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### KEY HIGHLIGHTS

#### Initiate Coverage

**iFlytek (002230 CH/BUY/Rmb45.38/Target: Rmb62.00)**

Trailblazer in voice recognition AI poised to capture AIGC opportunities.

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#### Update

**Li Ning (2331 HK/SELL/HK\$21.35/Target: HK\$18.80)**

Unreasonable property purchase reflects weak corporate governance.

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#### HSI AND HS TECH INDEX OUTLOOK

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### CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
09-15 Dec	China	Nov Money Supply And Credit
15 Dec	China	Nov Economic Activities
20 Dec	China	Dec Loan Prime Rate
27 Dec	China	Nov Industrial Profits
30 Dec	China	Dec NBS PMI

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	36247.9	0.4	0.0	5.7	9.4
S&P 500	4604.4	0.4	0.2	4.3	19.9
FTSE 100	7554.5	0.5	0.3	2.6	1.4
AS30	7405.6	0.3	1.7	3.2	2.5
CSI 300	3399.5	0.2	(2.4)	(5.2)	(12.2)
FSSTI	3110.7	1.2	0.7	0.1	(4.3)
HSCEI	5598.2	(0.3)	(2.8)	(5.1)	(16.5)
HSI	16334.4	(0.1)	(2.9)	(5.1)	(17.4)
JCI	7159.6	0.4	1.4	5.1	4.5
KLCI	1442.0	(0.1)	(1.0)	(0.2)	(3.6)
KOSPI	2517.9	1.0	0.5	4.5	12.6
Nikkei 225	32307.9	(1.7)	(3.4)	(0.8)	23.8
SET	1381.0	0.2	0.1	(0.6)	(17.2)
TWSE	17384.0	0.6	(0.3)	4.2	23.0
BDI	2483	(0.5)	(22.2)	51.1	63.9
CPO (RM/mt)	3607	0.9	(3.0)	(1.2)	(10.9)
Brent Crude (US\$/bbl)	76	2.4	(3.9)	(4.7)	(11.7)

Source: Bloomberg

### TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
WUXI BIOLOGICS C	29.35	(2.0)	2,768.1
HKEX	248.40	(1.0)	2,374.4
LI AUTO INC-A	135.70	(2.8)	1,898.8
XIAOMI CORP-W	14.62	(0.4)	1,894.9
NETEASE INC	165.00	0.3	1,323.3

### TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
EAST BUY HOLDING	33.65	2.7	351.4
SUNNY OPTICAL	68.20	2.1	601.9
GALAXY ENTERTAIN	41.90	2.1	358.3
CHINA UNICOM	4.97	1.8	62.1
CHINA RES BEER	33.65	1.8	454.1

### TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
CHOW TAI FOOK JE	10.30	(7.4)	79.9
XPENG INC-A SHRS	60.40	(5.8)	825.0
CHINA RES LAND	25.70	(4.6)	217.5
NIO INC-CLASS A	57.80	(4.4)	118.1
GDS HOLDING-CL A	8.64	(4.0)	33.3

\*ADT: Average daily turnover

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	1.9	2.4	1.0
Euro Zone	3.5	0.5	0.6
Japan	0.9	1.5	1.0
Singapore	3.6	0.9	2.9
Malaysia	8.7	4.0	4.6
Thailand	2.6	2.3	3.6
Indonesia	5.3	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

## INITIATE COVERAGE

### iFlytek Co (002230 CH)

Trailblazer In Voice Recognition AI Poised To Capture AIGC Opportunities

As a leading intelligent speech and language technology provider in China, iFlytek makes products, including voice recognition software and voice-based mobile and internet products, for consumers, corporations and governments across industries like education, healthcare, automobile and communication. iFlytek is one of the best AI application players in China and could capture the growth in demand for AI products when commercialisation begins. Initiate coverage with BUY. Target price: Rmb62.00.

#### INVESTMENT HIGHLIGHTS

- **Evolving technology and scalable industrial adoption.** iFlytek Co (iFlytek) has been engaged in AI core technology research since 2015 and has developed from being the world's largest Chinese speech and language technology provider to the world's best multilingual technology provider. In 2010, it launched the iFLYTEK open platform. After 10 years of cultivation and development, the company's AI industry ecosystem has realised technological innovation and industrial applications in education, medical care, smart city, enterprise digital and intelligent transformation, office and other fields. iFlytek should benefit from AI 2.0 and implementation of its own large language model (LLM).
- **Implementing AI technology in applications and moving to commercialisation.** After developing pre-trained models, iFlytek launched its LLM in Dec 22. The newly-launched upgraded Spark model's capabilities in open-ended conversations, multi-round dialogue, coding ability, logic reasoning and mathematical problem-solving have evolved. In the near term, iFlytek remains focused on education and consumer-focused products with AI applications. The key new products adopting LLMs include AI translator devices, AI learning tablets and AI smart screens. We expect all three new products to contribute incremental revenue in 2023 and to account for 6-10% of total revenue in 2024-26. In the longer term, iFlytek targets business-focused products and will ramp up its Spark Grand Model applications in industry verticals such as Industrial Internet Platform and AI Diagnosis Management Platform.
- **Initiate coverage with BUY.** Looking ahead, iFlytek's key priority is profitability over revenue growth. The company is expected to enjoy solid revenue growth and be a key beneficiary of China's push for AI-generated content. We forecast iFlytek's revenue and non-GAAP net profit to grow at a respective CAGR of 20% and 65% over 2024-27. Our target price of Rmb62.00 is based on 5x average 2024 EV/sales, in line with peer average. Peers include Chinese and global software firms that have similar growth prospects as iFlytek.

Click [here](#) for Blue Top dated 08 Dec 23

#### KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	18,314	18,820	20,398	27,892	35,129
EBITDA	2,150	1,605	1,167	2,198	3,363
Operating profit	788	69	(564)	510	1,730
Net profit (rep./act.)	1,556	561	273	1,199	2,317
Net profit (adj.)	1,343	418	17	1,609	3,234
EPS (Fen)	55.0	(35.0)	0.7	67.9	136.4
PE (x)	75.1	211.2	434.6	100.1	33.1
P/B (x)	6.3	6.4	6.3	6.0	5.4
EV/EBITDA (x)	48.7	65.3	89.7	47.6	31.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	7.7	(0.7)	0.7	5.0	7.9
Net debt/(cash) to equity (%)	(25.4)	(7.9)	(4.7)	7.8	(2.4)
Interest cover (x)	n.a.	n.a.	50.3	n.a.	n.a.
ROE (%)	9.6	n.a.	0.9	8.2	14.9
Consensus net profit	-	-	886	1,487	2,214
UOBKH/Consensus (x)	-	-	0.02	1.08	1.46

Source: iFlytek, Bloomberg, UOB Kay Hian

## BUY

Share Price	Rmb45.38
Target Price	Rmb62.00
Upside	+36.6%

#### COMPANY DESCRIPTION

iFlytek is a leading speech and language technology provider in China, making products including voice recognition software, as well as voice-based mobile and internet products, for consumers, corporates and governments.

#### STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	002230 CH
Shares issued (m):	2,315.7
Market cap (HK\$m):	105,085.4
Market cap (US\$m):	14,681.6
3-mth avg daily t'over (US\$m):	371.0

#### Price Performance (%)

52-week high/low			Rmb80.80/Rmb31.88	
1mth	3mth	6mth	1yr	YTD
(4.3)	(12.4)	(28.6)	35.7	38.2

#### Major Shareholders

	%
China Mobile Communications Group Co Ltd	10.5
Liu Qingfeng	5.5
Hong Kong Securities Clearing Co Ltd	4.5
FY23 NAV/Share (Rmb)	7.16
FY23 Net Cash/Share (Rmb)	0.34

#### PRICE CHART



Source: Bloomberg

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## STOCK IMPACT

- **iFlytek targets to achieve revenue of Rmb65b by 2025**, with Rmb20b from smart education, Rmb20b from consumer, Rmb10b from smart medical care, Rmb5b from smart auto, Rmb5b from operators, and Rmb5b from smart city and finance. iFlytek will focus on its core business and aims to achieve a recurring revenue of Rmb50b (out of the Rmb65b revenue target) and gross profit of Rmb20b. The Chairman stated that the company's long-term revenue target remains at Rmb100b, but it could be impacted by domestic economic developments and global economic changes. iFlytek's constantly evolving AI technology has enabled technological and product upgrades, and when leveraged on its "platform + track" business model, gives the company a competitive edge. We believe the company will benefit from AI 2.0, with implementation of its LLM expected to take off. We estimate revenue growth at 27% for 2023-26 and 20% CAGR for 2024-27.
- **Core business to make strong turnaround in 2024.** iFlytek's core business comprises: a) smart education segment – the delayed orders in 2022 are likely to contribute to accelerated revenue recognition in 2024, while the Double Reduction Policy continues to raise the threshold for education digitalisation, which will boost iFlytek's on-campus after-school service revenue growth; b) consumer segment – product sales growth is likely to reaccelerate with the relaxation of international travel restrictions, especially for products such as AI translator devices; and c) smart city – the digital economy with its big data integration is anticipated to revalue iFlytek's smart city business.
- **Key priority to be profitability over revenue growth.** iFlytek has been focusing on business and product portfolio expansion, with revenue growing at a 25% CAGR in 2019-22 and gross margin declining since 3Q21. Looking ahead, iFlytek's key priority would be profitability over revenue growth. iFlytek aims to improve profitability in four aspects: a) profit to achieve 30% CAGR in the next three years; b) cash flow growth to match profitability, and payment collection to improve; c) efficiency per employee to grow 100% over 2023-25; and d) operating revenue to hit Rmb50b in the next five years, accounting for more than 80% of revenue, and gross profit to reach Rmb20b. We believe iFlytek will enjoy solid revenue growth and be a beneficiary of China's push for AI-generated content (AIGC).
- **Competitive edge over rivals.** iFlytek has been steadily expanding its customer base through online marketing and digital channels. In 2021, a year marked by operational challenges for most brick-and-mortar learning device stores due to the pandemic, iFlytek bucked the trend and achieved remarkable growth. According to 2021 data from Frost & Sullivan, Readboy, Better Life, Youxuetianxia (优学天下) and iFlytek respectively delivered growth of 5%/8%/-7%/86% in gross merchandise value (GMV). iFlytek's outstanding performance can be largely attributed to its robust online marketing capabilities. Furthermore, iFlytek has expanded its offline presence, with the number of physical learning device stores soaring 93% yoy to a total of 1,595 stores in 2022.

## EARNINGS REVISION/RISK

- **Key risks:** a) Education contracts growth slower than expectations, b) intensified competition if bigger internet players enter this area and emerge to scale, and c) high investment in AIGC development along with weak expense control.

## VALUATION/RECOMMENDATION

- **We apply 5x EV/sales to average 2024 revenue and generate a target price of Rmb62.00**, in line with iFlytek's peer average (including generative AI peers) which has factored in a higher AI growth potential in the longer term. We believe the company will enjoy robust revenue growth and benefit from China's push for smart education. iFlytek is trading at 4x 2024F EV/sales based on our estimates, against a 20%/65% CAGR in revenue/EPs over 2024-27. We believe iFlytek deserves a premium over local and global peers given its dominant position and first-mover advantage in AI.

## SHARE PRICE CATALYST

- **Catalysts:** a) LLM product launch, b) fast AI technology progress replication in smart education and business progress in smart medical care, and c) strong penetration in the areas of smart education and smart city.

## PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	18,820	20,398	27,892	35,129
EBITDA	1,605	1,167	2,198	3,363
Deprec. & amort.	1,535	1,731	1,688	1,633
EBIT	69	(564)	510	1,730
Total other non-operating income	58	795	577	526
Associate contributions	(7)	8	0	0
Net interest income/(expense)	68	(23)	143	194
<b>Pre-tax profit</b>	<b>187</b>	<b>216</b>	<b>1,230</b>	<b>2,450</b>
Tax	(251)	(40)	82	234
Minorities	(63)	(31)	92	92
<b>Net profit</b>	<b>(126)</b>	<b>145</b>	<b>1,404</b>	<b>2,776</b>
Net profit (adj.)	(813)	17	1,609	3,234

## BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	2,571	3,444	4,205	4,629
Other LT assets	10,530	10,227	9,928	9,590
Cash/ST investment	4,346	3,829	1,675	3,514
Other current assets	15,411	13,792	22,807	21,418
<b>Total assets</b>	<b>32,859</b>	<b>31,292</b>	<b>38,614</b>	<b>39,150</b>
ST debt	1,330	1,330	1,330	1,330
Other current liabilities	10,752	8,984	15,195	13,667
LT debt	1,714	1,714	1,714	1,714
Other LT liabilities	2,216	2,216	2,216	2,216
Shareholders' equity	16,400	16,632	17,652	19,623
Minority interest	447	416	507	599
<b>Total liabilities &amp; equity</b>	<b>32,859</b>	<b>31,292</b>	<b>38,614</b>	<b>39,150</b>

## CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>631</b>	<b>1,832</b>	<b>175</b>	<b>3,904</b>
Pre-tax profit	187	216	1,230	2,450
Tax	(251)	(40)	82	234
Deprec. & amort.	1,535	1,731	1,688	1,633
Working capital changes	(3,855)	3,387	(15,226)	2,916
Other operating cashflows	3,013	(3,463)	12,400	(3,329)
<b>Investing</b>	<b>(1,704)</b>	<b>(2,300)</b>	<b>(2,150)</b>	<b>(1,720)</b>
Capex (growth)	(2,268)	(2,300)	(2,150)	(1,720)
Others	564	0	0	0
<b>Financing</b>	<b>19,290</b>	<b>36,500</b>	<b>2,559</b>	<b>158</b>
Dividend payments	0	0	0	0
Issue of shares	20,957	0	0	0
Proceeds from borrowings	300	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(1,966)	36,500	2,559	158
<b>Net cash inflow (outflow)</b>	<b>18,217</b>	<b>36,032</b>	<b>585</b>	<b>2,343</b>
Beginning cash & cash equivalent	5,870	4,346	3,829	1,675
Changes due to forex impact	20	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>4,346</b>	<b>3,829</b>	<b>1,675</b>	<b>3,514</b>

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	8.5	5.7	7.9	9.6
Pre-tax margin	1.0	1.1	4.4	7.0
Net margin	(0.7)	0.7	5.0	7.9
ROA	n.a.	0.5	4.0	7.1
ROE	n.a.	0.9	8.2	14.9
<b>Growth</b>				
Turnover	2.8	8.4	36.7	25.9
EBITDA	(25.4)	(27.3)	88.3	53.0
Pre-tax profit	(87.2)	15.1	469.9	99.2
Net profit	(108.9)	n.a.	869.3	97.7
Net profit (adj.)	(164.5)	n.a.	9,393.0	101.0
EPS	(163.6)	n.a.	9,206.9	101.0
<b>Leverage</b>				
Debt to total capital	15.3	15.2	14.4	13.1
Debt to equity	18.6	18.3	17.2	15.5
Net debt/(cash) to equity	(7.9)	(4.7)	7.8	(2.4)
Interest cover (x)	n.a.	50.3	n.a.	n.a.

## COMPANY UPDATE

### Li Ning (2331 HK)

#### Unreasonable Property Purchase Reflects Weak Corporate Governance

**Li Ning announced to acquire a property in Hong Kong from Henderson Land, which we think is irrelevant to its main business and may deteriorate the company's financial statements. In our view, the transaction reflects Li Ning's weak corporate governance. Thus, we cut Li Ning's target price by 61% to HK\$18.80 and downgrade Li Ning from BUY to SELL.**

#### WHAT'S NEW

- Li Ning announced its intent to acquire a property located in Hong Kong from Henderson Land for a total consideration of HK\$2,208m.

#### STOCK IMPACT

- Deterioration of financial statements.** The property that Li Ning intends to purchase in Hong Kong is a complex including commercial and office spaces as well as retail areas. According to the purchase agreement, Li Ning agreed to purchase the sale shares and take up the assignment of the sale loan of the property, for total consideration of HK\$2,208m, consuming around 22% of its cash on hand; as of end-1H23, Li Ning had Rmb8.9b cash on hand, which is too much, in our view. Upon completion of the transaction, the target company will become a subsidiary of Li Ning, and its financial statements will be consolidated. As of end-22, the target company recorded a net loss of HK\$80m. We expect that the target company will not see a turnaround in the near term, given the lacklustre market conditions in Hong Kong property market, which will cause damage to Li Ning's financial statements.
- Weak corporate governance reflected.** Li Ning argued that it aims to expand its business operations in Hong Kong, and the property will be used as the company's Hong Kong headquarters. However, we question the legitimacy of the transaction. First, purchasing a property is irrelevant to Li Ning's main business. In our view, sportswear companies looking to expand their business operations in other areas will always choose to establish good cooperation with high-quality local distributors or sharpen the DTC (direct to customer) competitiveness, instead of purchasing a property, which utilises a lot of cash. Second, as Li Ning has limited exposure to the Hong Kong market, there is no need for it to purchase a building to use as headquarters in Hong Kong. Thus, we do not rule out the possibility of other reasons behind this transaction and the true usage of the cash, and we think this reflects Li Ning's weak corporate governance.

#### 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	6,722	7,800	9,163
Operating profit	4,736	4,082	4,275	4,864	5,686
Net profit (rep./act.)	4,011	4,064	3,943	4,372	5,021
Net profit (adj.)	4,011	4,064	3,943	4,372	5,021
EPS (Fen)	158.0	154.3	149.7	165.9	190.6
PE (x)	12.4	12.7	13.1	11.8	10.3
P/B (x)	2.4	2.1	1.9	1.7	1.5
EV/EBITDA (x)	7.9	8.3	7.0	6.0	5.1
Dividend yield (%)	2.3	2.4	2.3	2.5	2.9
Net margin (%)	17.8	15.7	14.1	14.5	15.0
Net debt/(cash) to equity (%)	(63.3)	(21.3)	(16.9)	(19.9)	(22.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	26.9	17.9	15.3	15.3	15.6
Consensus net profit	-	-	3,823	4,546	5,371
UOBKH/Consensus (x)	-	-	1.03	0.96	0.93

Source: Li Ning, Bloomberg, UOB Kay Hian

## SELL

### (Downgraded)

Share Price	HK\$21.35
Target Price	HK\$18.80
Upside	-11.9%
(Previous TP)	HK\$48.80)

#### 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):	2,625.3
Market cap (HK\$m):	56,050.5
Market cap (US\$m):	7,176.8
3-mth avg daily t'over (US\$m):	82.2

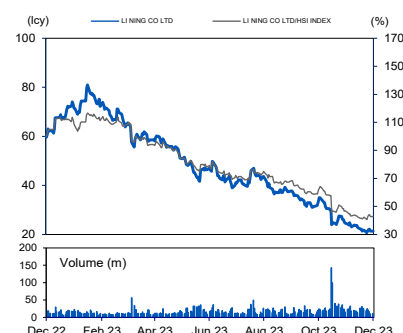
#### Price Performance (%)

52-week high/low		HK\$81.00/HK\$20.70		
1mth	3mth	6mth	1yr	YTD
(18.0)	(43.0)	(54.1)	(66.2)	(68.5)

#### Major Shareholders

	%
Viva China	10.29
FY23 NAV/Share (Rmb)	10.27
FY23 Net Cash/Share (Rmb)	1.74

#### PRICE CHART



Source: Bloomberg

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### EARNINGS REVISION/RISK

- **Cut 2023-24 earnings forecasts by 2/4%.** We cut our 2023-24 earnings forecasts by 2%/4% respectively to reflect the potential negative financial impacts of the property transaction.

### VALUATION/RECOMMENDATION

- **Cut target price by 61% to HK\$18.80, downgrade to SELL.** Under our DCF valuation methodology, we raise our long-term capex forecasts to reflect the costs of potential transaction impacts, and we revise up our WACC assumption from 11.8% to 21.2% to reflect the higher risk premium of the company. The stock currently trades at 13.1x 2023F PE, 1.5SD below the five-year historical average.

### LI NING DCF VALUATION TABLE

(Rmbm)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	4,869	5,458	6,279	7,469	8,302	9,355	10,576	11,881	13,362	15,045	16,958
D&A	2,446	2,936	3,478	3,987	4,474	4,949	5,418	5,890	6,370	6,863	7,375
Capex	-4,900	-3,631	-4,265	-4,479	-4,702	-4,938	-5,184	-5,444	-5,716	-6,002	-6,302
W.C. change	326	239	218	198	224	283	328	350	398	452	514
FCFF	1,526	3,640	4,142	5,312	6,226	7,314	8,499	9,712	11,079	12,603	14,313
NPV of FCFF	1,526	3,004	2,821	2,985	2,887	2,799	2,684	2,531	2,383	2,237	2,096
PV of terminal value	11,430										
Enterprise value	39,383										
Net debt	-4,579										
MI	2										
Equity value	43,959										
# of shares O/S (in m)	2,635										
Value per share (Rmb)	16.70										
Value per share (HK\$)	18.80										

Source: Bloomberg, 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	6,721.6	7,800.0	9,163.4
Deprec. & amort.	1,586.6	2,446.2	2,935.9	3,477.9
EBIT	4,081.6	4,275.4	4,864.1	5,685.5
Total other non-operating income	671.6	593.7	593.7	593.7
Associate contributions	201.2	301.7	301.7	301.7
Net interest income/(expense)	327.2	84.0	65.9	109.4
Pre-tax profit	5,415.1	5,254.8	5,825.4	6,690.3
Tax	(1,351.3)	(1,311.3)	(1,453.7)	(1,669.6)
Minorities	(0.1)	0.0	0.0	0.0
Net profit	4,063.7	3,943.5	4,371.7	5,020.8
Net profit (adj.)	4,063.7	3,943.5	4,371.7	5,020.8

## CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	3,913.6	5,623.9	6,345.2	7,395.0
Pre-tax profit	5,415.1	5,254.8	5,825.4	6,690.3
Tax	(1,316.4)	(1,311.3)	(1,453.7)	(1,669.6)
Deprec. & amort.	781.5	1,556.4	1,957.2	2,401.2
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)	(5,000.0)	(3,730.6)	(4,365.3)
Capex (growth)	(1,822.2)	(4,900.0)	(3,630.6)	(4,265.3)
Investments	(73.7)	(100.0)	(100.0)	(100.0)
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)	(1,183.0)	(1,311.5)
Dividend payments	(1,194.7)	(1,219.2)	(1,183.0)	(1,311.5)
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)	(595.2)	1,431.6	1,718.2
Beginning cash & cash equivalent	14,744.9	7,382.2	6,787.0	8,218.6
Changes due to forex impact	92.6	0.0	0.0	0.0
Ending cash & cash equivalent	7,382.2	6,787.0	8,218.6	9,936.8

## BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	3,234.6	6,633.1	8,369.2	10,302.4
Other LT assets	18,017.1	18,264.4	18,524.1	18,799.6
Cash/ST investment	7,382.2	6,787.0	8,218.6	9,936.8
Other current assets	5,012.7	5,084.6	5,232.5	5,619.8
Total assets	33,646.5	36,769.0	40,344.4	44,658.6
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	27,053.8	30,242.4	33,951.7
Minority interest	2.5	2.5	2.5	2.5
Total liabilities & equity	33,646.5	36,769.0	40,344.4	44,658.6

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	22.0	24.1	25.9	27.3
Pre-tax margin	21.0	18.9	19.3	19.9
Net margin	15.7	14.1	14.5	15.0
ROA	12.7	11.2	11.3	11.8
ROE	17.9	15.3	15.3	15.6
Growth				
Turnover	14.3	8.0	8.1	11.4
EBITDA	(3.9)	18.6	16.0	17.5
Pre-tax profit	1.6	(3.0)	10.9	14.8
Net profit	1.3	(3.0)	10.9	14.8
Net profit (adj.)	1.3	(3.0)	10.9	14.8
EPS	(2.3)	(3.0)	10.9	14.8
Leverage				
Debt to total capital	8.3	7.5	6.8	6.1
Debt to equity	9.1	8.2	7.3	6.5
Net debt/(cash) to equity	(21.3)	(16.9)	(19.9)	(22.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

## HANG SENG INDEX AND HANG SENG TECH INDEX OUTLOOK

### WEEKLY CHART



Chart by Bloomberg

### DAILY CHART



Chart by Bloomberg

## Hang Seng Index

Last Close: 16,334.37

Expected moving range: 15,800 – 17,000

### Technical View:

Weekly chart: The Hang Seng Index continued to fall last week, breaking below the descending channel and closing with a long black candlestick. It reached a high of 16,941 and a low of 16,157, with a volatility of only 784 points. The main resistance level is around 16,800-17,000.

Daily chart: The HSI continued its downtrend last Friday and refilled the gap formed in November last year (around 16,138-16,829). The 10-day (light blue), 20-day (orange) and 50-day (red) moving averages are pointing downwards, reflecting the continued weakness of the broad market. The 14-day RSI is below the midline level of 50 and is currently around 33, indicating that momentum is rather weak. The MACD line is lower than the signal line, showing a double bearish signal. If the Index continues to fall, it may test the psychological level of about 16,000.



## WEEKLY CHART



Chart by Bloomberg

## DAILY CHART



Chart by Bloomberg

## Hang Seng Tech Index

Last Close: 3,705.93

Expected moving range: 3,600 – 4,000

### Technical View:

Weekly chart: The Hang Seng Tech Index continued to fall last week. It reached a high of 3,842 and a low of 3,647, with a volatility of 195 points. An important support level is the October low of around 3,600, whilst a resistance level is around 4,000.

Daily chart: The index continued its downtrend last week. Its 10-day (light blue), 20-day (orange) and 50-day (red) moving downwards are pointing downwards, reflecting the weakening trend of the market. The 14-day RSI is below the midline level of 50 and is currently around 38, indicating that momentum remains weak. The MACD line is lower than the signal line, showing a double bearish signal.

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