

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

### KEY HIGHLIGHTS

#### Economics

#### Trade

Disappointing October exports likely a prelude to further weakness.

Page 2

#### Sector

#### Property

Land markets remain weak, Shenzhen expresses firm support for Vanke.

Page 3

#### Update

**Prudential (2378 HK/BUY/HK\$84.90/Target: HK\$150.00)**

Page 5

Strong NBP growth momentum sustained in 3Q23.

### TRADERS' CORNER

Page 8

**Chinasoft International Ltd. (354 HK):** Trading Buy range: HK\$5.80-6.00

**Maanshan Iron & Steel Co. Ltd. (323 HK):** Trading Buy range: HK\$1.26-1.30

### UOBKH EVENTS

| Date   | Corporate/Stock Code                               | Event                        |
|--------|--|------------------------------|
| 16 Nov | Expert Talk (Virtual) on China GBA Property Market | Virtual Meeting @ 4:00pm HKT |

### CORPORATE AND MACRO CALENDAR

| Date      | Country/Region | Economic Indicator          |
|-----------|----------------|-----------------------------|
| 09 Nov    | China          | Oct Inflation               |
| 09-15 Nov | China          | Oct Money Supply And Credit |
| 15 Nov    | China          | Oct Economic Activities     |
| 20 Nov    | China          | Nov Loan Prime Rate         |
| 27 Nov    | China          | Oct Industrial Profits      |

### KEY INDICES

|                        | Prev Close | 1D %  | 1W %  | 1M %   | YTD %  |
|------------------------|------------|-------|-------|--------|--------|
| DJIA                   | 34152.6    | 0.2   | 3.3   | 2.2    | 3.0    |
| S&P 500                | 4378.4     | 0.3   | 4.4   | 1.6    | 14.0   |
| FTSE 100               | 7410.0     | (0.1) | 1.2   | (1.1)  | (0.6)  |
| AS30                   | 7176.6     | (0.2) | 3.0   | 0.5    | (0.6)  |
| CSI 300                | 3619.8     | (0.4) | 1.3   | (1.9)  | (6.5)  |
| FSSTI                  | 3173.8     | (0.2) | 3.5   | (0.0)  | (2.4)  |
| HSCEI                  | 6087.1     | (1.5) | 3.8   | 1.9    | (9.2)  |
| HSI                    | 17670.2    | (1.6) | 3.3   | 1.1    | (10.7) |
| JCI                    | 6843.8     | (0.5) | 1.4   | (0.6)  | (0.1)  |
| KLCI                   | 1463.4     | (0.1) | 1.5   | 3.3    | (2.1)  |
| KOSPI                  | 2444.0     | (2.3) | 7.3   | 1.5    | 9.3    |
| Nikkei 225             | 32271.8    | (1.3) | 5.1   | 4.1    | 23.7   |
| SET                    | 1408.3     | (0.6) | 1.9   | (2.1)  | (15.6) |
| TWSE                   | 16685.0    | 0.2   | 4.3   | 1.0    | 18.0   |
| BDI                    | 1559       | 2.4   | 6.9   | (19.2) | 2.9    |
| CPO (RM/mt)            | 3633       | (0.8) | 0.1   | 1.5    | (10.3) |
| Brent Crude (US\$/bbl) | 81         | (4.4) | (6.9) | (3.7)  | (5.2)  |

Source: Bloomberg

### TOP TRADING TURNOVER

| Company          | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| XIAOMI CORP-W    | 15.82        | 1.8     | 2,034.2           |
| SMIC             | 24.00        | (1.4)   | 1,295.0           |
| HKEX             | 292.20       | (0.9)   | 1,220.4           |
| WUXI BIOLOGICS C | 49.15        | (1.9)   | 1,173.8           |
| KUAISHOU-W       | 57.85        | (1.4)   | 1,099.9           |

### TOP GAINERS

| Company        | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|----------------|--------------|---------|-------------------|
| CHINA HONGQIAO | 7.18         | 2.7     | 195.4             |
| XIAOMI CORP-W  | 15.82        | 1.8     | 2,034.2           |
| CHINA UNICOM   | 4.92         | 1.0     | 113.2             |
| KINGSOFT CORP  | 30.20        | 1.0     | 152.7             |
| SENSETIME-W    | 1.54         | 0.7     | 246.0             |

### TOP LOSERS

| Company          | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| NIO INC-CLASS A  | 62.50        | (5.0)   | 74.5              |
| GDS HOLDING-CL A | 10.78        | (4.9)   | 22.4              |
| YUEXIU PROPERTY  | 7.92         | (4.9)   | 37.2              |
| WHARF REAL ESTAT | 27.10        | (4.9)   | 62.3              |
| SHENZOU INTL GP  | 81.20        | (4.9)   | 335.8             |

\*ADT: Average daily turnover

### KEY ASSUMPTIONS

| GDP (% yoy)                | 2022  | 2023F | 2024F |
|----------------------------|-------|-------|-------|
| US                         | 2.1   | 2.0   | 1.0   |
| Euro Zone                  | 3.5   | 0.5   | 0.8   |
| Japan                      | 1.0   | 1.5   | 1.0   |
| Singapore                  | 3.6   | 0.7   | 3.0   |
| Malaysia                   | 8.7   | 4.0   | 4.6   |
| Thailand                   | 2.6   | 3.1   | 3.5   |
| Indonesia                  | 5.4   | 5.1   | 5.2   |
| Hong Kong                  | -3.5  | 4.6   | 3.0   |
| China                      | 3.0   | 5.0   | 4.6   |
| CPO (RM/mt)                | 5,088 | 4,000 | 4,200 |
| Brent (Average) (US\$/bbl) | 99.0  | 81.0  | 84.0  |

Source: Bloomberg, UOB ETR, UOB Kay Hian

## ECONOMICS – CHINA

### Trade

Disappointing October Exports Likely A Prelude To Further Weakness

Exports fell 6.4% yoy in Oct 23, but imports surprised with a 3.0% yoy rise, leading to a narrower trade deficit of US\$56.5b. Exports growth to the EU and Japan saw bigger declines, while exports to the US and Hong Kong saw declines narrow. Commodity imports were on the whole relatively stable, but the favourable yoy imports growth could be due to a low base for comparison. Looking ahead, the global PMI suggests that further external demand weakness is likely.

#### WHAT'S NEW

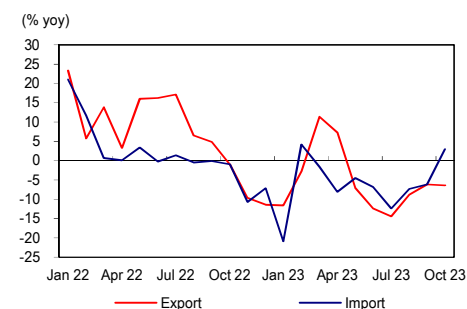
- **Exports fell 6.4% yoy in Oct 23**, slightly below September's 6.2% yoy decline, but significantly below Bloomberg consensus forecast of -3.5% yoy. Exports performance to key markets was varied, with bigger declines for exports to the EU and Japan but a narrowing in declines of exports to the US and Hong Kong. Among the key products, exports of motor vehicles remained strong, up 49.6% yoy, but high-tech exports saw a bigger decline of 9.2% yoy.
- **Imports rose 3.0% yoy in October**, much better than market expectations of -5.0% yoy and September's -6.2% yoy. However, imports of key commodities like iron ore, copper ore and coal were relatively stable and so were imports of integrated circuits. Hence, the better yoy imports growth could partly be due to a low base for comparison due to COVID-19-related lockdown(s) a year ago. We do not see evidence of a significant pick-up in domestic demand at this juncture. On the contrary, global PMI data points to further external demand weakness that may feed through to Chinese imports in the coming months.

#### EXPORTS AND IMPORTS DATA

|  | ----- (US\$b) ----- |        | ----- yoy % chg ----- |        |
|--|---------------------|--------|-----------------------|--------|
|  | Oct 23              | Sep 23 | Oct 23                | Sep 23 |
| Exports                                  | 274.8               | 299.1  | -6.4                  | -6.2   |
| Imports                                  | 218.3               | 221.4  | 3.0                   | -6.2   |
| Trade Surplus                            | 56.5                | 77.7   |                       |        |
| <b>Exports to Key Markets</b>            |                     |        |                       |        |
| US                                       | 43.2                | 46.0   | -8.2                  | -9.3   |
| EU                                       | 38.6                | 41.5   | -12.6                 | -11.6  |
| Japan                                    | 12.9                | 14.3   | -13.0                 | -6.4   |
| Hong Kong                                | 24.9                | 27.6   | -5.2                  | -10.0  |
| ASEAN                                    | 41.5                | 44.0   | -15.1                 | -15.8  |
| <b>Imports of Key Commodities</b>        |                     |        |                       |        |
| Iron Ore                                 | 11.2                | 10.8   | 20.4                  | 17.5   |
| Crude Oil                                | 32.4                | 28.8   | 2.4                   | -3.4   |
| Copper Ore                               | 5.0                 | 4.9    | 7.5                   | 31.5   |
| Coal                                     | 3.6                 | 4.0    | -18.1                 | 7.7    |
| <b>Trade of Key Products</b>             |                     |        |                       |        |
| Agricultural Products Imports            | 16.9                | 18.0   | -0.9                  | -12.0  |
| Integrated Circuits Imports              | 31.1                | 32.4   | -10.0                 | -17.0  |
| Motor Vehicle Exports                    | 73.8                | 66.0   | 49.6                  | 53.2   |
| High-tech Products Exports               | 74.8                | 81.5   | -9.2                  | -8.3   |
| Mechanical & Electrical Products Exports | 165.3               | 179.1  | -6.7                  | -6.1   |

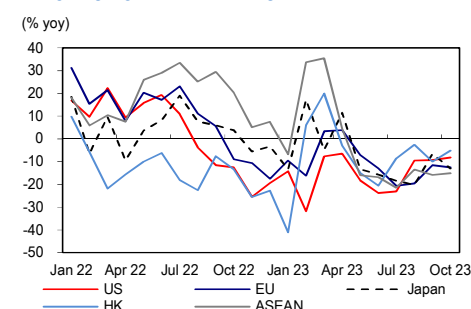
Source: Wind, CEIC, UOB Kay Hian

#### EXPORTS AND IMPORTS



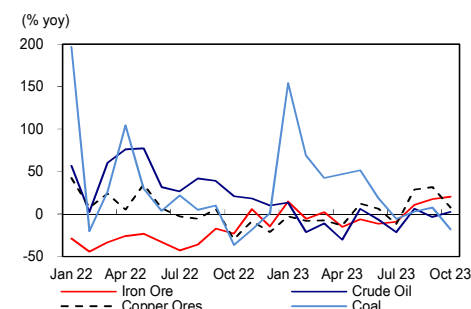
Source: Customs, Wind, UOB Kay Hian

#### EXPORTS TO KEY MARKETS



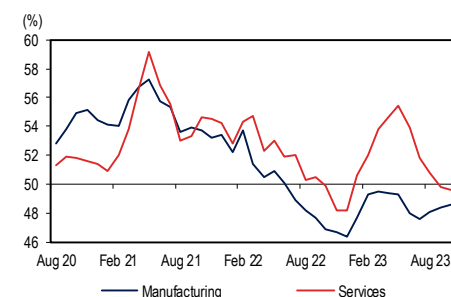
Source: Customs, Wind, UOB Kay Hian

#### IMPORTS OF KEY COMMODITIES



Source: Customs, Wind, UOB Kay Hian

#### GLOBAL PMI NEW ORDERS



Source: iFinD

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## SECTOR UPDATE

### Property – China

Land Markets Remain Weak, Shenzhen Expresses Firm Support For Vanke

For 50 cities, average weekly new-home sales decreased 13.4% yoy. For the 10 core cities, average weekly sales of second-hand homes surged 42.0% yoy, while sentiment of land markets remained weak in Tier 2 cities even after the price ceiling was cancelled. The Chinese government remains committed to avoiding systematic risks. Large fluctuations in any core asset also represent opportunities. Maintain MARKET WEIGHT on China's property sector.

#### WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 30 Oct-5 Nov 23.

#### ESSENTIALS

- New-home sales in 50 cities decreased by 13.4% yoy in Nov 23.** According to CREIS, new-home sales volume in 50 major cities decreased 6.9% wow and 11.0% yoy during the first week of November (30 Oct-5 Nov 23). Sales volume in Tier 1 cities dropped 28.6% wow and fell 27.2% yoy. Sales in Tier 2 cities decreased 11.5% wow and decreased 10.7% yoy. Sales in Tier 3 and 4 cities expanded 17.3% wow and decreased 2.1% yoy. The average weekly sales of new homes in Nov 23 increased 6.8% mom and decreased 13.4% yoy.
- Second-hand home sales showed a decent rebound.** According to WIND, weekly sales volume of second-hand homes in the 10 core cities during the first week of November (30 Oct-5 Nov 23) increased 19.9% wow and 42.5% yoy. For the 10 core cities, average weekly sales of second-hand home in Nov 23 increased 37.8% mom and 42.0% yoy.
- More Tier 2 cities removed price ceiling on land, but developers remain cautious.** Recently, Hefei, Jinan, and Xiamen for the first time cancelled the price ceilings in their land auctions, and the land premium rate of some land plots stood above 50%. However, nearly all of land plots were eventually acquired by LGFV. On the other hand, developers remained relatively cautious, eg SOEs only paid a low land premium rate (COLI: 7%; Jianfa: 2%), and POEs have not picked up any land plots recently. We expect the sentiment of land markets to further diverge among cities. Tier 2 cities are expected to see a gradual recovery of the land market, led by plots in core regions. On the other hand, Tier 3-4 cities will see increasing downward pressure.

#### RECENT LAND AUCTIONS WITHOUT PRICE CEILINGS

|       | Land plot             | GFA<br>(m sqm) | Transaction Price<br>(m sqm) | Premium rate<br>(%) | Winner in a bidding        | Company type |
|-------|-----------------------|----------------|------------------------------|---------------------|----------------------------|--------------|
| Hefei | Shushan project       | 0.12           | 375.5                        | 0                   | Hefei Shushan Construction | LGFV         |
|       | Gaoxin project        | 0.17           | 322.7                        | 0.34                | Hefei Gaoxin Construction  | LGFV         |
|       | Baohe project 1       | 0.16           | 2,606.6                      | 34                  | Anhui Land                 | LGFV         |
|       | Baohe project 2       | 0.07           | 973.5                        | 7.1                 | Wuhan Kangjing             | LGFV         |
|       | Binke city project    | 0.18           | 3,387.6                      | 44.9                | Anhui expressway           | LGFV         |
| Jinan | Caishi project        | 0.07           | 706.4                        | 50.2                | Baosheng                   | Likely LGFV  |
|       | Fenghuang project 1   | 0.01           | 37.3                         | 53.1                | CRCC                       | SOE          |
|       | Fenghuang project 2   | 0.07           | 657.6                        | 53.1                | CRCC                       | SOE          |
|       | Xueshan project       | 0.16           | 799.9                        | 6.4                 | COLI                       | SOE          |
| Ximen | Huli district project | 0.11           | 4,840                        | 2.1                 | Jianfa                     | SOE          |

Source: CREIS, UOB Kay Hian

#### PEER COMPARISON

| Company              | Ticker  | Rec | Current Price      | Target          | Upside/                 | Market    | PE    |       | P/B   |       | Yield |       |
|----------------------|---------|-----|--------------------|-----------------|-------------------------|-----------|-------|-------|-------|-------|-------|-------|
|                      |         |     | 7 Nov 23<br>(HK\$) | Price<br>(HK\$) | (Downside)<br>to TP (%) |           | 2023F | 2024F | 2023F | 2024F | 2023F | 2024F |
| China Resources Land | 1109 HK | BUY | 29.55              | 47.48           | 60.7                    | 210,719.3 | 7.2   | 6.3   | 0.7   | 0.6   | 5.2   | 5.9   |
| China Overseas Land  | 688 HK  | BUY | 15.14              | 25.86           | 70.8                    | 165,705.5 | 5.7   | 4.9   | 0.4   | 0.4   | 5.2   | 6.2   |

Source: Bloomberg, UOB Kay Hian

## MARKET WEIGHT

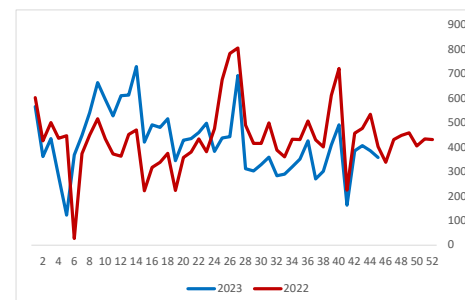
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#### SECTOR PICKS

| Company | Ticker  | Rec | Share Price<br>(HK\$) | Target Price<br>(HK\$) |
|---------|---------|-----|-----------------------|------------------------|
| CR LAND | 1109 HK | BUY | 29.55                 | 47.48                  |
| COLI    | 688 HK  | BUY | 15.14                 | 25.86                  |

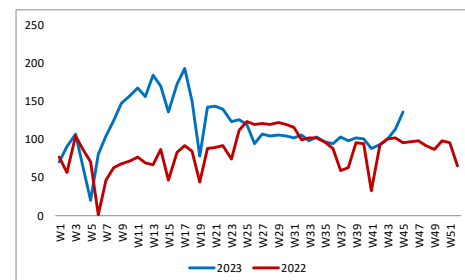
Source: UOB Kay Hian

#### NEW-HOME SALES IN 50 MAJOR CITIES



Source: CREIS, UOB Kay Hian

#### SECONDARY HOME SALES IN 10 MAJOR CITIES



Source: WIND, UOB Kay Hian

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- **Further thoughts on Vanke.** Vanke's bond prices have recently experienced greater volatility. Last week, bond prices fell on rumours that Shenzhen Metro was trying to sell Vanke shares. Shenzhen State-owned Assets Supervision and Administration Commission (SASAC) and Shenzhen Metro held a meeting on 6 Nov 23 to express firm support for Vanke, which led to a significant rebound in Vanke's bond price. We think this reflects the Chinese government's commitment to avoiding systematic risks. When potential systemic risks arise, the government will be willing and able to prevent risks. Hence, large fluctuations in any core asset also represent opportunities. However, any policy support for supply will only have a short-term impact. The recovery of buyers' sentiment will be the key.

#### KEY MESSAGES SNET BY SHENZHEN SASAC AND SHENZHEN METRO IN THE JOINT MEETING

| Key messages sent by Shenzhen SASAC  | Key messages sent by Shenzhen Metro   |
|--|---|
| <ul style="list-style-type: none"> <li>• <b>China</b> Vanke does not have financial or management risks, and Vanke is an important member of Shenzhen's state-owned capital system</li> <li>• <b>Fully</b> recognize and trust the professionalism of the Vanke team</li> <li>• In extreme situations or if the needs arise, Shenzhen SASAC have enough capital and resources to help the company. Detail measures are: a) Shenzhen to accelerate the development and construction of Vanke's large-scale urban renewal projects through transfers and cooperative development; b) Shenzhen will enhance the liquidity of various types of investment properties held by Vanke through synergy and cooperation; c) Shenzhen will cooperate with Vanke to optimize the structure of its long-term equity investment; d) Shenzhen to organize the city's state-owned firms to buy Vanke's bonds. e) Shenzhen will actively coordinate among different financial institutions to beef up financing support for Vanke</li> </ul> | <ul style="list-style-type: none"> <li>• Chairman of Shenzhen Metro said will hold Vanke shares for a long time. There is intention and action to reduce share holdings in Vanke.</li> <li>• Shenzhen Metro vows to buy Vanke's bond in open market</li> <li>• Shenzhen Metro vows to provide Vanke various liquidity which may amount to Rmb10b</li> </ul> |

Source: Vanke's joint meeting, UOB Kay Hian

#### ACTIONS

- **Maintain MARKET WEIGHT on China's property sector.** The recent easing on home purchase policy has stabilised buyers' sentiment in the second-hand home market, and may further transmit to the new home market. Tier 2 cities are expected to see a gradual recovery of the land market, led by the removal of price ceilings for land parcels in the core area. Thus, we maintain MARKET WEIGHT on the sector. COLI and CR Land remain our top picks, for their strong presence in Tier 1 and core Tier 2 cities, which are expected to be key beneficiaries of policy relaxation in core cities.

## COMPANY UPDATE

### Prudential (2378 HK)

Strong NBP Growth Momentum Sustained In 3Q23

**Prudential's 3Q23 NBP came in within our expectations with 31% yoy growth, driven by continued momentum in the Hong Kong and ASEAN markets despite regulatory headwinds in China. Margins would have improved if we exclude economic impacts, mainly due to a more favourable channel and product mix. With robust demand from MCV, we expect NBP growth momentum to continue in 4Q23 and leave our NBP forecast unchanged. Maintain BUY with an unchanged target price of HK\$150.00.**

#### WHAT'S NEW

- Prudential announced its 3Q23 business update on 7 November.

#### 3Q23 NEW BUSINESS PERFORMANCE

| Year to 31 Dec (US\$m) | 3Q23  | 3Q22  | yoy % chg | 9M23  | yoy % chg |
|------------------------|-------|-------|-----------|-------|-----------|
| APE                    | 1,390 | 1,034 | 34.4      | 4,417 | 36.0      |
| NBP                    | 654   | 499   | 31.1      | 2,143 | 34.2      |
| NBP margin (%)         | 47.1  | 48.3  | -1.2ppt   | 48.5  | -0.7ppt   |

\*The data is based on AER basis

Source: Prudential, UOB Kay Hian

- NBP growth momentum continued in 3Q23.** Prudential's 3Q23 operational data is within our expectations with annual premium equivalent (APE) and new business profit (NBP) soaring by 34% and 31% yoy on an actual exchange rate (AER) basis to US\$1,390m and US\$654m respectively. The encouraging APE sales was mainly due to the robust demand of mainland China visitors (MCV) and domestic customers in Hong Kong as well as an improvement in agency production in the majority of the other markets.

#### STOCK IMPACT

- Excluding economic impacts, margins would have improved.** Prudential's NBP margin dropped by 1.2ppt yoy to 47.1% in 3Q23. However, there would have been an improvement in margin if we exclude the interest rate movements and other economic impacts, mainly due to positive development in channel and product mix. Among these, APE sales through the bancassurance channel was sluggish due to the regulatory headwinds on the bancassurance channel in Chinese Mainland as well as reduced consumer sentiment in Vietnam. Prudential's NBP margin in Hong Kong and China also improved qoq as the product mix continued to shift back to high-margin health and protection (H&P) products.
- MCV returned; strong domestic demand boosted APE sales in Hong Kong.** According to management, MCV arrivals recovered to 90% level in 2019 while APE sales to MCV in 3Q23 was 30% higher than pre-pandemic levels. Meanwhile, NBP from domestic customers also experienced double-digit yoy growth. The product mix is achieving greater equilibrium as the case size of savings products has started to normalise, with new H&P products accounting for one-third of NBP in 3Q23.

#### 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)                     | 13.2    | 29.9   | 14.6   | 11.3   | 10.0   |
| *P/EV (x)                  | 0.7     | 0.7    | 0.7    | 0.6    | 0.6    |
| Dividend yield (%)         | 1.6     | 1.7    | 1.4    | 1.8    | 0.0    |
| ROE (%)                    | 11.7    | 5.6    | 10.5   | 12.2   | 12.6   |
| Consensus net profit       | -       | -      | 1,877  | 2,179  | 2,449  |
| UOBKH/Consensus (x)        | -       | -      | 1.10   | 1.22   | 1.23   |

Source: Prudential, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

|              |            |
|--------------|------------|
| Share Price  | HK\$84.90  |
| Target Price | HK\$150.00 |
| Upside       | +76.7%     |

#### COMPANY DESCRIPTION

Prudential Public Limited Company is an international company which provides a wide assortment of insurance and investment products and services. Insurance products include life, accident and health, and property and casualty, as well as fixed and variable.

#### STOCK DATA

|                                 |            |
|---------------------------------|------------|
| GICS sector                     | Financials |
| Bloomberg ticker:               | 2378 HK    |
| Shares issued (m):              | 2,753.2    |
| Market cap (HK\$m):             | 235,675.3  |
| Market cap (US\$m):             | 30,132.1   |
| 3-mth avg daily t'over (US\$m): | 1.4        |

#### Price Performance (%)

|                  |        |                      |        |      |
|------------------|--------|----------------------|--------|------|
| 52-week high/low |        | HK\$134.80/HK\$77.50 |        |      |
| 1mth             | 3mth   | 1mth                 | 3mth   | 1mth |
| 3.2              | (14.8) | 3.2                  | (14.8) | 3.2  |

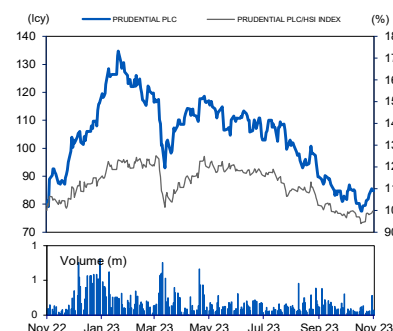
#### Major Shareholders

%

FY23 NAV/Share (US\$)

7.52

#### PRICE CHART



Source: Bloomberg

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- **Temporary disruption in Mainland China.** Prudential's JV in China, CITIC Prudential Life (CPL) recorded a decline in APE sales in 9M23, primarily attributed to: a) Prudential's continued pro-active actions to diversify product mix, b) repricing of products, and c) review of bancassurance commission fees as required by the regulator in 3Q23. While bancassurance sales remained subdued, NBP for the agency channel continued to grow in 9M23 with significant improvement in agency productivity. We believe that the headwinds encountered by CPL are temporary as the regulatory changes and product mix rebalancing are expected to enhance new business margin over the long term, leading to a more sustainable growth.

- **ASEAN business remained steady.** Indonesia and Malaysia saw continued momentum in APE sales and NBP due to product upgrades and improving agent productivity. In addition, we saw a turnaround in Singapore's APE sales, supported by a rebound of the bancassurance channel. However, 9M23 NBP still declined yoy due to higher interest rate on sales in 1H23. For emerging and other markets, ICICI Prudential Life in India and Africa delivered double-digit yoy growths for APE sales and NBP in 9M23.

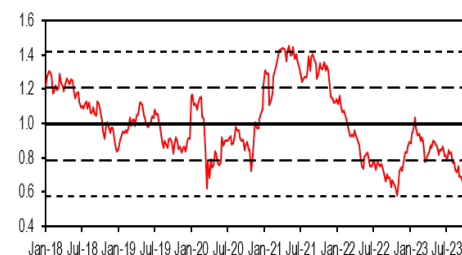
#### EARNINGS REVISION/RISK

- **No changes to our earnings forecasts.** We continue to expect another strong performance in 4Q23 due to robust demand from MCV.

#### VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of HK\$150.00.** Our target price implies 1.14x 2024F PE, 0.7SD above its historical mean. We may see some positive price action in the near term after the strong 3Q23 performance, as share price has tumbled by more than 20% ytd. We believe that Prudential's current valuation (-1.6SD) does not reflect its fundamentals and growth outlook.

#### PE BAND



Source: Bloomberg, UOB Kay Hian



## PROFIT & LOSS

| Year to 31 Dec (US\$m)            | 2022          | 2023F         | 2024F         | 2025F         |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Gross written premiums            | 24,701        | 27,171        | 29,889        | 32,877        |
| Chg in unearned prem reserves     | (1,881)       | (2,069)       | (2,276)       | (2,503)       |
| <b>Net earned premiums</b>        | <b>22,820</b> | <b>25,103</b> | <b>27,613</b> | <b>30,374</b> |
| Other exp of insurance opss       | 673           | 740           | 814           | 896           |
| <b>Underwriting profit/(loss)</b> | <b>23,494</b> | <b>25,843</b> | <b>28,427</b> | <b>31,270</b> |
| Investment income                 | 3,591         | 3,950         | 4,345         | 4,779         |
| Interest inc. (Banking ops)       | (19,857)      | (21,842)      | (24,026)      | (26,429)      |
| Other income                      | 673           | 740           | 814           | 896           |
| <b>Pre-tax profit</b>             | <b>1,461</b>  | <b>2,475</b>  | <b>3,104</b>  | <b>3,506</b>  |
| Tax                               | (454)         | (409)         | (449)         | (494)         |
| <b>Net profit</b>                 | <b>1,007</b>  | <b>2,066</b>  | <b>2,654</b>  | <b>3,011</b>  |
| Net profit (adj.)                 | 1,007         | 2,066         | 2,654         | 3,011         |
| APE                               | 4,393         | 6,009         | 6,813         | 7,493         |
| NBP                               | 2,184         | 2,843         | 3,414         | 3,911         |

## BALANCE SHEET

| Year to 31 Dec (US\$m)                | 2022           | 2023F          | 2024F          | 2025F          |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Cash                                  | 7,887          | 8,676          | 9,543          | 10,498         |
| Loans and advances                    | 2,818          | 3,100          | 3,410          | 3,751          |
| Investments (equity & fixed inc)      | 67,761         | 74,537         | 81,991         | 90,190         |
| Reinsurers' share of ins liabilities  | 10,728         | 11,801         | 12,981         | 14,279         |
| Associates & JVs                      | 2,401          | 2,641          | 2,906          | 3,196          |
| Fixed assets (incl prop)              | 526            | 578            | 636            | 700            |
| Other assets                          | 125,895        | 138,484        | 152,333        | 167,566        |
| <b>Total assets</b>                   | <b>218,942</b> | <b>240,744</b> | <b>264,726</b> | <b>291,107</b> |
| Assets sold (repo agreement)          | 245            | 270            | 297            | 326            |
| Insurance contract liabilities        | 167,107        | 183,817        | 202,199        | 222,419        |
| Other liabilities                     | 32,600         | 35,768         | 39,252         | 43,085         |
| <b>Total liabilities</b>              | <b>199,952</b> | <b>219,855</b> | <b>241,747</b> | <b>265,831</b> |
| Shareholders' funds                   | 18,797         | 20,676         | 22,744         | 25,019         |
| Minority interest - accumulated       | 194            | 213            | 234            | 258            |
| <b>Total equity &amp; liabilities</b> | <b>218,942</b> | <b>240,744</b> | <b>264,726</b> | <b>291,107</b> |

## OPERATING RATIOS

| Year to 31 Dec (%)                   | 2022    | 2023F   | 2024F   | 2025F   |
|--------------------------------------|---------|---------|---------|---------|
| <b>Capital-related</b>               |         |         |         |         |
| Shareholders' funds/total assets     | 8.6     | 8.6     | 8.6     | 8.6     |
| Total Assets/equity (x)              | 11.6    | 11.6    | 11.6    | 11.6    |
| <b>Liquidity</b>                     |         |         |         |         |
| Liquid assets/short-term liabilities | 1,099.2 | 1,099.2 | 1,099.2 | 1,099.2 |
| Liquid assets/total assets           | 13.0    | 13.0    | 13.1    | 13.1    |
| <b>Valuation (%)</b>                 |         |         |         |         |
| P/EV (x)                             | 0.7     | 0.7     | 0.6     | 0.6     |
| NB multiple (x)                      | 0.0     | 0.0     | 0.0     | 0.0     |
| Adjusted P/E (x)                     | 29.9    | 14.6    | 11.3    | 10.0    |
| Dividend Yield                       | 1.7     | 1.4     | 1.8     | 1.9     |

## KEY METRICS

| Year to 31 Dec (%)      | 2022   | 2023F | 2024F | 2025F |
|-------------------------|--------|-------|-------|-------|
| <b>Growth</b>           |        |       |       |       |
| Gross premiums, yoy chg | 2.0    | 10.0  | 10.0  | 10.0  |
| Net profit, yoy chg     | n.a.   | 105.2 | 28.5  | 13.   |
| ANP, yoy chg            | (4.3)  | 36.8  | 13.4  | 10.0  |
| VONB, yoy chg           | (13.5) | 30.2  | 20.1  | 14.5  |
| <b>Profitability</b>    |        |       |       |       |
| Reported ROE            | 0.6    | 15.1  | 14.6  | 14.3  |
| Adjusted ROE            | 0.6    | 15.1  | 14.6  | 14.3  |
| NBP margin (%)          | 49.7   | 47.3  | 50.1  | 52.2  |

**Footnotes:** FYP: first year premium; EV: embedded value; NB: new business; NBP: New business profit; APE: Annual premium equivalent

## TRADERS' CORNER



Chart by Bloomberg

### Chinasoft International Ltd. (354 HK)

Trading Buy range: HK\$5.80-6.00

Last price: HK\$6.05

Target price: HK\$6.20/HK\$6.32

Protective stop: Breaks below HK\$5.40

#### Stock Highlights:

The group recently signed a framework co-operation agreement with Daye Municipal Government to jointly promote the development of the digital economy in Daye City as well as the in-depth co-operation between the two parties in the field of new smart city construction, so as to facilitate the transformation of local digitalisation and the development of digital talent.

#### Technical View:

Share price has formed a succession of higher lows since August, showing an uptrend. It is now higher than its 10-day (light blue), 20-day (orange), 50-day (red), 100-day (pink) and 200-day (purple) moving averages, with the 10-day, 20-day, 50-day and 100-day moving averages pointing upwards. The 14-day RSI is above the midline level of 50 and is currently around 59, indicating strong momentum. The MACD line is flat with the signal line and both lines are in the bullish zone. Therefore, the uptrend of the share price remains unchanged for the time being.

Average timeframe: Around two weeks.



Chart by Bloomberg

### Maanshan Iron & Steel Co. Ltd. (323 HK)

Trading Buy range: HK\$1.26-1.30

Last price: HK\$1.30

Target price: HK\$1.38/HK\$1.45

Protective stop: Breaks below HK\$1.16

#### Stock Highlights:

In 3Q23, revenue increased 8.68% to Rmb24.937b.

#### Technical View:

Share price rose with a long white candlestick on 30 Oct 23, in line with increased trading volume. It is now higher than its 10-day (light blue) and 20-day (orange) moving averages, and recently traded around the 50-day moving average (red). The 14-day RSI is higher than the midline level of 50 and is now around 53, indicating that momentum has gradually strengthened. The MACD line is higher than the signal line, showing a bullish crossover. If share price holds firmly above the 50-day moving average, it could rise further.

Average timeframe: Around two weeks.

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