performance (%)

52-week high/low	Rmb37.50/Rmb21.80				
1mth	3mth	6mth	1yr	YTD	
16.1	41.2	25.7	1.0	33.7	

Major Shareholders

	%
Wu Changhong	7.05
FY23 NAV/Share (Rmb)	15.83
FY23 Net debt/Share (Rmb)	0.48

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Management targets double-digit revenue growth per year for the next five years.** The key growth drivers will be EV gears, precision reducers, and overseas expansion.
- **EV business pricing power remained strong.** While the top-line growth of the EV business remained flattish qoq in 2Q23, Shuanghuan's pricing for EV gears remained strong and did not initiate any price cuts to win orders. Management did admit that there are some pricing adjustments for specific clients who agreed to price hikes during the steel price rally in 2022, but the impact to margins is minimal. They are also confident in maintaining their current profitability despite more new entrants in the Chinese market, as its competitors will have to cut prices by 5-10% and operate at a loss to match Shuanghuan's prices.
- **Apart from the expanding EV market size, EV business' future growth will come from content gain and overseas orders.** While Shuanghuan's share is already relatively high at >40% in China's EV market, management believes there is ample room for its EV business to grow, as Shuanghuan is actively developing new products (eg Santohno's plastic gears for backlight, electric tailgate, car seats etc.) which can provide an extra Rmb300-400 in gear content on top of EV reducer gear's Rmb400-500 per vehicle.
- For the overseas business, management stated that the tier-1 suppliers of the European OEMs are slow in their EV gear capacity expansion, while there are very few third-party gear manufacturers specialised in EVs. As such, its European clients had been asking Shuanghuan to build a production base in Europe in the past 2-3 years in order to facilitate their EV ambitions. With Shuanghuan's plans to build a production base in Hungary, we expect an acceleration in order wins from Europe going forward. After Europe, management will consider expanding into the Americas for its US clients. In the longer term, management targets a 50% market share in the global EV gear market.
- **Harmonic reducer may start to contribute more meaningfully.** While SHD is already the largest domestic RV reducer brand in China, it only started the development in harmonic reducer around five years ago. Currently most products are still in the development and verification stage, but SHD has already received mass scale orders for several projects, implying a potentially more meaningful contribution going forward.

EARNING REVISION/RISK

- **We fine-tune our 2023-25 net profit estimates by +0.5%/flat/+3.4%,** as we factor in a higher sales and gross margin assumption for the CV business, and a better-than-expected ICE-car business. This is partially offset by a lower margin and sales assumption for the PV business.

VALUATION/RECOMMENDATION

- **Maintain HOLD and raise target price to Rmb36.20** as we roll over to our 2024 estimates. Our target price is based on 30.2x 2024F PE, equivalent to 1x PEG, and largely on a par with its five-year historical average forward mean.

CHANGE TO ASSUMPTIONS OF KEY SEGMENTS

(Rmbm)	OLD			New			Change (%)		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue (Rmbm)	7,636	8,900	9,939	7,660	9,038	10,237	0.3	1.6	3.0
ICE-PV gears	1,442	1,370	1,301	1,503	1,428	1,356	4.2	4.2	4.2
EV gears	2,944	3,865	4,692	2,666	3,747	4,692	(9.5)	(3.0)	-
Construction Machinery gears	642	672	672	642	672	672	-	-	-
CV gears	567	717	790	768	854	905	35.6	19.1	14.6
Reducers	285	420	535	285	435	580	-	3.6	8.4
Meta Scraps	920	902	884	920	902	884	-	-	-
Santohno gears	300	390	468	320	416	541	n.a.	n.a.	n.a.
Margin(%)	21.9	23.1	23.6	21.6	22.4	22.9	(0.2)	(0.7)	(0.7)
ICE-PV gears	20.1	20.8	20.6	19.8	19.9	19.9	(0.3)	(1.0)	(0.7)
EV gears	22.5	23.5	23.8	22.0	22.4	22.6	(0.5)	(1.1)	(1.2)
Construction Machinery gears	23.0	23.5	24.0	23.0	23.5	24.0	-	-	-
CV gears	20.0	20.5	20.5	25.0	25.0	25.0	5.0	4.5	4.5
Reducers	36.5	37.0	37.5	36.5	37.0	37.5	-	-	-
Santohno gears	26.7	30.8	33.1	19.0	22.0	24.0	n.a.	n.a.	n.a.
EBIT(Rmbm)	951	1,215	1,414	943	1,200	1,443	(0.8)	(1.3)	2.1
Net Profit (Rmbm)	779	1,019	1,209	783	1,019	1,250	0.5	0.0	3.4

Source: Shuanghuan, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	6,838	7,660	9,038	10,237
EBITDA	1,344	1,574	1,904	2,217
Depreciation & amortization	(553)	(632)	(704)	(773)
EBIT	791	943	1,200	1,443
Total other non-operating income	(101)	-	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	(71)	(75)	(70)	(58)
Pre-tax profit	619	867	1,129	1,385
Tax	(33)	(43)	(56)	(69)
Minorities	(4)	(41)	(54)	(66)
Net profit	582	783	1,019	1,250
Net profit (recurrent)	567	783	1,019	1,250

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	5,134	5,496	5,786	6,004
Other LT assets	2,053	2,060	2,065	2,073
Cash/ST investment	1,444	1,916	1,687	3,061
Other current assets	4,264	4,026	5,470	4,625
Total assets	12,895	13,498	15,008	15,763
ST debt	1,035	1,035	935	935
Other current liabilities	11,965	13,727	13,734	15,697
LT debt	1,143	1,143	1,143	1,143
Other LT liabilities	147	147	147	147
Shareholders' equity	7,350	8,065	8,991	10,119
Minority interest	134	175	229	295
Total liabilities & equity	12,895	13,498	15,008	15,763

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	1,217	1,615	1,035	2,554
Pre-tax profit	619	867	1,129	1,385
Tax	(33)	(43)	(56)	(69)
Depreciation/amortization	553	632	704	773
Associates	-	-	-	-
Working capital changes	(165)	84	(812)	406
Non-cash items	244	75	70	58
Other operating cashflows	71	-	-	-
Investing	(1,577)	(1,000)	(1,000)	(1,000)
Capex (growth)	(1,634)	(1,000)	(1,000)	(1,000)
Investments	89	-	-	-
Proceeds from sale of assets	38	-	-	-
Others	(70)	-	-	-
Financing	1,457	(142)	(264)	(180)
Dividend payments	(19)	-	-	-
Issue of shares	2,002	-	-	-
Proceeds from borrowings	3,270	2,600	2,500	2,500
Loan repayment	(3,524)	(2,600)	(2,600)	(2,500)
Others/interest paid	(272)	(142)	(164)	(180)
Net cash inflow (outflow)	1,097	472	(229)	1,374
Beginning cash & cash equivalent	337	1,444	1,916	1,687
Changes due to forex impact	10	-	-	-
Ending cash & cash equivalent	1,444	1,916	1,687	3,061

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
Gross margin	21.1	21.6	22.4	22.9
Pretax margin	9.0	11.3	12.5	13.5
Net margin	8.5	10.2	11.3	12.2
ROA	5.0	5.9	7.2	8.1
ROE	9.3	10.2	12.0	13.1
Growth				
Turnover	26.8	12.0	18.0	13.3
Gross profit	36.9	14.8	22.2	15.9
Pre-tax profit	63.0	40.2	30.2	22.7
Net profit	78.4	34.5	30.2	22.7
Net profit (adj)	96.9	38.1	30.2	22.7
EPS	47.6	38.1	30.2	22.7
Leverage				
Debt to total capital	10.2	9.7	8.8	8.3
Debt to equity	17.9	16.3	14.6	13.0
Net debt to equity	7.8	1.2	2.6	(11.3)
Interest cover (x)	11.1	12.5	17.1	24.9

COMPANY RESULTS

Zijin Mining (2899 HK)

1H23: In Line; Global Recession Fears To Weigh On Industrial Metal Prices

Zijin reported 1H23 earnings of Rmb10,302.2m (-18.4% yoy), in line with our expectation. Gross margin was down 2.5ppt to 14.7% in 1H23, mainly dragged by the decline in industrial metals prices, uptick in production costs and renminbi depreciation. Production volume and sales volume growth both remained robust in 1H23 with the first batch of lithium carbonate products being produced, on track to achieve 2023's production guidance. Maintain BUY. Target price: HK\$15.00.

1H23 RESULTS

Year to 31 Dec (Rmbm)	1H22	1H23	yoy chg
Revenue	132,457.5	150,333.7	13.5
Cost of sales	(109,760.6)	(128,308.8)	16.9
Gross profit	22,697.0	22,024.9	(3.0)
SG&A	(3,194.9)	(3,884.5)	21.6
Operating profit	18,716.7	15,742.9	(15.9)
Net finance cost	(517.9)	(1,471.3)	184.1
Non-operating profit/loss	(146.9)	(197.8)	34.7
PBT	18,569.8	15,545.0	(16.3)
Tax	(3,139.4)	(2,712.0)	(13.6)
Minority interest	(2,800.4)	(2,530.9)	(9.6)
Net Profit	12,630.0	10,302.2	(18.4)
EPS (Rmb per share)	0.480	0.391	(18.5)
DPS (Rmb per share)	-	0.05	-
Gross margin (%)	17.1	14.7	(2.5)
EBIT margin (%)	14.1	10.5	(3.7)
Net profit margin (%)	9.5	6.9	(2.7)

Source: Zijin Mining, UOB Kay Hian

RESULTS

- In line.** Zijin Mining (Zijin) reported 1H23 earnings of Rmb10,302.2m (-18.4% yoy), representing 43.2% of our 2023 earnings forecast, in line with expectations. The company has announced an interim dividend of Rmb0.05 per share.
- Gross margin down 2.5ppt to 14.7%.** Gross margin was largely dragged by: a) a decline in industrial metals prices; b) lower ore feed grade; c) higher bulk commodities and electricity prices. Average gross margin for mining operations was down 8.26ppt yoy to 51.8%, but was sequentially higher than 2H22's 48.2%.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	225,102	270,329	301,880	315,474	338,909
EBITDA	33,484	39,235	45,202	51,486	59,727
Operating profit	25,364	29,108	32,589	36,761	43,073
Net profit (rep./act.)	15,673	20,042	23,225	27,188	32,914
Net profit (adj.)	15,673	20,042	23,225	27,188	32,914
EPS (Fen)	59.5	76.1	88.2	103.3	125.0
PE (x)	19.3	15.1	13.0	11.1	9.2
P/B (x)	4.3	3.4	2.8	2.4	2.0
EV/EBITDA (x)	14.2	12.1	10.5	9.2	8.0
Dividend yield (%)	1.7	1.7	2.3	2.7	3.3
Net margin (%)	7.0	7.4	7.7	8.6	9.7
Net debt/(cash) to equity (%)	77.4	108.7	104.2	88.0	70.2
Interest cover (x)	17.6	20.6	16.8	19.3	24.7
ROE (%)	24.6	25.1	23.7	23.2	23.6
Consensus net profit	-	-	24,246	29,841	37,634
UOBKH/Consensus (x)	-	-	0.96	0.91	0.87

Source: Zijin Mining, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$12.36
Target Price	HK\$15.00
Upside	+21.4%
(Previous TP)	HK\$15.60

COMPANY DESCRIPTION

Zijin Mining, through its subsidiaries, explores, mines, produces, refines and sells gold, copper, zinc and other mineral resources in China.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	2899 HK
Shares issued (m):	5,736.9
Market cap (HK\$m):	346,916.2
Market cap (US\$m):	44,208.9
3-mth avg daily t'over (US\$m):	40.4

Price Performance (%)

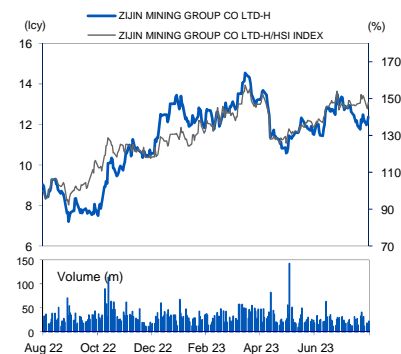
52-week high/low	HK\$14.54/HK\$7.20			
1mth	3mth	6mth	1yr	YTD
(4.6)	16.8	4.4	37.0	16.8

Major Shareholders

Minxi Xinghang State-owned Assets Investment Co. Ltd	29.0%
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FY23 NAV/Share (Rmb)	4.06
FY23 Net Debt/Share (Rmb)	4.23

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Correction of industrial metals prices weighed on margins.** The ASP of industrial metals like copper and zinc fell 7.5%/32.9% yoy in 1H23 amid a wavering economic recovery. The star performer for 1H23 was mine-produced gold with a 10.3% yoy increase in ASP to Rmb397/g. Copper/gold/zinc respectively contributed 55.3%/28.3%/3.7% of Zijin's gross profit in 1H23.
- Renminbi depreciation adding to cost pressure.** Production costs for mining products all witnessed double-digit growth in 1H23, in line with the global trend. Mine-produced copper/gold production cost was up 7%/12% yoy to US\$3,125 per tonne/US\$30,309 per kg, still outperforming the majority of global peers. Besides, currency translation for financial reporting purposes itself contributed another 4ppt/6ppt/4.3ppt increase in production cost for mine-produced copper/gold/zinc.
- Robust production output growth; on track to hit 2023 target.** Mine-produced copper/gold's production volume rose 20.0%/19.6% yoy to 32.3/492,241 tonnes respectively in 1H23. Mine-produced copper output growth in 1H23 was mainly contributed by Kamao Copper/Tibet Julong/Serbia Zijin Mining with an incremental output of 24,503/27,356/14,826 tonnes respectively. These three copper mines are still under the expansion phase and will be the key growth drivers for copper output growth. Zijin has emerged as the 4th/8th/4th largest copper/gold/zinc miner globally in 1H23, two ranks higher for copper and gold. The company is on track to achieve its production guidance for 2023 with gold production lagging slightly behind.
- First batch of lithium carbonate products.** The company has produced 1,293 tonnes of lithium carbonate equivalent (LCE) product from their Xiangyuan Hard Rock Lithium Mine in Hunan. Phase 1 projects for both lithium brine projects in Argentina and Tibet with a capacity of 20,000 tonnes per year are also scheduled to commence production by the end the year. Even if lithium carbonate prices fell to Rmb100,000 per tonne, they will still enjoy comfortable margins for their lithium brine projects (Argentina 3Q and Tibet Lakkor Tso), whereas the Xiangyuan mine is expected to remain profitable with thin margins.

MAJOR MINERAL PRODUCTION GUIDANCE

Metals	Unit	2022	1H23	2023	2025
Mine-produced copper	m tonne	0.88	0.49	0.95	1.17
Mine-produced gold	Tonne	56	32.3	72	90
Mine-produced zinc +lead	'000 tonne	440	240	450	480
Mine-produced silver	tonne	387	207	390	450
Lithium carbonate	'000 tonne	0	1.3	3	120
Mine-produced molybdenum	'000 tonne	4	n.a.	6	16

Source: Zijin Mining, UOB Kay Hian

EARNINGS REVISION/RISK

- We fine-tune our earnings forecasts for 2023/2024 by -3%/-4% respectively.

VALUATION/RECOMMENDATION

- We maintain BUY with a lower target price of HK\$15.00, pegged to 14.8x 2023F PE (+1SD).** Given the wavering economic recovery in China and global recession fears, copper prices are likely to remain under pressure in the short term. The market's expectations of the FED's rate hike cycle coming to an end should still provide support to metal prices which are denominated in US dollars. Capacity expansion remains robust and the considerable project pipeline should support earnings growth in the following years. The company has shifted their M&A focus to domestic projects and neighbouring countries given the intensifying geopolitical tension, and has slowed the pace of acquisition amid high project valuations.

SHARE PRICE CATALYST

- Earlier-than-expected recovery of industrial activities; FED cutting interest rate.

OPERATIONAL DATA

Production (tonne)	1H22	1H23	yoy chg
Mine-produced Gold	27.0	32.3	19.6
Mine-produced Copper	410,190	492,241	20.0
Mine-produced Zinc+Lead	222,046	240,139	8.1
Mine-produced Silver	183.6	207.6	13.1
Iron ore (m)	174	127	(27.0)
Refined Gold	128.5	120.0	(6.6)
Refined Copper	346,333	361,287	4.3
Refined Zinc	162,925	177,405	8.9
Lithium Carbonate	-	1,293	n.a.

Sales (tonne)	1H22	1H23	yoy chg
Mine-produced Gold	29.1	31.9	9.6
Mine-produced Copper	357,162	390,041	9.2
Mine-produced Zinc	200,761	211,168	5.2
Mine-produced Silver	193,071	208,934	8.2
Iron ore (m)	117	137	17.1
Refined Copper	347,488	361,502	4.0
Refined Zinc	163,561	178,101	8.9

ASP	1H22	1H23	yoy chg
Mine-produced Gold (Rmb/g)	360	397	10.3
Mine-produced Copper (Rmb/t)	55,145	51,000	(7.5)
Mine-produced Zinc (Rmb/t)	17,006	11,418	(32.9)
Mine-produced Silver (Rmb/g)	3.2	3.4	5.9
Refined Gold (Rmb/g)	721	587	(18.6)
Refined Copper (Rmb/t)	63,358	60,232	(4.9)
Refined Zinc (Rmb/t)	22,802	19,472	(14.6)

Unit Cost	1H22	1H23	yoy chg
Mined-produced Gold (Rmb/g)	176.1	210.0	19.3
Mined-produced Copper (Rmb/t)	18,873.0	21,653.0	14.7
Mined-produced Zinc (Rmb/t)	7,398.0	8,740.0	18.1
Mine-produced Silver (Rmb/g)	1.5	1.7	12.0
Iron ore (Rmb/g)	204.0	233.2	14.3
Refined Gold (Rmb/g)	388.9	430.5	10.7
Refined Copper (Rmb/t)	62,059.0	58,210.0	(6.2)
Refined Zinc (Rmb/t)	21,813.0	18,021.0	(17.4)

Gross margin (%)	1H22	1H23	yoy chg
Mine-produced Gold	51.0	47.1	(3.9)
Mine-produced Copper	65.8	57.5	(8.2)
Mine-produced Zinc	56.5	23.5	(33.0)
Mine-produced Silver	53.3	50.5	(2.7)
Iron ore	71.7	60.3	(11.5)
Refined Gold	0.4	0.5	0.1
Refined Copper	2.1	3.4	1.3
Refined Zinc	4.3	7.5	3.1

Consolidated Gross Margin	1H22	1H23	(2.5)
Mining Gross Margin	60.0	51.8	(8.3)

Source: Zijin Mining, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	270,329	301,880	315,474	338,909
EBITDA	39,235	45,202	51,486	59,727
Deprec. & amort.	10,128	12,613	14,726	16,654
EBIT	29,108	32,589	36,761	43,073
Total other non-operating income	(953)	0	0	0
Associate contributions	3,743	5,262	7,058	9,168
Net interest income/(expense)	(1,905)	(2,694)	(2,663)	(2,418)
Pre-tax profit	29,993	35,157	41,155	49,823
Tax	(5,226)	(6,125)	(7,170)	(8,681)
Minorities	(4,725)	(5,806)	(6,797)	(8,228)
Net profit	20,042	23,225	27,188	32,914
Net profit (adj.)	20,042	23,225	27,188	32,914

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	95,062	121,732	132,075	141,022
Other LT assets	131,338	147,949	165,818	185,268
Cash/ST investment	19,667	14,265	11,311	14,300
Other current assets	59,978	59,513	61,164	64,125
Total assets	306,044	343,458	370,369	404,714
ST debt	23,666	24,566	24,196	23,938
Other current liabilities	47,504	50,932	52,461	55,039
LT debt	92,690	101,124	98,927	96,990
Other LT liabilities	17,028	18,615	19,546	20,523
Shareholders' equity	88,943	106,902	127,122	151,880
Minority interest	35,513	41,319	48,116	56,344
Total liabilities & equity	306,044	343,458	370,369	404,713

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	28,679	41,430	42,480	49,241
Pre-tax profit	29,993	35,157	41,155	49,823
Tax	(6,121)	(5,584)	(6,542)	(7,772)
Deprec. & amort.	10,168	12,631	14,744	16,673
Associates	(3,743)	(5,262)	(7,058)	(9,168)
Working capital changes	(10,661)	3,601	(751)	(1,292)
Non-cash items	9,042	886	931	977
Other operating cashflows	0	0	0	0
Investing	(50,981)	(50,900)	(35,900)	(35,900)
Capex (growth)	0	0	0	0
Capex (maintenance)	(44,510)	(45,900)	(30,900)	(30,900)
Investments	(12,027)	(5,000)	(5,000)	(5,000)
Proceeds from sale of assets	4,549	0	0	0
Others	1,007	0	0	0
Financing	27,258	4,068	(9,534)	(10,353)
Dividend payments	(11,475)	(5,266)	(6,967)	(8,156)
Issue of shares	0	0	0	0
Proceeds from borrowings	60,159	0	0	0
Loan repayment	(32,253)	(23,666)	(24,566)	(24,196)
Others/interest paid	10,827	33,000	22,000	22,000
Net cash inflow (outflow)	4,956	(5,402)	(2,954)	2,989
Beginning cash & cash equivalent	13,631	19,667	14,265	11,311
Changes due to forex impact	1,080	0	0	0
Ending cash & cash equivalent	19,667	14,265	11,311	14,300

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	14.5	15.0	16.3	17.6
Pre-tax margin	11.1	11.6	13.0	14.7
Net margin	7.4	7.7	8.6	9.7
ROA	7.8	7.2	7.6	8.5
ROE	25.1	23.7	23.2	23.6
Growth				
Turnover	20.1	11.7	4.5	7.4
EBITDA	17.2	15.2	13.9	16.0
Pre-tax profit	21.0	17.2	17.1	21.1
Net profit	27.9	15.9	17.1	21.1
Net profit (adj.)	27.9	15.9	17.1	21.1
EPS	27.9	15.9	17.1	21.1
Leverage				
Debt to total capital	48.3	45.9	41.3	36.7
Debt to equity	130.8	117.6	96.9	79.6
Net debt/(cash) to equity	108.7	104.2	88.0	70.2
Interest cover (x)	20.6	16.8	19.3	24.7

TRADERS' CORNER



Chart by TradingView

Xiaomi Corporation (1810 HK)

Trading Buy range: HK\$12.10-12.40
 Last price: HK\$12.46
 Target price: HK\$12.80/HK\$13.00
 Protective stop: Breaks below HK\$11.60

Stock Highlights:

In 1H23, the non-IFRS adjusted net profit increased 69.5% yoy to Rmb8.374b.

Technical View:

Share price broke through the bearish trendline on 24 Aug 23. Price then moved upwards and reached a three-month high. It is now higher than its 10-day (light blue), 20-day (orange), 50-day (red) and 200-day (purple) moving averages. In addition, its 10-day and 20-day moving averages are pointing upwards. The 14-day RSI is above the midline level of 50 and is currently around 62, indicating strong momentum. The MACD line has just risen above the signal line and both lines are in the bullish zone, resulting in a double bullish signal.

Average timeframe: Around two weeks.



Chart by TradingView

Zhaojin Mining Industry Co. Ltd. (1818 HK)

Trading Buy range: HK\$10.40-10.70
 Last price: HK\$10.78
 Target price: HK\$11.20/HK\$11.80
 Protective stop: Breaks below HK\$9.80

Stock Highlights:

In 1H23, profit attributable to shareholders increased 134.6% to Rmb253m.

Technical View:

Share price formed a double bottom pattern in early-July and August, and has now risen to around its 50-day moving average (red). Price is also higher than its 10-day (light blue), 20-day (orange) and 200-day (purple) moving averages. The 14-day RSI is above the midline level of 50 and is currently around 55, indicating strong momentum. The MACD line has just risen above the signal line, showing a bullish crossover. If it holds firmly above the 50-day moving average, it could rise further.

Average timeframe: Around two weeks.

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