

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

KEY HIGHLIGHTS

Strategy

Hong Kong Exchange and Hong Kong Property Sector Page 2
Takeaways from 2023 Hong Kong Policy Address: Policies largely in line; Maintain MARKET WEIGHT.

Results

Aier Eye Hospital Group (300015 CH/BUY/Rmb16.61/Target: Rmb21.00) Page 5
9M23: Satisfactory results; weak economic conditions may slow revenue growth.

Baoshan Iron & Steel (600019 CH/BUY/Rmb6.33/Target: Rmb7.10) Page 8
3Q23: In line; gross margin jumps 3.3 ppt qoq to 8.3%.

China Overseas Land & Investment Page 11
(688 HK/BUY/HK\$14.90/Target: HK\$25.86)
3Q23: Results improved; expect COLI to meet its 2023 target.

EVE Energy (300014 CH/BUY/ Rmb42.40/Target: Rmb92.00) Page 14
3Q23: Earnings in line but margins beat. Maintain BUY. Target price: Rmb92.00.

Update

Li Ning (2331 HK/BUY/HK\$30.20/Target: HK\$48.80) Page 17
Cut full-year revenue guidance to single-digit % growth; key priority is distributor control.

TRADERS' CORNER

Sinopec Engineering (Group) Co., Ltd. (2386 HK): Trading Buy range: HK\$3.70-3.80
Café De Coral Holdings Ltd. (341 HK): Trading Buy range: HK\$8.50-8.70

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
27 Oct	China	Sep Industrial Profits
31 Oct	China	Oct NBS PMI
01 Nov	China	Caixin Oct Manufacturing PMI
07 Nov	China	Oct Trade
09 Nov	China	Oct Inflation
09-15 Nov	China	Oct Money Supply And Credit

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33035.9	(0.3)	(1.9)	(2.9)	(0.3)
S&P 500	4186.8	(1.4)	(3.0)	(3.5)	9.0
FTSE 100	7414.3	0.3	(2.3)	(2.7)	(0.5)
AS30	7046.3	0.0	(3.0)	(2.7)	(2.4)
CSI 300	3504.5	0.5	(2.9)	(5.1)	(9.5)
FSSTI	3078.8	(0.2)	(1.8)	(4.2)	(5.3)
HSCEI	5854.0	0.9	(3.9)	(2.9)	(12.7)
HSI	17085.3	0.6	(3.9)	(2.2)	(13.6)
JCI	6834.4	0.4	(1.3)	(1.3)	(0.2)
KLCI	1442.5	0.5	(0.3)	(0.2)	(3.5)
KOSPI	2363.2	(0.9)	(4.0)	(4.1)	5.7
Nikkei 225	31269.9	0.7	(2.4)	(3.2)	19.8
SET	1401.7	0.8	(2.2)	(6.2)	(16.0)
TWSE	16358.9	0.3	(0.5)	0.5	15.7
BDI	1832	(6.0)	(13.0)	8.1	20.9
CPO (RM/mt)	3622	(1.5)	(2.6)	(0.6)	(10.5)
Brent Crude (US\$/bbl)	90	2.3	(1.5)	(3.4)	4.9

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
TENCENT	287.80	1.7	4,628.5
MEITUAN-W	109.60	2.0	2,465.5
BABA-SW	79.30	2.7	2,461.4
BYD COMPANY	241.40	1.2	2,207.2
XIAOMI CORP-W	13.20	1.9	1,726.6

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
LENOVO GROUP	8.93	7.3	530.8
SINOTRUK HK LTD	14.50	6.1	41.9
LI AUTO INC-A	133.80	5.2	642.6
BILIBILI INC-Z	103.40	5.1	208.8
NIO INC-CLASS A	61.45	5.0	79.3

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
CHINA UNICOM	4.82	(8.5)	155.0
XINYI SOLAR HLDS	4.77	(5.2)	80.3
HKEX	278.20	(4.1)	1,055.8
PETROCHINA-H	5.31	(4.0)	511.2
KUAISHOU-W	51.55	(3.9)	1,524.1

*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

STRATEGY – HONG KONG

Hong Kong Exchange and Hong Kong Property Sector

Takeaways From 2023 Hong Kong Policy Address: Policies Largely In Line; Maintain MARKET WEIGHT

We have a neutral view on the policies related to the stock market and we expect a short-term rebound in ADT but sustained recovery will still depend on China’s macro development and US monetary policy. For the property sector, the relaxation of demand-side management measures is within expectation. However, combining the aggressive land supply plan and weak population policy, the overall impact on the property industry is natural to negative. Sales need to be closely watched.

WHAT’S NEW

- Hong Kong Chief Executive John Lee delivered his second Policy Address on 25 October. Below are the key takeaways regarding the policies related to the capital market and property sector.

ESSENTIALS

Stock Market Implications:

- **Reversing stock trading levy to levels before the rise in 2021.** The Hong Kong government will cut the stock stamp duty rate by 3bp to 0.1% and it aims to complete the legislative process by the end of November. We expect the new stock trading levy rate to be officially implemented starting December. The stamp duty cut is expected to reduce the government revenue’s revenue by HK\$12.3b, or about 2% of total revenue, according to its estimates.
- **Reviewing stock price spreads.** The Hong Kong Stock Exchange (HKEX) and financial regulatory authorities will initiate a review to narrow the minimum bid-ask spreads. This will enable stocks with liquidity but higher minimum bid-ask spreads to better reflect market conditions. The HKEX will seek market opinions on specific measures in 2Q24.
- **Reforming GEM market listing rules.** The HKEX has published consultations papers to reform the GEM markets which have not witnessed any IPO since Feb 20. These proposals include simplifying the mechanism for transitioning to the main board and expanding pathways for technology companies to go public in the GEM market. The HKEX is expected to implement the revised listing rules in 1Q24.
- **Reducing market data costs.** The HKEX will review the ongoing real-time data service fee standards to reduce the investors’ cost for accessing real-time market data. The new fees rate will be implemented by the end of this year.
- **History has shown mixed ADT performance after levy adjustments.** The city had lowered its stock trading stamp duty in 1998, 2000 and 2001 before the rise in 2021. We observed that the short-term performance of the HSI was relatively weak after the cuts, but the average daily turnover (ADT) trend was mixed following the levy adjustments. However, in our opinion, the long-term impact of levy cuts on the market appears to be relatively limited. To highlight, the three cuts were taken place during periods of high volatility, such as Asian Financial Crisis and Dot-com bubble, making the past performances less relevant for comparison.

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/	Market	PE		P/B		Yield	
			25 Oct 23	Price	(Downside)	Cap	2023F	2024F	2023F	2024F	2023F	2024F
			(lcy)	(lcy)	To TP	(lcy b)	(x)	(x)	(x)	(x)	(%)	(%)
Hong Kong Exchanges and Clearing Ltd.	388 HK	BUY	278.20	370.00	33.0	367,672.7	29.8	27.3	7.2	7.0	3.0	3.3
Hysan Development	14 HK	BUY	14.46	26.18	81.1	14,973.8	7.7	6.6	0.2	0.2	9.9	9.9
Sun Hung Kai Properties	16 HK	BUY	79.50	112.64	41.7	231,532.6	9.1	8.7	0.4	0.4	5.5	5.7
New World Development *	17 HK	HOLD	14.22	16.03	12.7	36,189.2	6.7	6.7	0.2	0.2	5.3	5.3
Wharf Real Estate Investment Co Ltd	1997 HK	HOLD	27.65	40.30	45.8	84,558.9	12.8	11.4	0.4	0.4	4.8	5.4
Link REIT	823 HK	BUY	35.90	50.70	41.2	91,204.7	14.0	13.1	0.5	0.5	7.2	7.6

Source: Bloomberg, UOB Kay Hian

SECTOR RATING

Sector	Sector Rating
Hong Kong Property	MARKET WEIGHT
Hong Kong Exchange	MARKET WEIGHT

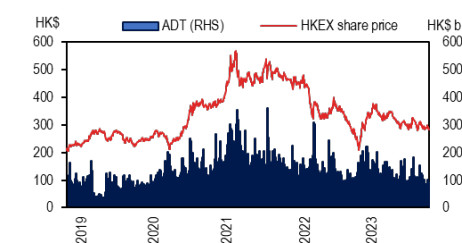
Source: UOB Kay Hian

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
SHKP	16 HK	BUY	79.50	112.64
HKEX	388 HK	BUY	278.20	370.00

Source: UOB Kay Hian

HEADLINE ADT TREND AND HKEX SHARE PERFORMANCE



Source: HKEX, Bloomberg, UOB Kay Hian

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HONG KONG STOCK TRADING STAMP DUTY RATE ADJUSTMENTS HISTORY

Time Frame	Adjustment (bps)	Stamp duty rate (%)	HSI performance (%)		ADT changes (%)*	
			1 week	1 month	1 month	1 year
Before Mar 1998		0.1500%				
Apr 1998	-2.50	0.1250%	-0.1	-8.4	-25.6	-62.8
Apr 2000	-1.25	0.1125%	-4.7	-8.4	-30.8	-48.5
Sep 2001	-1.25	0.1000%	-4.9	-8.7	+9.0	-1.6
Aug 2021	+3.00	0.1300%	+0.8	+0.3	-13.2	-39.9

*Single month ADT data before the rate adjustments was used as the baseline for comparison.
Source: Hong Kong SAR Government, HKEX, UOB Kay Hian

- Lower stamp duty may boost liquidity in the short term.** The 9M23 headline ADT on the HKEX plunged 11.6% yoy to HK\$109.7b due to several external headwinds such as surging US long-term treasury yield, US-China tensions, and the slower pace of economic recovery in Mainland China. We expect the ADT to rebound as a knee-jerk reaction as the 20% lower trading cost after the cut will encourage more day traders, high-frequency traders, and quantitative traders to return to the market. However, we maintain our view that sustained ADT recovery will only occur with a significant improvement in China's economic fundamentals.
- Impact of GEM reform and market fee reduction on HKEX's core revenue.** We expect the ongoing reforms will revitalise liquidity and fundraising activities in the GEM market, leading to improved trading income and listing fees for the exchange. Meanwhile, it is out of our expectations that the exchange is informed to revise its market data fee. The revenue from providing market data has grown at a CAGR of 5% to HK\$1.1b over the past five years and contributes 7% to the HKEX's core revenue. We will revise our growth assumptions on the market data fee after more details are revealed.

Property Market Implications

- Adjust the demand-side management measures for residential properties:** a) shorten the applicable period of the special stamp duty (SSD) from three years to two years, b) reduce the respective rates of the buyer's stamp duty (BSD) and the new residential stamp duty (NRSD) by half, from 15% to 7.5%, and c) introduce a stamp duty suspension arrangement for incoming talents' acquisition of residential properties. Under the suspension arrangement, the payment of stamp duty concerned is suspended at the time of property acquisition, but the talent is required to pay the relevant amount if he/she is subsequently unable to become a Hong Kong permanent resident (HKPR).
- Further speed up land supply.** In the next five years, the government vows to further speed up supply for both private units and public housing units in the next five years. For the medium to longer term, the Northern Metropolis is expected to provide 500,000 new housing units and create 500,000 new jobs in next 20 years. At last, the government will commence the environmental impact assessment process for Kau Yi Chau Artificial Islands, which is expected to provide another 1,000 ha of land.

GOVERNMENT FIVE-YEAR PLAN OF HOUSING SUPPLY

Period	2022 Policy Address	2022 Policy Address	Change
	2023/24-2027/28	2024/25-2028/29	
New public housing units	158000	172000	8.9%
New private housing unit	72000	80000	11.1%

Source: 2023 HK Policy Address, UOB Kay Hian

SCHEDULE OF LAND AND HOUSING SUPPLY OF NORTHERN METROPOLIS

2024	Release all the land use and development proposals
2027	commence land resumption by 2027
2032	form 40% of the new development land and complete 40% of the new flats

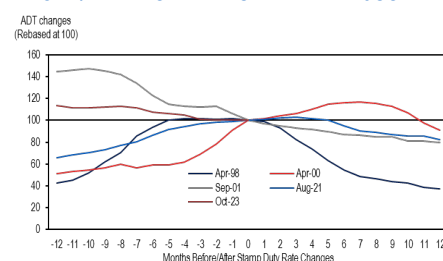
Source: 2023 HK Policy Address, UOB Kay Hian

STOCK TRADING COST STRUCTURE

Cost per transaction	Rate (old)	Rate (new)
SFC Transaction Levy	0.0027%	0.0027%
Investor Compensation Levy	0.002%	0.002%
FRC Transaction Levy	0.00015%	0.00015%
Trading Fee	0.00565%	0.00565%
Stamp Duty on Stock Trading*	0.13%	0.10%
Total	0.1405%	0.1105%

Source: HKEX, UOB Kay Hian

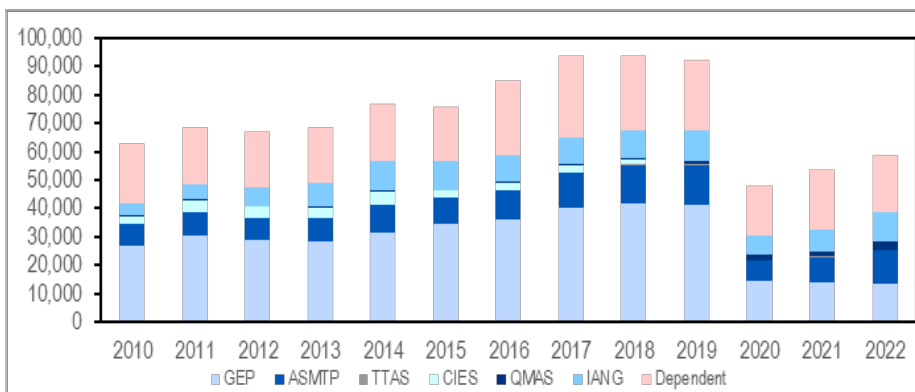
HKEX TRAILING 12-MONTH HEADLINE ADT TREND BEFORE/AFTER STAMP DUTY RATE ADJUSTMENTS



Source: HKEX, UOB Kay Hian

- Talent and population policies are rather mild.** The Top Talent Pass Scheme (TTPS) introduced last year has achieved satisfactory results, by receiving 160,000 applications and issuing 100,000 approvals, which is equivalent to 1.1x of the total number of talent visas granted in 2019. This year, the government mainly works to: a) marginally expand the coverage of TTPS, b) relax visa requirement for Vietnamese talents, and c) introduce the high Vocational Professionals Admission Scheme to attract professional Higher Diploma graduates. With birth rate falling to a record low of 0.71, the government published measures to support families with newborn babies. A key takeaway is that applications of families that have babies born on or after 25 October will have their waiting time for public rental housing (PRH) flats reduced by one year.
- Expect a nice rebound of sales volume in the near term.** From 2016 to 2022, Hong Kong immigration issued a total number of 359,789 talent visas, of which we conservatively estimate that roughly 25% will have the will to apply HKPR once their conditions are fulfilled. That means Hong Kong currently has roughly 90,000 potential PR applicants from its talent pool. As a comparison, Hong Kong has 15,000-20,000 primary home transactions and 35,000-5,000- secondary home transactions annually. Thus, we expect the cut of BSD/NRSD rate and introduction of stamp duty suspension arrangement will help unleash the demand of non-PR talents.

NO. OF TALENT VISAS GRANTED DURING 2010-22



Source: Hong Kong Immigration, UOB Kay Hian. Note: GEP: General Employment Policy; ASMTP: Admission Scheme for Mainland Talents and Professionals; TTAS: Technology Talent Admission Scheme; CIES: Capital Investment Entrant Scheme; QMAS: Quality Migrant Admission Scheme; IANG: Immigration Arrangements for Non-local Graduate

- Neutral to pessimistic on Hong Kong's property price in 2024.** Besides the high interest rate, concerns over population contraction and oversupply are the two major factors that weigh on Hong Kong's property price. With tedious population policy and aggressive land supply plan, the 2023 Policy Address did not provide major support to Hong Kong's property price in the next 12 months. However, we believe interest rate will remain as the most important

ACTIONS

- Maintain BUY on the HKEX with unchanged target price of HK\$370.00.** The policies announced by John Lee to enhance stock market liquidity were largely within our expectations. However, the share price retreated by 4% in the afternoon due to profit-taking activities after it had outperformed the index since few days ago. The exchange is now trading at 2024F PE of 26.3x, 1.0SD below its historical mean, which we deem not so pricey.
- Maintain MARKET WEIGHT on the Hong Kong property sector.** The relaxation of demand-side management measures is in line with our expectation. However, combining the aggressive land supply plan and weak population policy, the overall impact on the property industry is neutral to negative. Looking forward, the sector may still be exposed to risks of upside adjustment of prime rate. Sales of developers are the key to be watched in the following months. We maintain MARKET WEIGHT. SHKP remains our top pick.

MEASURES TO SUPPORT FAMILIES WITH NEW BORN

The government will provide a one-off cash bonus of HK\$20,000 for each baby born on or after 25 Oct 23 in Hong Kong to a parent who is a HKPR. Effective for three years.

The government will raise the deduction ceiling for home loan interest or domestic rents from the current HK\$100,000 to HK\$120,000, an increase of 20%, for taxpayers who live with his/her first child born on or after 25 Oct 23 until the child reaches the age of 18;

Starting from the HOS sale exercise next year, a quota of flats will be reserved for balloting and priority flat selection by family applicants with babies born on or after 25 October until the children reach the age of three. In each of the HOS or GSH sale exercise, an additional 10% of the total number of flats will be reserved for the purpose of selection priority

Applications of families that have babies born on or after 25 October will have their waiting time for PRH flats reduced by one year. Effective from Apr 24

Source: 2023 HK Policy Address, UOB Kay Hian

COMPANY RESULTS

Aier Eye Hospital Group Co (300015 CH)

9M23: Satisfactory Results; Weak Economic Conditions May Slow Revenue Growth

Aier reported satisfactory 9M23 results with total revenue and adjusted net earnings increasing 23.0% yoy and 24.0% yoy respectively, despite the relatively slow economic growth and high base in 3Q22. We expect Aier to deliver relatively strong growth in 4Q23, supported by its well-established business expansion strategy and a low base in 4Q22. Maintain BUY with a lower target price of Rmb21.00 to factor in the possible negative impact of the weaker economic conditions.

9M23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	3Q23	yoy % chg	9M22	9M23	yoy % chg
Revenue	4,944	5,795	17.2%	13,052	16,047	23.0%
Gross profit	2,777	3,263	17.5%	6,775	8,334	23.0%
Selling expense	(472)	(559)	18.5%	(1,258)	(1,607)	27.7%
Administrative expense	(710)	(758)	6.7%	(1,819)	(2,084)	14.6%
R&D expense	(88)	(98)	11.3%	(202)	(246)	21.6%
EBT	1,397	1,883	34.7%	3,224	4,299	33.3%
Net profit	1,066	1,469	37.8%	2,357	3,181	35.0%
Adj. net profit	1,121	1,346	20.1%	2,504	3,105	24.0%
% of sales	3Q22	3Q23	yoy ppt chg	9M22	9M23	yoy ppt chg
Gross profit	56.2%	56.3%	0.1	51.9%	51.9%	0.0
Selling expense	9.5%	9.6%	0.1	9.6%	10.0%	0.4
Administrative expense	14.4%	13.1%	(1.3)	13.9%	13.0%	(0.9)
R&D expense	1.8%	1.7%	(0.1)	1.6%	1.5%	(0.0)
EBT	28.3%	32.5%	4.2	24.7%	26.8%	2.1
Net profit	21.6%	25.3%	3.8	18.1%	19.8%	1.8
Adjusted net profit	22.7%	23.2%	0.6	19.2%	19.3%	0.2

Source: Aier, UOB Kay Hian

RESULTS

- Satisfactory 9M23 results.** Aier Eye Hospital Group (Aier) reported strong 9M23 results with revenue increasing by 23.0% yoy to Rmb16.0b and adjusted net earnings grew 24.0% yoy to Rmb3.1b. Net earnings expanded significantly by 35.0% yoy to Rmb3.2b in 9M23. The results are satisfactory.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	15,001	16,110	20,644	24,393	28,262
EBITDA	4,656	4,547	6,057	7,361	8,359
Operating profit	4,120	3,964	5,290	6,382	7,421
Net profit (rep./act.)	2,323	2,524	3,417	4,205	4,976
Net profit (adj.)	2,783	2,919	3,811	4,599	5,370
EPS (Fen)	29.8	31.3	40.9	49.3	57.6
PE (x)	55.7	53.1	40.7	33.7	28.9
P/B (x)	13.7	9.3	7.3	6.4	5.6
EV/EBITDA (x)	31.9	32.7	24.5	20.2	17.8
Dividend yield (%)	0.7	0.6	0.6	0.8	0.9
Net margin (%)	15.5	15.7	16.6	17.2	17.6
Net debt/(cash) to equity (%)	(17.4)	(28.6)	(35.5)	(39.0)	(42.9)
Interest cover (x)	43.7	683.2	n.a.	n.a.	n.a.
ROE (%)	22.0	18.0	18.0	18.5	19.1
Consensus net profit	-	-	3,465	4,478	5,738
UOBKH/Consensus (x)	-	-	1.10	1.03	0.94

Source: Aier Eye Hospital, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb16.61
Target Price	Rmb21.00
Upside	+26.5%
(Previous TP)	Rmb26.00

COMPANY DESCRIPTION

Aier Eye Hospital Group Ltd. is the largest ophthalmic medical service provider in the global market.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	300015 CH
Shares issued (m):	9,328.4
Market cap (Rmbm):	154,944.9
Market cap (US\$m):	21,174.6
3-mth avg daily t'over (US\$m):	113.9

Price Performance (%)

52-week high/low Rmb26.31/Rmb16.54

1mth	3mth	6mth	1yr	YTD
(9.8)	(16.4)	(25.9)	(22.4)	(30.5)

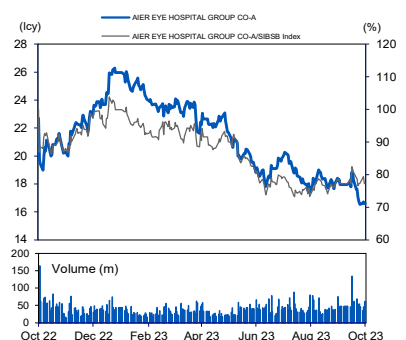
Major Shareholders

Mr. CHEN Bang	42.9
Mr. LI Li	10.3

FY23 NAV/Share (Rmb) 2.28

FY23 Net Cash/Share (Rmb) 0.81

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Revenue and earnings growth satisfactory in 3Q23, despite weak economic condition and high base in 3Q22.** Aier's total revenue increased by 17.2% yoy to Rmb5.8b in 3Q23. Despite the relatively slow economic growth in China and considerably high revenue base in 3Q22, the company's 9M23 revenue has maintained satisfactory revenue growth. Aier continues to see strong demand and great market opportunities in eye care services in China and will further enhance its efforts of ophthalmology marketing education and digital marketing activities. Its net profit increased by 37.8% yoy to Rmb1.56b and adjusted earnings jumped by 20.1% yoy to Rmb1.3b in 3Q23.
- Effective market expansion strategy to continue supporting satisfactory revenue growth in 2023 and beyond.** According to management, the optometry and refractory businesses have experienced relatively slower growth while the other eye disease business segments (such as high-end cataract operation segment, anterior segment and posterior segment services) continue to deliver robust revenue expansion. The relatively weak economic condition may have impacted the growth of certain high-end businesses to some extent, while we continue to believe the company's market penetration strategy via acquisitions and steady organic growth will enable it to expand market reach and continue to support a relatively strong revenue growth outlook. Moreover, the overseas markets currently brought in approximately 11% of total revenue. Management expects the overseas business will grow faster and contribute to approximately 30% of total revenue in the next five years.
- 3Q23 profit margin improved slightly from 3Q22.** Gross margin and adjusted net margin showed slight improvement from 56.2% and 22.7% in 3Q22 to 56.3% and 23.2% in 3Q23 respectively. Selling expense/revenue increased by 0.1ppt to 9.6%, while G&A expenses/revenue ratio decreased by 1.3ppt to 13.1% in 3Q23. According to management, the third quarter is usually the strongest quarter of a year, and the improving profit margin was mainly due to strong revenue growth. We believe profit margin will improve further in the next few years as most of the company's hospitals have a relatively short operating history and will yield higher profit margins as they mature.
- Cut revenue growth assumptions for 2023-25 to reflect possible impact from slower economic growth in China.** Given the low base in 4Q22 impacted by the COVID-19 outbreak, we believe Aier will report relatively strong revenue growth in 4Q23. However, we think the weaker economic condition could lead to slower growth potential of the ophthalmology market in China. We hence, cut the revenue growth forecasts for 2023-25 to reflect possible slower revenue growth outlook.
- Plans share buybacks of Rmb200m-300m for the next 12 months at no more than Rmb26.98 per share.** The share bought back will be used for share incentives or employee share option scheme.

EARNINGS REVISION/RISKS

- We cut the revenue growth forecasts for 2023-25 from 30.1%, 21.4% and 23.7% yoy to 28.1%, 18.2% and 15.9% yoy, respectively to reflect possible weaker growth outlook.
- Risks. a) Policy uncertainties, b) possible negative impact from weaker economic condition, and c) risks in overseas and domestic business expansion, etc.

VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of Rmb21.00**, based on our DCF model, assuming WACC of 11.2% and terminal growth rate of 4%. We believe Aier will still maintain solid growth of 17.0% CAGR during 2023-25, despite the increasing challenging economic condition in China.

STOCK PRICE CATALYSTS

- Strong market demand for ophthalmic medical services to boost revenue in 4Q23.
- Effective growth strategy and business model support business expansion in China and overseas.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	16,109.9	20,644.3	24,393.5	28,261.8
EBITDA	4,546.9	6,057.1	7,360.6	8,358.8
Deprec. & amort.	582.8	767.1	978.8	937.4
EBIT	3,964.1	5,290.0	6,381.8	7,421.4
Total other non-operating income	(622.4)	(711.8)	(711.8)	(711.8)
Net interest income/(expense)	(6.7)	0.0	0.0	0.0
Pre-tax profit	3,335.1	4,578.2	5,670.0	6,709.7
Tax	(646.1)	(938.5)	(1,190.7)	(1,409.0)
Minorities	(164.8)	(223.0)	(274.5)	(324.8)
Net profit	2,524.2	3,416.7	4,204.9	4,975.9
Net profit (adj.)	2,918.8	3,811.2	4,599.4	5,370.4

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	4,490.7	3,748.4	5,309.9	6,091.8
Pre-tax profit	3,335.1	4,578.2	5,670.0	6,709.7
Tax	(646.1)	(938.5)	(1,190.7)	(1,409.0)
Deprec. & amort.	582.8	767.1	978.8	937.4
Working capital changes	(1,187.6)	(658.4)	(148.3)	(146.2)
Other operating cashflows	2,406.5	0.0	0.0	0.0
Investing	(3,260.0)	(2,130.5)	(2,205.1)	(2,208.9)
Capex (growth)	(1,242.7)	(2,230.5)	(2,205.1)	(2,208.9)
Investments	(557.3)	100.0	0.0	0.0
Proceeds from sale of assets	388.4	0.0	0.0	0.0
Others	(1,848.3)	0.0	0.0	0.0
Financing	390.4	1,093.8	(1,195.5)	(1,414.7)
Dividend payments	(717.7)	(971.4)	(1,195.5)	(1,414.7)
Issue of shares	0.0	2,151.9	0.0	0.0
Proceeds from borrowings	(98.5)	(222.8)	0.0	0.0
Loan repayment	n.a.	n.a.	n.a.	n.a.
Others/interest paid	1,206.5	136.1	0.0	0.0
Net cash inflow (outflow)	1,621.1	2,711.7	1,909.3	2,468.2
Beginning cash & cash equivalent	4,349.2	5,992.0	8,703.7	10,613.0
Changes due to forex impact	21.7	0.0	0.0	0.0
Ending cash & cash equivalent	5,992.0	8,703.7	10,613.0	13,081.2

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	4,041.1	5,504.5	6,730.8	8,002.3
Other LT assets	12,880.5	14,002.3	14,002.3	14,002.3
Cash/ST investment	5,992.0	8,703.7	10,613.0	13,081.2
Other current assets	3,665.2	4,228.0	4,755.4	5,304.4
Total assets	26,578.8	32,438.5	36,101.4	40,390.2
ST debt	1,112.0	1,034.0	1,034.0	1,034.0
Other current liabilities	4,256.7	5,298.3	5,677.4	6,080.2
LT debt	115.1	109.2	109.2	109.2
Other LT liabilities	3,479.5	3,561.3	3,561.3	3,561.3
Shareholders' equity	16,671.5	21,268.7	24,278.1	27,839.2
Minority interest	944.0	1,167.0	1,441.5	1,766.3
Total liabilities & equity	26,578.8	32,438.5	36,101.4	40,390.2

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	28.2	29.3	30.2	29.6
Pre-tax margin	20.7	22.2	23.2	23.7
Net margin	15.7	16.6	17.2	17.6
ROA	10.4	11.6	12.3	13.0
ROE	18.0	18.0	18.5	19.1
Growth				
Turnover	7.4	28.1	18.2	15.9
EBITDA	(2.4)	33.2	21.5	13.6
Pre-tax profit	6.0	37.3	23.8	18.3
Net profit	8.6	35.4	23.1	18.3
Net profit (adj.)	4.9	30.6	20.7	16.8
EPS	4.9	30.6	20.7	16.8
Leverage				
Debt to total capital	6.5	4.8	4.3	3.7
Debt to equity	7.4	5.4	4.7	4.1
Net debt/(cash) to equity	(28.6)	(35.5)	(39.0)	(42.9)
Interest cover (x)	683.2	n.a.	n.a.	n.a.

COMPANY RESULTS

Baoshan Iron & Steel (600019 CH)

3Q23: In Line; Gross Margin Jumps 3.3 ppt qoq To 8.3%

Baosteel reported 9M23 earnings of Rmb8,350.4m (-11.8% yoy), representing 81% of our 2023 forecast, in line with expectations. 3Q23 gross margins expanded sequentially to 8.3% (+3.3% qoq), thanks to lower coal prices and cost-cutting initiatives. 9M23 cost reduction reached Rmb4.89b, exceeding the annual target. The growing differentiated products' sales and export orders have offset the impacts of lacklustre domestic demand. Maintain BUY. Target price: Rmb7.10.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	9M22R	9M23	yoy chg	3Q22R	3Q23	yoy chg
Revenue	279,198.9	255,384.2	(8.5)	94,941.2	85,162.0	(10.3)
Cost of sales	(260,790.8)	(239,298.8)	(8.2)	(90,976.1)	(78,100.0)	(14.2)
Gross profit	18,408.2	16,085.3	(12.6)	3,965.1	7,062.0	78.1
SG&A	(7,227.3)	(7,468.8)	3.3	(2,672.3)	(2,544.2)	(4.8)
Net finance cost	(1,140.7)	(668.9)	(41.4)	(244.7)	(291.7)	19.2
Operating profit	13,554.5	12,440.7	(8.2)	2,367.6	5,537.0	133.9
Non operating profit/loss	(406.6)	(536.1)	31.8	(77.4)	(148.4)	91.6
PBT	13,147.9	11,904.6	(9.5)	2,290.1	5,388.6	135.3
Tax	(2,160.5)	(2,235.8)	3.5	(334.0)	(949.9)	184.4
Minority interest	(1,523.5)	(1,318.4)	(13.5)	(283.8)	(640.7)	125.8
Net Profit	9,463.8	8,350.4	(11.8)	1,672.4	3,798.0	127.1
Gross margin (%)	6.6	6.3	(0.3)	4.2	8.3	4.1
Net profit margin (%)	3.4	3.3	(0.1)	1.8	4.5	2.7

Source: Baoshan Iron & Steel, UOB Kay Hian

RESULTS

- In line; best quarter of the year.** Baoshan Iron & Steel (Baosteel) reported 9M23 earnings of Rmb8,350.4m, down 11.8% yoy, representing 80.6%/76.3% of our/consensus earnings forecast for 2023, in line with expectations. Quarterly profit was the highest of the year at Rmb3,798m (+40.3% qoq/+127.1% yoy), mainly driven by the lower production costs and particularly cheaper coking coal prices in 2Q23.
- 3Q23 consolidated gross margin grew 3.3ppt qoq to 8.3%.** Consolidated gross margin remained resilient in 3Q23 at 8.3% (+3.3ppt qoq/+1.2ppt yoy, mainly supported by the cheaper coking coal prices and effective cost savings measures. Cost was reduced by Rmb4.89b in 9M23 (1H23: Rmb2.99b), exceeding the target set for the year. 3Q23 profit per tonne was Rmb283 (+Rmb82 qoq/+Rmb155 yoy).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	365,342	369,058	338,795	348,959	352,449
EBITDA	49,313	31,464	31,304	36,589	40,706
Operating profit	29,967	11,525	9,317	13,435	16,389
Net profit (rep./act.)	22,040	9,623	10,365	13,951	16,748
Net profit (adj.)	22,040	9,623	10,365	13,951	16,748
EPS (Fen)	99.0	43.2	46.5	62.7	75.2
PE (x)	6.4	14.6	13.6	10.1	8.4
P/B (x)	0.7	0.7	0.7	0.7	0.6
EV/EBITDA (x)	3.6	5.7	5.7	4.9	4.4
Dividend yield (%)	8.4	4.4	3.7	4.9	5.9
Net margin (%)	6.0	2.6	3.1	4.0	4.8
Net debt/(cash) to equity (%)	14.6	10.2	7.0	2.3	(3.8)
Interest cover (x)	27.6	20.4	26.5	32.5	40.0
ROE (%)	11.7	5.0	5.2	6.7	7.7
Consensus net profit	-	-	11,126	13,706	15,708
UOBKH/Consensus (x)	-	-	0.93	1.02	1.07

Source: Baosteel, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb6.33
Target Price	Rmb7.10
Upside	+12.2%

COMPANY DESCRIPTION

Baosteel is the second largest steel manufacturer in the world and largest steel manufacturer in China. The company manufactures a variety of steel products including cold rolled plates and coils, hot rolled plates and coils.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	600019 CH
Shares issued (m):	22,262.2
Market cap (Rmbm):	140,919.7
Market cap (US\$m):	19,257.9
3-mth avg daily t'over (US\$m):	66.1

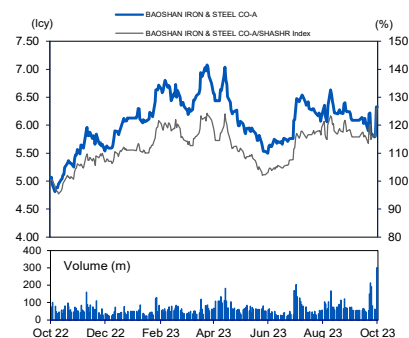
Price Performance (%)

52-week high/low	Rmb7.08/Rmb4.81
1mth	1.4
3mth	3.9
6mth	(5.0)
1yr	22.2
YTD	13.2

Major Shareholders

FY23 NAV/Share (Rmb)	9.08
FY23 Net Debt/Share (Rmb)	0.64

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Differentiated products and export orders came to the rescue.** Commodity billet sales volume was flattish qoq at 13.41m tonnes while the company's 1+1+N products' (differentiated products) sales volume for 9M23 was 20.32m tonnes (+1.57m tonnes yoy). Riding on the recovery of auto manufacturing in 3Q23, Baosteel's cold-rolled coil (CRC) automobile sheet also recorded record-high monthly sales volume in the quarter. Furthermore, the company's overseas contracted sales volume was also up 45.5% yoy to 4.54m tonnes, on track to meet its 6.00m tonnes annual target, taking advantage of the current higher steel prices in the overseas market.
- Margins under pressure amid intensifying competition.** Product ASP has been trending down qoq since the beginning of the year although overall sales volume has improved sequentially. Industry competition has intensified further, especially for homogenous steel products with low entry barrier. Furthermore, the company also noticed that mass market electric vehicles (EV) now favour lower-end auto sheet products, disadvantaging Baosteel who has a competitive edge in high-end product range. The company had to actively adapt to the change in market trend and optimise product offering in order to retain market share.

ASP AND SALES VOLUME TREND

Product Range	ASP (Rmb per tonne)			Sales Volume (10,000 tonnes)		
	1Q23	2Q23	3Q23	1Q23	2Q23	3Q23
Flat products	4,956	4,858	4,608	1,086	1,180	1,192
Steel Pipes	7,393	7,610	7,127	46	50	48
Others	4,506	3,975	3,858	79	115	101
Overall	5,020	4,883	4,642	1,211	1,345	1,341

Source: Baoshan Iron & Steel, UOB Kay Hian

- High growth potential in high-end silicon steel products.** The company plans to gradually exit mid- and low-end silicon steel products which have witnessed an influx of new players. The company sees huge growth potential in high-end silicon steel products, as: a) the revision of GB 20052 standard will boost demand for high-end grain-oriented silicon steel used in power transformer, and b) the high-paced growth of the EV industry has boosted demand for high-end non-oriented silicon steel.
- Initiate share buyback scheme amid low valuation.** Baosteel plans to buy back its shares with total proceeds of Rmb3.0b (self-funded), with a price of not more than Rmb8.86 per share, and will eventually be used for employee share incentive scheme. The share buyback scheme should involve a minimum of 338.6m shares, about 1.5% of total shares outstanding. The company believes this is the right timing for it to react on the current unreasonably low company valuation of around 0.7x 2022 P/B.

EARNINGS REVISION/RISK

- No change to earnings forecasts.

VALUATION/RECOMMENDATION

- We maintain BUY with a target price of Rmb7.10, pegged to 0.8x 2023F P/B.** The company has continued to outperform the industry, backed by China Iron and Steel's (CISA) data which indicates that overall industry profit was down 34.1% yoy (vs Baosteel's -11.8% yoy). We expect 4Q23 margin to likely be lower sequentially given the recent spike in iron ore and coal prices. Demand for flat products will remain stable in 4Q23, backed by resilient demand from automobile and home appliances manufacturing. We have yet to see official announcement on the crude steel production curb from the authorities, but as growing number of steel mills are now loss-making, we should see more of them voluntarily cut production in the short term, which will help in tightening the supply demand dynamics. We are cautiously optimistic on the company's outlook in 4Q23.

SHARE PRICE CATALYST

- Stronger-than-expected recovery of downstream demand; correction of raw material prices.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	369,058	338,795	348,959	352,449
EBITDA	31,464	31,304	36,589	40,706
Deprec. & amort.	19,939	21,987	23,154	24,317
EBIT	11,525	9,317	13,435	16,389
Total other non-operating income	(47)	3,009	3,462	3,963
Associate contributions	2,548	2,701	2,863	3,035
Net interest income/(expense)	(1,546)	(1,183)	(1,126)	(1,018)
Pre-tax profit	12,481	13,844	18,634	22,369
Tax	(1,015)	(1,661)	(2,236)	(2,684)
Minorities	(1,842)	(1,818)	(2,447)	(2,937)
Net profit	9,623	10,365	13,951	16,748
Net profit (adj.)	9,623	10,365	13,951	16,748

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	44,719	37,889	40,721	44,982
Pre-tax profit	15,044	13,844	18,634	22,369
Tax	(1,015)	(1,661)	(2,236)	(2,684)
Deprec. & amort.	19,939	21,987	23,154	24,317
Working capital changes	14,010	6,615	4,008	3,711
Other operating cashflows	(3,259)	(2,896)	(2,839)	(2,731)
Investing	(26,191)	(28,528)	(28,778)	(27,367)
Capex (growth)	(22,423)	(26,023)	(26,023)	(26,023)
Investments	(5,043)	(2,788)	(3,066)	(1,687)
Proceeds from sale of assets	985	0	0	0
Others	290	283	312	343
Financing	(13,740)	(3,121)	(1,852)	(3,391)
Dividend payments	(12,716)	(6,204)	(5,183)	(6,976)
Issue of shares	0	0	0	0
Proceeds from borrowings	(3,063)	619	719	817
Others/interest paid	2,040	2,464	2,612	2,768
Net cash inflow (outflow)	4,788	6,240	10,090	14,224
Beginning cash & cash equivalent	17,068	21,784	28,024	38,115
Changes due to forex impact	(72)	0	0	0
Ending cash & cash equivalent	21,784	28,024	38,115	52,339

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	148,259	159,421	169,742	179,223
Other LT assets	75,101	77,103	83,744	89,004
Cash/ST investment	21,784	28,024	38,115	52,339
Other current assets	153,105	142,264	132,388	122,129
Total assets	398,249	406,811	423,989	442,695
ST debt	14,579	14,119	13,705	13,333
Other current liabilities	129,408	127,604	131,718	135,184
LT debt	27,073	28,152	29,284	30,473
Other LT liabilities	11,312	11,595	11,907	12,250
Shareholders' equity	194,623	202,269	211,857	222,999
Minority interest	21,253	23,071	25,518	28,455
Total liabilities & equity	398,249	406,811	423,989	442,695

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	8.5	9.2	10.5	11.5
Pre-tax margin	3.4	4.1	5.3	6.3
Net margin	2.6	3.1	4.0	4.8
ROA	2.5	2.6	3.4	3.9
ROE	5.0	5.2	6.7	7.7
Growth				
Turnover	1.0	(8.2)	3.0	1.0
EBITDA	(36.2)	(0.5)	16.9	11.3
Pre-tax profit	(57.1)	10.9	34.6	20.0
Net profit	(56.3)	7.7	34.6	20.0
Net profit (adj.)	(56.3)	7.7	34.6	20.0
EPS	(56.3)	7.7	34.6	20.0
Leverage				
Debt to total capital	16.2	15.8	15.3	14.8
Debt to equity	21.4	20.9	20.3	19.6
Net debt/(cash) to equity	10.2	7.0	2.3	(3.8)
Interest cover (x)	20.4	26.5	32.5	40.0

COMPANY RESULTS

China Overseas Land & Investment (688 HK)

3Q23: Improved Results; Likely To Meet Its 2023 Target

3Q23 revenue rose 61% yoy to Rmb28.3b on: a) a low base in 3Q22, and b) policy easing measures. In 9M23, revenue decreased 3.2% yoy, while operating profit was Rmb22.6b, implying an operating margin of 19%. Contracted sales are largely on track and land investment is catching up to its 2023 target. We expect COLI to achieve its 2023 target and keep the dividend payout ratio stable in 2023. Maintain **BUY** with an unchanged target price of HK\$25.86.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	3Q23	yoy	9M22	9M23	yoy
Revenue	17,520	28,250	61%	121,310	117,410	-3.2%
Operating Profit	n/a	3,530	n/a	n/a	22,600	n/a
Operating Profit Margin	n/a	12%	n/a	n/a	19%	n/a
	22-Sep	23-Sep	yoy			
Cash	119,350	115,530	-3%			
Net Gearing	43.70%	39.70%	-4.0bps			

Source: COLI, UOB Kay Hian

RESULTS

- Construction progress catching up. Thanks to: a) a relatively low base in 3Q22, and b) various policy easing measures in 3Q23, China Overseas Land & Investment's (COLI) revenue increased by 61% yoy to Rmb28.3b. Operating profit was Rmb3.5b, implying operating profit margin of 12%. In 9M23, revenue declined by 3.2% yoy to Rmb117.4b. Operating profit was Rmb22.6b, implying operating profit margin of 19%. Cash balance decreased 3% yoy and increased 1.2% qoq to Rmb115.5b. Net gearing decreased 4.0bp yoy and increased 3.9bp qoq to 39.7%.

STOCK IMPACT

- Contracted sales largely on track.** In Sep 23/9M23, the accumulated contracted sales increased by 23.0%/18.7% yoy to Rmb28.1b/Rmb 239.0b respectively. The gross floor area (GFA) sold increased 11.9% yoy to 10.3m sqm. COLI targets to achieve 20% growth in contracted sales.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	242,240.8	180,321.6	202,792.1	243,849.0	269,435.7
EBITDA	50,465.1	32,395.0	35,778.0	43,800.4	48,635.9
Operating profit	50,057.1	31,871.8	35,232.7	43,232.9	48,046.2
Net profit (rep./act.)	40,155.4	23,264.7	26,865.7	31,761.8	35,058.5
Net profit (adj.)	33,920.0	24,420.0	26,865.7	31,761.8	35,058.5
EPS (sen)	309.9	223.1	245.5	290.2	320.3
PE (x)	4.4	6.2	5.6	4.7	4.3
P/B (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x)	6.5	10.1	9.2	7.5	6.7
Dividend yield (%)	7.9	5.2	5.4	6.3	7.0
Net margin (%)	16.6	12.9	13.2	13.0	13.0
Net debt/(cash) to equity (%)	32.6	45.5	41.7	36.1	32.9
Interest cover (x)	58.3	30.7	30.3	33.3	33.3
ROE (%)	12.2	6.7	7.3	8.1	8.2
Consensus net profit	-	-	25,349	27,818	30,964
UOBKH/Consensus (x)	-	-	1.06	1.14	1.13

Source: COLI, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$14.90
Target Price	HK\$25.86
Upside	+73.6%

COMPANY DESCRIPTION

China Overseas Land and Investment Limited is a member of China State Construction Engineering Corporation. The company was founded in Hong Kong in 1979, principally engaged in property development and investment operations.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	688 HK
Shares issued (m):	10,944.9
Market cap (HK\$m):	168,989.0
Market cap (US\$m):	21,599.9
3-mth avg daily t'over (US\$m):	42.8

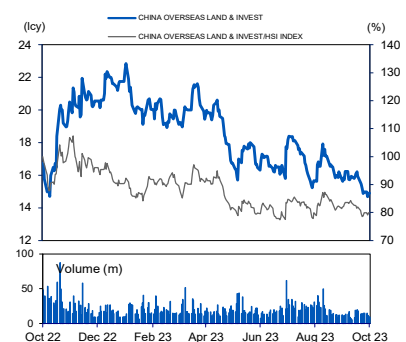
Price Performance (%)

52-week high/low	HK\$22.85/HK\$14.70			
1mth	3mth	6mth	1yr	YTD
(6.4)	(6.4)	(28.5)	(22.6)	(25.0)

Major Shareholders

FY23 NAV/Share (HK\$)	34.49
FY23 Net Debt/Share (HK\$)	14.38

PRICE CHART



Source: Bloomberg

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- **Land investment pace to pick up in 4Q23.** In 9M23, COLI acquired a attributable GFA of 3.19m sqm, down 39.6% yoy. Attributable land premium declined 13.6% yoy to Rmb64.4b. On 24 Oct 23, COLI won the bid for Shanghai Xuhui sites for Rmb24b (with an aggregate GFA of 0.67m sqm) which are designated for residential and commercial use. COLI holds 85% of the venture, while the remainder is held by Shanghai Longhua Construction Development. The company targets to achieve double-digit yoy growth in attributable land investment. We think the land investment pace will pick up in 4Q23.

EARNINGS REVISION/RISK

- **We keep our earnings forecast unchanged.** The easing of policies in the property industry may help COLI further accelerate sales pace in 4Q23. With solid progress in construction, we think COLI can achieve positive earnings growth and keep the stable dividend payout rate in 2023.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of HK\$25.86.** COLI is now trading at: a) 5.8x one-year forward PE, which is nearly 1SD above the mean, b) 0.4x one-year forward PB, which is nearly 1 SD below the mean, c) 5.5% one-year forward PB, which is 0.5SD below the mean. Backed by a strong balance sheet, COLI is steadily acquiring land and increasing its market share.

SHARE PRICE CATALYST

- Stronger-than-expected recovery of property sales.
- Further easing of policies in the property industry.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	180,321.6	202,792.1	243,849.0	269,435.7
EBITDA	32,395.0	35,778.0	43,800.4	48,635.9
Deprec. & amort.	523.2	545.4	567.5	589.7
EBIT	31,871.8	35,232.7	43,232.9	48,046.2
Total other non-operating income	3,010.5	2,000.0	2,000.0	2,000.0
Associate contributions	2,181.4	2,933.6	2,557.5	2,745.6
Net interest income/(expense)	(1,056.7)	(1,181.9)	(1,316.8)	(1,461.7)
Pre-tax profit	36,006.9	38,984.4	46,473.6	51,330.1
Tax	(11,450.8)	(10,704.7)	(13,040.2)	(14,426.4)
Minorities	(1,291.4)	(1,414.0)	(1,671.7)	(1,845.2)
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	23,264.7	26,865.7	31,761.8	35,058.5
Net profit (adj.)	24,420.0	26,865.7	31,761.8	35,058.5

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	(20,070.4)	42,316.0	56,277.2	50,604.2
Pre-tax profit	36,006.9	38,984.4	46,473.6	51,330.1
Tax	(11,450.8)	(10,704.7)	(13,040.2)	(14,426.4)
Deprec. & amort.	(523.2)	(545.4)	(567.5)	(589.7)
Associates	(2,181.4)	(2,933.6)	(2,557.5)	(2,745.6)
Working capital changes	(39,525.1)	19,742.7	28,017.0	18,894.7
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(2,396.9)	(2,227.4)	(2,048.2)	(1,859.0)
Investing	(23,000.0)	(23,000.0)	(23,000.0)	(23,000.0)
Capex (growth)	(10,000.0)	(10,000.0)	(10,000.0)	(10,000.0)
Investments	(13,000.0)	(13,000.0)	(13,000.0)	(13,000.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	17,410.3	15,037.4	11,118.7	9,349.0
Dividend payments	(7,617.7)	(9,026.7)	(10,671.8)	(11,779.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	80,000.0	80,000.0	80,000.0	80,000.0
Loan repayment	(44,620.4)	(44,392.5)	(45,349.2)	(44,595.7)
Others/interest paid	(10,351.5)	(11,543.4)	(12,860.3)	(14,275.8)
Net cash inflow (outflow)	(25,660.1)	34,353.3	44,395.9	36,953.2
Beginning cash & cash equivalent	129,861.4	109,211.3	143,564.7	187,960.6
Changes due to forex impact	5,010.0	0.0	0.0	0.0
Ending cash & cash equivalent	109,211.3	143,564.7	187,960.6	224,913.8

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	197,312.1	207,612.1	217,912.1	228,212.1
Other LT assets	51,542.4	59,622.1	68,019.0	76,435.7
Cash/ST investment	109,211.3	143,564.7	187,960.6	224,913.8
Other current assets	555,188.4	588,343.5	612,989.9	620,763.7
Total assets	913,254.1	999,142.3	1,086,881.5	1,150,325.3
ST debt	39,357.4	45,349.2	44,595.7	71,922.2
Other current liabilities	241,794.1	268,644.5	283,650.2	269,439.3
LT debt	231,027.9	255,560.1	290,964.4	299,042.2
Other LT liabilities	27,977.0	32,019.8	36,669.1	42,015.8
Shareholders' equity	354,479.7	377,536.5	409,298.3	444,356.8
Minority interest	18,618.1	20,032.1	21,703.8	23,549.0
Total liabilities & equity	913,254.1	999,142.3	1,086,881.5	1,150,325.3

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	18.0	17.6	18.0	18.1
Pre-tax margin	20.0	19.2	19.1	19.1
Net margin	12.9	13.2	13.0	13.0
ROA	2.6	2.8	3.0	3.1
ROE	6.7	7.3	8.1	8.2
Growth				
Turnover	(25.6)	12.5	20.2	10.5
EBITDA	(35.8)	10.4	22.4	11.0
Pre-tax profit	(43.0)	8.3	19.2	10.5
Net profit	(42.1)	15.5	18.2	10.4
Net profit (adj.)	(28.0)	10.0	18.2	10.4
EPS	(28.0)	10.0	18.2	10.4
Leverage				
Debt to total capital	42.0	43.1	43.8	44.2
Debt to equity	76.3	79.7	82.0	83.5
Net debt/(cash) to equity	45.5	41.7	36.1	32.9
Interest cover (x)	30.7	30.3	33.3	33.3

COMPANY RESULTS

EVE Energy (300014 CH)

3Q23: Earnings In Line, But Margins Beat

EVE's 3Q23 net profit came in as expected at Rmb1,273m (-3% yoy/+26% qoq), with the gross margin beat offsetting the revenue miss. Stripping out one-off items, core net profit came in at Rmb899m (-9% yoy/+39% qoq), vs our estimate of Rmb900m. The 3Q23 earnings beat lies in margins. We maintain 2023-25 net profit forecasts at Rmb4,56b/Rmb6.15b/Rmb7.60b, based on lower revenue and higher gross margin. Maintain BUY. Target price: Rmb92.00.

3Q23 RESULTS

Year to 31 Dec (Rmb)	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Revenue	12,553	34.2	6.5	35,529	46.3
Gross profit	2,302	42.2	29.5	5,962	54.8
Gross margin (%)	18.3	1.0	3.3	16.8	0.9
EBIT	1,492	34.1	6.8	4,235	98.4
EBIT margin (%)	11.9	(0.0)	0.0	11.9	3.1
Net profit	1,273	(2.5)	25.9	3,424	28.5
Net profit (adj.)	899	(8.5)	39.4	2,155	(1.0)
Net margin (%)	7.2	(3.3)	1.7	6.1	(2.9)

Source: EVE Energy

RESULTS

- 3Q23 net profit in line with our estimate at Rmb1,273m (-3% yoy/+26% qoq).** Stripping out one-off items, EVE Energy's (EVE) core net profit came in at Rmb899m (-9% yoy/+39% qoq), vs our estimate of Rmb900m. 9M23 net profit grew 29% yoy to Rmb3,424m, compared with our estimated 2023 net profit of Rmb4.56b and consensus' 2023 net profit forecast of Rmb5b.
- Revenue grew 34% yoy and 7% qoq to Rmb12.6b in 3Q23, missing our estimate on lower-than-expected ASP.** This brings 9M23 revenue to Rmb35.5b (+46% yoy), vs our full-year estimates of Rmb59.3b. Segment-wise, power batteries, energy storage batteries and electronics batteries contributed Rmb5.5b/Rmb4.3b/Rmb2.1b of sales revenue respectively in 3Q23, driven by sales volume growth. Sales volume of power batteries and energy storage batteries grew 71% yoy and 116% yoy respectively to 20GWh and 18Gwh in 9M23. Sales volume of electronics batteries recovered to 60m units/month in 3Q23.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	16,900	36,304	47,377	58,461	67,046
EBITDA	2,583	3,985	6,331	8,057	9,605
Operating profit	1,692	2,761	5,230	6,898	8,394
Net profit (rep./act.)	2,906	3,509	4,560	6,150	7,600
Net profit (adj.)	2,547	2,695	3,049	4,752	5,996
EPS (fen)	153.1	171.9	222.9	300.6	371.5
PE (x)	27.7	24.7	19.0	14.1	11.4
P/B (x)	4.5	2.8	2.5	2.2	1.8
EV/EBITDA (x)	37.9	24.6	15.5	12.1	10.2
Dividend yield (%)	2.4	0.4	0.5	0.7	0.9
Net margin (%)	15.1	7.4	6.4	8.1	8.9
Net debt/(cash) to equity (%)	15.7	37.2	46.4	33.0	15.4
Interest cover (x)	12.8	18.8	9.9	10.7	11.9
ROE (%)	15.8	11.1	9.4	12.7	13.7
Consensus net profit	-	-	5,031	7,237	9,452
UOBKH/Consensus (x)	-	-	0.91	0.85	0.80

Source: EVE Energy, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb42.40
Target Price	Rmb92.00
Upside	117.0%

COMPANY DESCRIPTION

EVE Energy Co., Ltd. develops, manufactures and sells lithium-ion batteries of consumer electronics, cordless power tools, two-wheeled electric vehicles and electric vehicles.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	300014 CH
Shares issued (m):	2,046
Market cap (Rmbm):	86,739
Market cap (US\$m):	11,192
3-mth avg daily t'over (US\$m):	103.6

Price Performance (%)

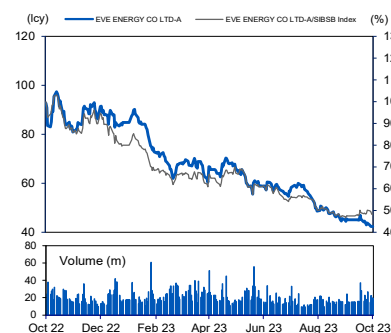
52-week high/low	HK\$100.47/HK\$41.93			
1mth	3mth	6mth	1yr	YTD
(5.9)	(25.4)	(29.8)	(53.9)	(51.8)

Major Shareholders

Tibet EVE Holdings Co., Ltd.	32.02%
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FY23 NAV/Share (Rmb)	15.59
FY23 Net Debt/Share (Rmb)	6.97

PRICE CHART



Source: Bloomberg

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- **Gross margin beat in 3Q23 due to decline in lithium carbonate prices and cost reduction initiatives.** Gross margin spiked by 1.0ppt yoy/3.3ppt qoq to 18.3% in 3Q23, bringing 9M23 gross margin to 16.8% (+0.9 ppt), vs our full-year 2023 assumption of 16%. The gross margin beat in 3Q23 was due to the 46% decrease in lithium carbonate price from Rmb317,500/tonne in June to Rmb171,000/tonne in September and cost reduction initiatives such as the decrease in defect rate of batteries and the ramp-up of upstream battery material projects.
- **EBIT margin beat on other income and SG&A.** EBIT margin remained flat yoy and qoq at 11.9%. In 9M23, EBIT margin spiked by 3.1ppt yoy to 11.9%, vs our full-year 2023 assumption of 8.8%. The EBIT margin beat was due to two factors. Firstly, other incomes surged by 130% yoy to Rmb1,513m in 9M23, due to the booking of government rebates/subsidy incomes along with the launches of new production lines. Secondly, SG&A/revenue ratio decreased by 0.2ppt yoy to 3.3% in 9M23.

STOCK IMPACT

- **We maintain our 2023-25 estimates on sales volume of EV batteries and energy storage batteries at 60GWh/85GWh/110GWh respectively,** based on intact sales in 9M23 and the launches of new projects, eg the agreements with Powin and ABS for supplying lithium iron-phosphate (LFP) batteries for energy storage system (ESS), orders for LFP batteries and big cylindrical nickel cobalt manganese (NCM) batteries from auto OEMs. In addition, EVE has secured orders for EV batteries from Guangzhou Automotive Corporation (GAC), XPeng, Hozon and other mainstream automakers. EVE's current effective capacity is 80GWh for power batteries and energy storage batteries. The company continues to build capacity to match order growth, with more than 100GWh of effective capacity in 2024, according to management guidance. The growth in energy storage battery's sales volume will also be driven by the decline in lithium carbonate prices, which improves the economy of ESS.
- **We cut 2023-25 ASP assumptions for EV battery and energy storage battery from Rmb0.83/Rmb0.75/Rmb0.67 to Rmb0.65/Rmb0.58/Rmb0.52 respectively,** based on the lower-than-expected 9M23 ASP and the decline in raw material prices. Based on the new battery pricing mechanism, battery prices are linked to battery material prices.
- **We trim 2023-25 revenue growth estimates for the electronics battery segment from 10%/10%/10% to 0%/5%/5%,** based on management guidance. Revenue of electronics battery will remain at the same level as last year, with the sales volume growth offsetting the ASP decrease. For 2024-25, we expect 5% revenue CAGR for the segment, vs 10% previously, based on the slower-than-expected market growth.
- **We lift 2023-25 gross margin assumptions from 16.0%/16.0%/16.0% to 17.2%/18.3%/18.3% respectively,** based on upbeat 9M23 gross margin and lower battery material costs. Lithium carbonate price has dropped by nearly 46% from Rmb317,500/tonne in mid-June to Rmb171,000/tonne currently.

EARNINGS REVISIONS/RISKS

- **We maintain 2023-25 net profit forecasts at Rmb4.56b/Rmb6.15b/Rmb7.60m respectively,** based on lower ASP and higher gross margin.

RECOMMENDATION

- **Maintain BUY with target price of Rmb92.00,** based on our 10-year DCF model (WACC: 14.8%; terminal growth: 4%). Our target price implies 31x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	36,304	47,377	58,461	67,046
EBITDA	3,985	6,331	8,057	9,605
Depreciation & amortization	(1,224)	(1,101)	(1,158)	(1,211)
EBIT	2,761	5,230	6,898	8,394
Total other non-operating income	(358)	-	-	-
Associate contributions	1,242	900	1,300	1,650
Net interest income/(expense)	(147)	(529)	(643)	(708)
Pre-tax profit	3,498	5,602	7,556	9,336
Tax	174	(420)	(567)	(700)
Minorities	(163)	(622)	(839)	(1,036)
Net profit	3,509	4,560	6,150	7,600
Net profit (recurrent)	2,695	3,049	4,752	5,996

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	2,860	7,137	8,515	9,895
Pre-tax profit	3,498	5,602	7,556	9,336
Tax	174	(420)	(567)	(700)
Depreciation/amortization	1,224	1,101	1,158	1,211
Associates	(1,242)	(900)	(1,300)	(1,650)
Working capital changes	(953)	1,226	1,024	990
Non-cash items	159	529	643	708
Other operating cashflows	-	-	-	-
Investing	(19,917)	(10,964)	(4,519)	(2,325)
Capex (growth)	(13,835)	(11,050)	(4,650)	(2,550)
Investments	(2,745)	-	-	-
Proceeds from sale of assets	270	-	-	-
Others	(3,606)	86	131	225
Financing	18,121	5,058	4,770	4,452
Dividend payments	(758)	(942)	(1,230)	(1,548)
Issue of shares	9,109	-	-	-
Proceeds from borrowings	12,965	9,000	9,000	9,000
Loan repayment	(2,995)	(3,000)	(3,000)	(3,000)
Others/interest paid	(201)	-	-	-
Net cash inflow (outflow)	1,064	1,231	8,766	12,022
Beginning cash & cash equivalent	6,102	7,209	8,440	17,206
Changes due to forex impact	42	-	-	-
Ending cash & cash equivalent	7,209	8,440	17,206	29,228

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	24,154	34,088	37,563	38,886
Other LT assets	22,626	23,542	24,858	26,524
Cash/ST investment	7,209	8,440	17,206	29,228
Other current assets	29,648	36,387	43,031	48,313
Total assets	83,638	102,457	122,658	142,952
ST debt	3,997	9,997	15,997	21,997
Other current liabilities	28,188	36,153	43,821	50,093
LT debt	16,284	16,284	16,284	16,284
Other LT liabilities	2,010	2,010	2,010	2,010
Shareholders' equity	30,413	34,646	40,341	47,325
Minority interest	2,747	3,369	4,207	5,244
Total liabilities & equity	83,638	102,457	122,658	142,952

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	11.0	13.4	13.8	14.3
Pretax margin	9.6	11.8	12.9	13.9
Net margin	7.4	6.4	8.1	8.9
ROA	4.2	3.3	4.2	4.5
ROE	11.1	9.4	12.7	13.7
Growth				
Turnover	114.8	30.5	23.4	14.7
EBITDA	54.3	58.9	27.3	19.2
Pre-tax profit	15.0	60.1	34.9	23.6
Net profit	20.8	29.9	34.9	23.6
Net profit (adj)	5.8	13.1	55.9	26.2
EPS	12.3	29.7	34.9	23.6
Leverage				
Debt to total capital	24.2	25.6	26.3	26.8
Debt to equity	66.7	75.9	80.0	80.9
Net debt to equity	37.2	46.4	33.0	15.4
Interest cover (x)	18.8	9.9	10.7	11.9

COMPANY UPDATE

Li Ning (2331 HK)

Cut Full-year Revenue Guidance To Single-digit % Growth; Key Priority Is Distributor Control

Li Ning's disappointing 3Q23 business operations can be attributed to distributors' cross-region and channel sales. Management cut the company's full-year revenue guidance to single-digit % yoy growth (vs mid-teens % previously), and implied that margins should be under pressure. We think the company will take a long time to strengthen its control on distributors. We cut target price by 10% to HK\$48.80. Maintain BUY on its cheap valuation.

WHAT'S NEW

- Li Ning announced its 3Q23 operational updates.

STOCK IMPACT

- **Operations disappointed, particularly in the e-commerce channel.** In 3Q23, Li Ning recorded mid-single-digit % retail sell-through yoy growth, with retail/wholesale channels increasing by low-twenties % and low-single-digit % yoy, respectively. Management attributed the better direct retail performances to the good sales momentum in its outlet stores and the faster expansion of directly-operated stores. However, sell-through of e-commerce channel declined by low-single-digit yoy, below management's expectations, which was affected by a high base and offline distributors' cross-region and channel sales. Same-store sales were weak in 3Q23 as well. Same-store sales for the overall platform recorded a mid-single-digit% yoy decline, with retail and wholesale channels registering mid-single-digit % increase and low-teens % decrease yoy respectively, while e-commerce platforms registered low-single-digit % yoy decline.
- **Online discounts under pressure.** Inventory turnover trended up to around five months by the end of 3Q23 from 3.8 months as of end-2Q23, with inventory structure remaining stable. Offline discounts narrowed by low-single-digit yoy in 3Q23, with retail channel discounts improving more than wholesale channel discounts (retail channel: <30% off vs wholesale channel: <25% off). Although online discounts improved qoq in 3Q23, it deepened by low-single-digit yoy. Looking ahead, we expect online discounts to remain under pressure given the company's destocking initiatives amid the challenging operation backdrop. Li Ning targets to bring inventory turnover to 4.5 months by 4Q23.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	22,572	25,803	27,875	30,141	33,567
EBITDA	5,896	5,668	6,176	7,006	8,053
Operating profit	4,736	4,082	4,327	4,920	5,748
Net profit (rep./act.)	4,011	4,064	4,041	4,535	5,217
Net profit (adj.)	4,011	4,064	4,041	4,535	5,217
EPS (Fen)	158.0	154.3	153.4	172.1	198.0
PE (x)	17.9	18.3	18.4	16.4	14.3
P/B (x)	3.5	3.1	2.7	2.4	2.2
EV/EBITDA (x)	11.4	11.8	10.9	9.6	8.3
Dividend yield (%)	1.6	1.6	1.6	1.8	2.1
Net margin (%)	17.8	15.7	14.5	15.0	15.5
Net debt/(cash) to equity (%)	(63.3)	(21.3)	(26.9)	(32.8)	(38.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	26.9	17.9	15.7	15.7	16.1
Consensus net profit	-	-	4,485	5,400	6,402
UOBKH/Consensus (x)	-	-	0.90	0.84	0.81

Source: Li Ning, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$30.20
Target Price	HK\$48.80
Upside	+61.6%
(Previous TP)	HK\$54.20)

COMPANY DESCRIPTION

Li Ning is one of the leading sportswear brands in China. Li Ning brand is its main brand.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	2331 HK
Shares issued (m):	2,636.0
Market cap (HK\$m):	79,608.6
Market cap (US\$m):	10,177.8
3-mth avg daily t'over (US\$m):	84.0

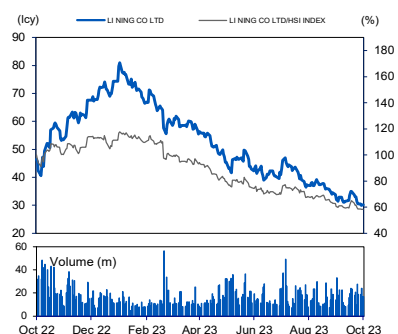
Price Performance (%)

52-week high/low	HK\$81.00/HK\$30.00			
1mth	3mth	6mth	1yr	YTD
(10.7)	(27.8)	(45.5)	(34.5)	(55.4)

Major Shareholders

Viva China	10.29
FY23 NAV/Share (Rmb)	10.30
FY23 Net Cash/Share (Rmb)	2.78

PRICE CHART



Source: Bloomberg

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- **Cut full-year revenue guidance; expect margins to miss.** Due to the worse-than-expected sales momentum, management has revised down its full-year revenue guidance of mid-teens % yoy growth to single-digit % yoy growth. Although management did not mention the revision of mid-teens% net margin guidance, we think Li Ning will face challenges achieving this, as we expect: a) the deepening discounts online will lead to a deterioration in gross margin in 2H23, and b) the company will incur higher selling expenses on 2024 Paris Olympics starting from 2H23.

EARNINGS REVISION/RISK

- **Cut 2023-24 earnings forecasts by 8/11%.** We cut our 2023-24 revenue forecasts by 3%/6% respectively, on worse-than-expected sales momentum. Our new 2023 revenue forecast implies a 3% revenue yoy growth in 2H23. We lower our 2023-24 gross margin forecasts by 0.2ppt/0.4ppt respectively on the deepening online discounts. We raise our 2023-24 selling expense ratio estimates by 0.3ppt/0.1ppt, as we expect the company to incur more expenses related to the 2024 Paris Olympics. Thus, our 2023-24 earnings forecasts are lowered by 8%/11% respectively. Our new 2023 earnings forecast implies a 2% earnings yoy growth in 2H23 and a full-year net margin of 14.5%.

VALUATION/RECOMMENDATION

- **Cut target price by 10% to HK\$48.80.** Li Ning's share price has corrected by 23% since Sep 23 (vs the HIS's -9%), reflecting reflects capital market concerns on the distributors' cross-region and channel sales issue. In our view, Li Ning will take a long time to strengthen its control on distributors and enhance product competitiveness, which will achieve the normalisation of business operations of its sales channels, and thus support long-term business expansion. We cut our target price by 10% to HK\$48.80, and maintain BUY rating on its cheap valuation. The stock currently trades at 18.4x 2023F PE, 1SD below the five-year historical average.

LI NING SELL-THROUGH GROWTH RATE (YOY)

	Overall platform	Offline	Retail	Wholesale	e-commerce
1Q21	(+) high-eighties	(+) low-eighties	(+) low-nineties	(+) low-eighties	(+) 100%
2Q21	(+) low-nineties	(+) low-nineties	(+) high-eighties	(+) low-nineties	(+) high-nineties
3Q21	(+) low-forties	(+) high-thirties	(+) mid-thirties	(+) high-thirties	(+) mid-fifties
4Q21	(+) low-thirties	(+) high-twenties	(+) high-twenties	(+) high-twenties	(+) low-forties
1Q22	(+) high-twenties	(+) mid-twenties	(+) mid-thirties	(+) low-twenties	(+) mid-thirties
2Q22	(-) high-SD	(-) high-SD	(-) high-SD	(-) high-SD	(+) mid-SD
3Q22	(+) mid-teens	(+) mid-teens	(+) low-20s	(+) low-teens	(+) mid-20s
4Q22	(-) low-teens	(-) high-teens	(-) mid-teens	(-) low-twenties	(+) mid-SD
1Q23	(+) mid-SD	(+) high-SD	(+) mid-teens	(+) mid-SD	(-) low-teens
2Q23	(+) mid-teens	(+) high-teens	(+) high-twenties	(+) mid-teens	(+) low-teens
3Q23	(+) mid-SD	(+) high-SD	(+) low-twenties	(+) low-SD	(-) low-SD

Source: Li Ning, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	25,803.4	27,874.5	30,140.6	33,566.6
EBITDA	5,668.2	6,176.3	7,006.4	8,052.9
Deprec. & amort.	1,586.6	1,849.2	2,086.3	2,305.0
EBIT	4,081.6	4,327.2	4,920.1	5,747.9
Total other non-operating income	671.6	671.6	671.6	671.6
Associate contributions	201.2	301.7	301.7	301.7
Net interest income/(expense)	327.2	84.0	149.1	230.6
Pre-tax profit	5,415.1	5,384.5	6,042.5	6,951.8
Tax	(1,351.3)	(1,343.7)	(1,507.9)	(1,734.8)
Minorities	(0.1)	0.0	0.0	0.0
Net profit	4,063.7	4,040.8	4,534.6	5,217.0
Net profit (adj.)	4,063.7	4,040.8	4,534.6	5,217.0

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	3,913.6	5,124.2	5,658.5	6,418.3
Pre-tax profit	5,415.1	5,384.5	6,042.5	6,951.8
Tax	(1,316.4)	(1,343.7)	(1,507.9)	(1,734.8)
Deprec. & amort.	781.5	959.4	1,107.6	1,228.4
Working capital changes	(1,133.2)	326.3	238.8	217.7
Non-cash items	17.9	(202.2)	(222.4)	(244.7)
Other operating cashflows	148.8	0.0	0.0	0.0
Investing	(9,481.4)	(1,762.4)	(1,762.4)	(1,762.4)
Capex (growth)	(1,822.2)	(1,712.4)	(1,712.4)	(1,712.4)
Investments	(73.7)	(50.0)	(50.0)	(50.0)
Proceeds from sale of assets	7.7	0.0	0.0	0.0
Others	(7,593.3)	0.0	0.0	0.0
Financing	(1,887.4)	(1,219.2)	(1,212.2)	(1,360.4)
Dividend payments	(1,194.7)	(1,219.2)	(1,212.2)	(1,360.4)
Issue of shares	96.7	0.0	0.0	0.0
Proceeds from borrowings	600.0	0.0	0.0	0.0
Loan repayment	(600.0)	0.0	0.0	0.0
Others/interest paid	(789.4)	0.0	0.0	0.0
Net cash inflow (outflow)	(7,455.3)	2,142.7	2,683.8	3,295.5
Beginning cash & cash equivalent	14,744.9	7,382.2	9,524.9	12,208.7
Changes due to forex impact	92.6	0.0	0.0	0.0
Ending cash & cash equivalent	7,382.2	9,524.9	12,208.7	15,504.2

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	3,234.6	4,033.9	4,685.7	5,217.1
Other LT assets	18,017.1	18,223.0	18,448.6	18,695.8
Cash/ST investment	7,382.2	9,524.9	12,208.7	15,504.2
Other current assets	5,012.7	5,084.6	5,232.5	5,619.8
Total assets	33,646.5	36,866.3	40,575.4	45,037.0
ST debt	718.3	718.3	718.3	718.3
Other current liabilities	6,522.5	6,920.7	7,307.4	7,912.3
LT debt	1,489.4	1,489.4	1,489.4	1,489.4
Other LT liabilities	584.3	584.3	584.3	584.3
Shareholders' equity	24,329.4	27,151.1	30,473.5	34,330.1
Minority interest	2.5	2.5	2.5	2.5
Total liabilities & equity	33,646.5	36,866.3	40,575.4	45,037.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	22.0	22.2	23.2	24.0
Pre-tax margin	21.0	19.3	20.0	20.7
Net margin	15.7	14.5	15.0	15.5
ROA	12.7	11.5	11.7	12.2
ROE	17.9	15.7	15.7	16.1
Growth				
Turnover	14.3	8.0	8.1	11.4
EBITDA	(3.9)	9.0	13.4	14.9
Pre-tax profit	1.6	(0.6)	12.2	15.0
Net profit	1.3	(0.6)	12.2	15.0
Net profit (adj.)	1.3	(0.6)	12.2	15.0
EPS	(2.3)	(0.6)	12.2	15.0
Leverage				
Debt to total capital	8.3	7.5	6.8	6.0
Debt to equity	9.1	8.1	7.2	6.4
Net debt/(cash) to equity	(21.3)	(26.9)	(32.8)	(38.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

TRADERS' CORNER



Chart by Bloomberg

Sinopec Engineering (Group) Co., Ltd. (2386 HK)

Trading Buy range: HK\$3.70-3.80

Last price: HK\$3.80

Target price: HK\$3.95/HK\$4.05

Protective stop: Breaks below HK\$3.40

Stock Highlights:

During the three months ended 30 Sep 23, the total value of new contracts entered into by the group amounted to Rmb6.627b. As at 30 Sep 23, the backlog of the group amounted to Rmb118.731b.

Technical View:

Since August, the share price has been on an uptrend with a succession of higher lows. It rose with a long white candlestick and closed above its 200-day moving average (purple) on 25 Oct 23. It is now above the major moving averages. The 14-day RSI is above the midline level of 50 and is currently around 65, indicating strong momentum. The MACD line is higher than the signal line and both lines are in the bullish zone, resulting in a double bullish signal.

Average timeframe: Around two weeks.



Chart by Bloomberg

Cafe De Coral Holdings Ltd. (341 HK)

Trading Buy range: HK\$8.50-8.70

Last price: HK\$8.72

Target price: HK\$9.00/HK\$9.20

Protective stop: Breaks below HK\$8.10

Stock Highlights:

The group announced positive profit alert, and profit attributable to shareholders increased 84% to HK\$200m for the six months ended 30 Sep 23.

Technical View:

Share price rebounded after hitting a low on 24 Oct 23 and closed with a bullish engulfing pattern. On the following day, share price also rose with a long white candlestick. It has risen to higher than its 10-day (light blue) and 20-day (orange) moving averages, but is restricted by its 50-day moving average (red) at the moment. The 14-day RSI rebounded from the oversold level (below 30) and is currently around 54, indicating that momentum has strengthened. The MACD line is higher than the signal line, showing a bullish crossover. If it stays above its 10-day moving average, it could rise further.

Average timeframe: Around two weeks.

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