

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

KEY HIGHLIGHTS

Strategy

Alpha Picks: November Conviction Calls

Page 2

We add a mix of defensives and turnaround stocks – COSCO Shipping, CR Mixc, Great Wall Motor, Innovent, Link REIT and NetEase – to our BUY list.

Results

Yum China (9987 HK/NOT RATED/HK\$356.20)

Page 7

3Q23: Earnings missed; softening demand extended into October.

Update

Kweichow Moutai (600519 CH/BUY/Rmb1,780.99/Target: Rmb2,488.00)

Page 10

Price hike of core Feitian products to boost earnings.

TRADERS' CORNER

Page 13

China Power International Development (2380 HK): Trading Buy range: HK\$2.90-3.02

China Traditional Chinese Medicine (570 HK): Trading Buy range: HK\$3.70-3.80

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
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	33274.6	0.7	0.7	(0.7)	0.4
S&P 500	4237.9	1.1	1.2	(1.2)	10.4
FTSE 100	7342.4	0.3	(1.0)	(3.5)	(1.5)
AS30	7024.6	0.8	(0.3)	(2.9)	(2.7)
CSI 300	3571.0	(0.0)	1.9	(3.2)	(7.8)
FSSTI	3076.8	0.3	(0.1)	(4.1)	(5.4)
HSCEI	5859.6	(0.0)	0.1	(4.7)	(12.6)
HSI	17101.8	(0.1)	0.1	(4.0)	(13.5)
JCI	6642.4	(1.6)	(2.8)	(4.6)	(3.0)
KLCI	1435.3	(0.5)	(0.5)	1.2	(4.0)
KOSPI	2301.6	1.0	(2.6)	(6.6)	2.9
Nikkei 225	31601.7	2.4	1.1	(0.5)	21.1
SET	1380.0	(0.1)	(1.6)	(6.1)	(17.3)
TWSE	16038.6	0.2	(2.0)	(3.1)	13.4
BDI	1401	(4.0)	(23.5)	(19.3)	(7.5)
CPO (RM/mt)	3560	(1.9)	(1.7)	(3.4)	(12.1)
Brent Crude (US\$/bbl)	85	(0.5)	(6.1)	(11.2)	(1.5)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HKEX	273.80	(0.4)	1,968.9
XIAOMI CORP-W	14.22	1.4	1,675.7
LI NING CO LTD	25.05	4.4	1,626.3
SMIC	24.00	3.0	1,452.8
KUAISHOU-W	51.35	2.0	1,389.2

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
LI NING CO LTD	25.05	4.4	1,626.3
SHENZHOU INTL GP	79.45	3.5	272.6
SMIC	24.00	3.0	1,452.8
NEW WORLD DEV	14.74	2.8	121.5
XINYI SOLAR HLDS	4.72	2.6	159.5

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HAIDILAO INTERNA	17.06	(12.8)	185.3
CHINA LITERATURE	25.35	(3.8)	45.8
BILIBILI INC-Z	102.30	(3.4)	271.6
EAST BUY HOLDING	31.00	(2.8)	291.6
CHINA RES MIXC	29.75	(2.5)	54.6

*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 – GREATER CHINA

Alpha Picks: November Conviction Calls

Concerns of slowing growth momentum weighed on Chinese equities, with MSCI China and the HSI falling 4.4% and 3.9% respectively in October. Despite the show of support from Central Huijin, near-term trading could stay volatile as investors await better macro data or further policy support. We add a mix of defensives and turnaround stocks – COSCO Shipping, CR Mixc, Great Wall Motor, Innovent, Link REIT and NetEase – to our BUY list.

WHAT'S NEW

- **Review of October.** The MSCI China and HSI fell 4.4% and 3.9% respectively in October, bringing ytd declines to 12.9% and 13.5% respectively. Concerns on weaker growth momentum continue to weigh on the market and so far stimulus measures have come in below market expectations. Thus, the show of support by Central Huijin in buying ETFs and shares of major SOEs banks only provided temporary relief. Within our stock picks, Xpeng was the best performer of the month, with a 17.4% return over this period.
- **A year-end rebound** may be taking shape, as increased market support by Central Huijin and further policy easing turns sentiment around. Of the 12.9% ytd decline in the MSCI China index, only 1.6ppt was due to cuts in the 12-month forward EPS estimate. Thus the negative sentiment, or rise in equity risk premium has been a major driver. It will be difficult to time such a turnaround, as such we are adding a mix of defensives and turnaround stocks in the meantime, COSCO Shipping, CR Mixc, Great Wall Motor, Innovent, Link REIT and NetEase to our BUY list.

ACTION

- **Add COSCO Shipping Port (1199 HK) to our BUY list** due to re-acceleration in global demand and the share price downside limited by major shareholder purchases.
- **Add CR Mixc (1209 HK) to our BUY list** as we expect better-than-expected 2023 results.
- **Add Great Wall Motor (2333 HK) to our BUY list** as we expect strong earnings recovery along with the kickstart of a new product cycle.
- **Add Innovent (1801 HK) to our BUY list** due to stronger-than-expected 1H23 results and larger long-term revenue growth potential with its continuous efforts in entering the obesity drug market.
- **Add Link REIT (823 HK) to our BUY list** as we see rising possibility of unit buyback after the 1HFY24 results announcement.
- **Add NetEase (9999 HK) to our BUY list** as we expect NetEase to deliver encouraging re-accelerated grossing growth bolstered by resilient domestic and meaningful improvement in international mobile grossing.
- **Take profit** on Lenovo (992 HK) from our BUY list and Xpeng (9868 HK) from our SELL list.
- **Cut losses** on Baidu (9888 HK), CR Land (1109 HK), Giordano International (709 HK), Henlius (2696 HK), PICC P&C (2328 HK), SHKP (16 HK) and Trip.com (9961 HK).
- **Maintain BUY** on Anta (2020 HK), BYD (1211 HK), CATL (300750 CH), Kuaishou (1024 HK) and Moutai (600519 CH).

VALUATION OF ANALYSTS' ALPHA PICKS

Company	Ticker	Rec	Price 1 Nov 23 (lcy)	Target Price (lcy)	Last Year End	PE 2023F (x)	2024F (x)	2025F (x)	Yield 2023F (%)	ROE 2023F (%)	Market Cap. (lcy m)	Price/ NTA ps (x)
BUY												
Anta	2020 HK	BUY	88.35	128.00	Dec 22	21.6	18.5	16.0	1.9	29.9	250,262	4.3
BYD	1211 HK	BUY	233.20	630.00	Dec 22	20.4	14.1	10.3	1.0	23.1	256,054	5.8
CATL	300750 CH	BUY	187.54	410.00	Dec 22	19.4	12.5	8.9	1.0	21.9	824,525	5.1
COSCO Shipping Port	1199 HK	BUY	4.72	6.00	Dec 22	7.3	8.1	7.6	5.5	5.1	16,254	0.43
CR Mixc	1209 HK	BUY	29.75	49.69	Dec 22	29.3	23.4	18.5	1.7	18.4	69,616	4.1
Great Wall Motor	2333 HK	BUY	11.38	13.50	Dec 22	15.0	10.3	9.3	2.0	11.5	28,577	2.0
Innovent	1801 HK	BUY	45.45	55.00	Dec 22	n.a	n.a	n.a	0.0	n.a	73,223	5.3
Kuaishou	1024 HK	BUY	51.50	100.00	Dec 22	28.3	15.1	10.0	0	-8.8	224,015	4.5
Link REIT	823 HK	BUY	35.85	50.70	Mar 23	14.9	14.1	13.2	7.1	3.6	91,973	0.5
Moutai	600519 CH	BUY	1,780.99	2,488.00	Dec 22	35.7	30.5	25.6	1.7	41.8	2,237,275	11.8
NetEase	9999 HK	BUY	167.8	193.00	Dec 22	17.7	16.5	18.1	0	23.8	541,115	4.2

Source: Bloomberg, UOB Kay Hian

KEY RECOMMENDATIONS

Company	Rec	Share Price (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)
Anta	BUY	88.35	128.00	44.9
BYD	BUY	233.20	630.00	170.2
CATL	BUY	187.54	410.00	118.6
COSCO Shipping Port	BUY	4.72	6.00	37.1
CR Mixc	BUY	29.75	49.69	67.0
Great Wall Motor	BUY	11.38	13.50	18.6
Innovent	BUY	45.45	55.00	21.0
Kuaishou	BUY	51.1	100.00	94.2
Link REIT	BUY	35.85	50.70	41.4
Moutai	BUY	1,780.99	2,488.00	39.7
NetEase	BUY	167.8	193.00	15.0

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Oct 23 (%)	To-Date* (%)
Anta	BUY	0.2	0.2
Baidu	BUY	-23.0	-32.8
BYD	BUY	-1.9	3.3
CATL	BUY	-8.6	-19.6
CR Land	BUY	-6.1	-18.3
Giordano International	BUY	-10.4	-21.5
Henlius	SELL	21.3	21.3
Kuaishou	BUY	-19.6	-5.0
Lenovo	BUY	12.8	12.8
Moutai	BUY	-6.3	5.1
PICC P&C	BUY	-11.1	-11.1
SHKP	BUY	-4.1	-4.1
Trip.com	BUY	-3.7	-13.4
Xpeng	SELL	-17.4	-17.4
Hang Seng Index		-3.9	

*Share price change since stock was selected as alpha pick
Source: UOB Kay Hian

PORTFOLIO RETURN

(%)	4Q22	2022	1Q23	2Q23	3Q23
HSI return	14.9	-15.5	3.1	-7.3	-5.9
Alpha Picks Return					
- Price-weighted	-9.7	-9.4	1.4	-5.5	-0.2
- Market cap-weighted	-1.9	-6.6	2.0	-8.6	-2.1
- Equal-weighted	1.5	-3.8	0.3	-5.9	-2.5

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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Anta – BUY (Stella Guo/Ng Jo Yee/Shirley Wang)

- Anta's sales momentum picked up in 3Q23 and was on track to fulfil its 2023 sales targets. During its investor day, the company announced its aim to become the global leader in the sportswear industry by 2030, while targeting to maintain its top position in China's sportswear sector (market share of 19.5%). For Anta brand/Fila/Descente/KOLON, management guided for retail sale CAGR of 10-15%/10-15%/20-25%/30-35% during 2023-26. We stay bullish on Anta given: a) the improving brand equity supported by high exposure of DTC, and b) the company's multi-brand strategy, which allows it to cater to customers' demands from different sporting segments and income groups.

Share Price Catalyst

- Event: Better inventory turnover in 4Q23.
- Timeline: 4Q23.

BYD – BUY (Ken Lee)

- BYD's 3Q23 earnings came in 49% above our estimate at Rmb10.4b (+82% yoy/+53% qoq), with improved production efficiency and a plunge in lithium carbonate prices boosting margins despite the price cuts. Going forward, we expect BYD's earnings to be driven by the new electric vehicle models, including Seal DM-i, Song L, Denza N7/N8, Fang Cheng Bao 5, Yangwang U8/U9; expansion in overseas markets; and decline in lithium carbonate prices. Maintain BUY with target price of HK\$630.00 based on 10-year DCF (WACC: 12%/terminal growth: 4%).

Share Price Catalyst

- Event: a) Growth of monthly EV sales volume, and b) upbeat 4Q23 results.
- Timeline: 4Q23-1Q24.

CATL – BUY (Ken Lee)

- CATL's 3Q23 earnings were dampened by the temporary production halt at Tesla China for launching the revamped Model 3 and Model Y. For 4Q23, we expect earnings to spike 39% qoq to Rmb13.1b, driven by the resumption of production at Tesla China and the ramp-up of orders for its new battery products such as Qilin Battery and Shenxing Battery. Additionally, CATL is gaining market share in overseas markets, especially Europe. In the long term, earnings will be driven by the 25% CAGR in global EV sales volume from 2022 to 2030, the launches of brand-new battery products like M3P battery, condensed battery and sodium-ion battery and decline in lithium carbonate prices. Maintain BUY with target price of Rmb410.00 based on 10-year DCF (WACC: 12%/terminal growth: 4%).

Share Price Catalyst

- Event: a) Growth of monthly EV battery shipment, b) drop in lithium carbonate prices, and c) 4Q23 results.
- Timeline: 4Q23-1Q24.

COSCO SHIPPING Ports – BUY (Roy Chen)

- We like CSP for its: a) global market leadership (one of the global top five port/terminal operators by container throughput); b) well-diversified investment portfolio across Asia, Middle East and Europe with good asset quality; and c) strong backing from its parent company COSCO SHIPPING Holdings (CSH, 1919 HK), which is China's largest and a globally leading container shipping company with a large cargo flow. Despite the macro uncertainties, CSP's high-grade port/terminal portfolio has shown reasonable resilience, with 3Q23 gross container throughput rising 4.1% yoy and 3Q23 earnings dropping only 4% yoy (due to higher interest costs yoy, which should stabilise going forward). Although global trade outlook is not out of the woods yet, CSP's container volume growth figure should pick up further in the next two quarters, given the low base of 4Q22 and 1Q23.

- On valuation, we deem the share price is undervalued with good dividend; share price downside is limited by major shareholder purchases. Current price implies PE of 7.3x/8.1x on our conservative 2023/24 earnings estimates and leads to decent yields of about 5%. CSP's cash-rich parent CSH has been aggressively accumulating CSP shares in the past one year. Its stake in CSP rose 10% from 51% as of Sep 22 to 61% as of Sep 23, mostly due to share purchases in the open market at disclosed prices ranging from HK\$4.73 to HK\$6.49. With CSP's stable fundamentals and potential share price support/boost from major shareholder purchases, we think CSP is a safe bet which can reward shareholder nicely with decent dividends while waiting for a turnaround of the global trade outlook.

Share Price Catalyst

- Event: a) Further earnings improvement; b) major shareholder purchases in the open market.
- Timeline: 4Q23-1Q24.

CR Mixc Lifestyle Services (Jieqi Liu/Damon Shen)

- For CR Mixc malls, same store retail sales grew by 26%/24% in Sep 23/9M23 respectively. For 2024, the company targets to achieve 10% same-store sales growth and open 18-20 new malls. Overall, management is confident of achieving its earnings growth target of 40% CAGR in the 14th Five-Year Plan (FYP), underpinned by resilient commercial portfolio and strong competitiveness in the property management segment. The company's cash generating capability remained very strong, with the net operating cash flows/core net profit ratio at 1.60x in 2022. We maintain BUY on CR Mixc Lifestyle Services (CR Mixc LS) with a target price of HK\$49.69

Share Price Catalyst

- Event: Better-than-expect 2023 results.
- Timeline: 4Q23-1Q24.

Great Wall Motor (Ken Lee)

- GWM posted upbeat 3Q23 earnings of Rmb3.63b (+42% yoy/+206% qoq), with the launches of new models and slump in lithium carbonate prices boosting ASP and margins despite price competition. We believe GWM should have passed through the toughest period and is set to stage a strong earnings recovery along with the kickstart of a new product cycle. Maintain BUY with target price of HK\$13.50 pegged to 12x 2024F PE, on a par with historic mean one-year forward PE.

Share Price Catalyst

- Event: a) Growth in monthly sales, and b) 4Q23 results.
- Timeline: 4Q23-1Q24.

Innovent – BUY (Carol Dou/Sunny Chen)

- Innovent reported stronger-than-expected 1H23 results. We forecast revenue growth of 19.5% yoy and adjusted net loss of Rmb1.0b for 2023, although the anti-corruption campaign may slow revenue expansion of product sales (especially for new products) in 2H23. The company continues to show strength in R&D and commercial performance. It now has 10 commercialised products. Besides receiving marketing approval for TYVYT's seventh indication of EGFR-mutated non-squamous non-small cell lung cancer (NSCLC), it also obtained market approval for two new products in 1H23, namely Equecabtagene Autoleucl (FUCASO, a BMCA-directed CAR-T cell therapy), and tafolecimab injection (SINTBLO, the first domestic anti-PCSK9 monoclonal antibody). Meanwhile, it announced 48-week treatment results of the phase II study of its high dose (9mg) mazdutide (IBI362, a GLP-1/GCGR dual agonist) for obesity in Oct 23, demonstrating robust weight loss efficacy, multiple metabolic benefits and a favourable safety profile.

- Innovent plans to initiate the phase III clinical study of mazdutide 9mg for obesity by end-23, and expects market launch for mazdutide 6mg in late-24 or early-25. It plans to continuously build strong franchise and expand next-generation pipeline of blockbusters in China's cardiovascular and metabolic (CVM) diseases market with market potential of over Rmb100b. Innovent also established strong capability in improving operating efficiency and diversification of product and R&D portfolios for long-term sustainable growth. It believes its enriched product portfolio will support a steady pharmaceutical product revenue growth in the next few years. Maintain BUY and raise target price from HK\$43.00 to HK\$55.00, to reflect the company's larger long-term revenue growth potential with its continuous efforts in entering the obesity drug market. The new target price is based on the DCF model with WACC of 11.0% and terminal growth rate of 4%.

Share Price Catalyst

- Event: a) Stronger-than-expected 1H23 results; expecting steady revenue growth in 2023, b) strong R&D performance and continuous business development efforts, and c) new product launches to generate revenue streams.
- Timeline: 2H23.

Kuaishou Technology – BUY (Julia Pan/ Ming San Soong)

- Kuaishou guided a strong 3Q23 top-line growth momentum. Total revenue is projected to grow at high-teens to twenties, with online marketing/live-streaming/other services estimated to ramp up 25%/high single digit/30% yoy respectively. Online marketing services revenue growth is forecasted to exceed 25% yoy, spurred by continuous robust growth of internal ad. Meanwhile, external ad continues to deliver positive yoy growth and improve sequentially from 2Q23 despite a challenging macro environment. Despite weak seasonality in 3Q23, Kuaishou's e-commerce gross merchandise volume (GMV) growth momentum is expected to sustain at 35% yoy, stimulated by comprehensive e-commerce content supply. Also, monthly active customers (MAC) and the number of monthly e-commerce orders saw sequential positive growth, supported by improvements in key opinion leader (KOL) commission distribution and ecosystem development. Daily active users (DAU) is expected to hit 384m in 3Q23. Average daily time spent per DAU on the Kuaishou App is expected to surpass 1Q23's level of 126.8 minutes.
- Continuous optimisation of algorithms and a diverse supply of content during the summer holidays have contributed to high user stickiness on Kuaishou's platform. The Kuaishou e-commerce 11.11 shopping festival officially commenced pre-sales on 18 October. Kuaishou will invest Rmb18b in traffic and Rmb2b in product subsidies for 11.11 this year. The company highlighted that it will not have significant changes to its strategic approach and expects more merchants to come on board for 11.11 this year. For online marketing services, brand advertisers are more aggressive in their preparations for 11.11 this year. Kuaishou also aims to seize further opportunities in verticals such as FMCG and offline services. Through strategies such as "Stream Initiatives", "Fuyao Plan", and "Bestseller Plan", Kuaishou's e-commerce is proactively addressing users' shopping needs, thus enhancing user experience. Maintain BUY on the company with a target price of HK\$100.00. Our target price implies 3x 2023F PS. The company is currently trading at 1.5x 12-month forward EV/Sales (11.6x 2024F PE), below its historical mean of 4x.

Share Price Catalyst

- Event: a) Higher monetisation rates across all categories, b) less competition from peers, positive government policies to simulate consumption, and c) lifting of regulations on internet platforms.
- Timeline: 2H23.

Link REIT (Jieqi Liu/Damon Shen)

- LINK REIT will announce 1HFY24 results on 8 November. At the pre-blackout conference call, management shared that: a) operations in 1QFY24 are largely on track. Rental reversion is expected to be in line with expectations, ie positive mid-to-high single digits for Hong Kong retail and slightly negative for China retail; and b) persistently high interest rates would bring both risk (on funding cost and valuation) and M&A opportunities. As

DPU yield is higher than the cost of debt (around 8%), unit buyback is becoming a reasonable and yield-accretive option. Thus, we see a rising possibility of unit buyback after the 1HFY24 results announcement. Maintain BUY with a target price of HK\$50.70.

Share Price Catalyst

- Event: Unit buyback after results announcement.
- Timeline: 4Q23

Moutai – BUY (Ng Jo Yee/Stella Guo/Shirley Wang)

- We are confident on Moutai's full year revenue growth target of 15% yoy and improving profitability with a net margin expansion of 0.5ppt yoy, driven by: a) rising sales volume of Moutai products from capacity expansion, b) product line extension (such as Moutai 24 Solar Term series and Moutai Chinese Zodiac series), and c) expansion in direct sales channels. Moutai announced that it will take the ex-factory price hike of Feitian Moutai, Five-Star Moutai and other Moutai series products by about 20%, effective from 1 Nov 23. We believe this will further lift 2024 earnings by low-to-mid single digits, and boost investors' sentiment in the near term. Moutai stands out with its strong brand reputation, solid operating cash flow, and earnings visibility. Our DCF-based target price of Rmb2,488 implies 42.6x 2023F PE.

Share Price Catalyst

- Event: Strong 4Q23 results.
- Timeline: 4Q23-1Q24.

NetEase – BUY (Julia Pan/ Ming San Soong)

- Looking into 2H23, we expect NetEase to deliver encouraging re-accelerated grossing growth bolstered by resilient domestic and meaningful improvement in international mobile grossing. NetEase's domestic and international mobile grossing surged 36% yoy and declined 13% yoy respectively in September. Domestic grossing in 3Q23 rose 40% yoy, primarily contributed by strong monetisation and healthy retention of Justice Mobile, Dunk City Dynasty and Racing Master. We expect the blockbuster mobile game Justice Mobile to sustain the strong growth into 2H23 and generate Rmb6b grossing in 3Q23 and Rmb14.5b for the full year, driven by its healthy retention and improving ARPPU. In view of the rapidly emerging casual and party games market, the rising popularity of Eggy Party continues to be the core growth pillar for the company. Eggy Party reached 100m monthly active users (MAU) in Aug 23, and daily active users (DAU) of Naraka: Bladepoint doubled after it became a free game on 13 July. Furthermore, the company also plans to launch international versions of Eggy Party and Racing Master by the end of 2023.
- We opine that other games such as Where Winds Meet, Naraka: Bladepoint (Mobile) and Project Mugen will facilitate a strong top-line growth for NetEase. We raise our forecasts on NetEase's 3Q23/2023 online game revenue growth forecast to 16%/14% yoy (previous: 13%/10%). We also expect to see solid profitability improvement as NetEase benefits from lower channel cost with ongoing migration to NetEase's proprietary channel. We maintain BUY on the company with target price of HK\$193.00 (US\$120.00), factoring in the solid online games growth and promising pipeline in the upcoming months. Our target price implies 18x 2023F PE. The company is trading at 15x 12-month forward PE, in line with its historical mean of 16x.

Share Price Catalyst

- Event: a) Strong performance of games pipeline, and b) improving profitability of NetEase Cloud Music.
- Timeline: 2H23.

COMPANY RESULTS

Yum China Holdings Inc (9987 HK)

3Q23: Earnings Missed; Softening Demand Extended Into October

Yum China's 3Q23 results missed consensus estimates mainly due to foreign exchange impact and higher staff costs. Management sees recovery to be non-linear, as demand softened in Sep 23 and extended into Oct 23. According to management, 4Q23 margin may be impacted by a softer demand recovery and wage inflation. Management kept its updated net new store opening target unchanged, and the company has completed 72-83% of the full-year target as of end-Sep 23.

3Q23 RESULTS

Year to 31 Dec (US\$m)	3Q23	2Q23	3Q22	yoy %	qoq %	9M23	9M22	yoy %
Revenue	2,914	2,654	2,685	8.5%	9.8%	8,485	7,481	13.4
Cost of sales	(858)	(773)	(787)	9.0%	11.0%	(2,466)	(2,206)	11.8
Gross profit	2,056	1,881	1,898	8.3%	9.3%	6,019	5,275	14.1
Gross profit margin	70.6%	70.9%	70.7%	-0.1ppt	-0.3ppt	70.9%	70.5%	0.4ppt
EBIT	323	257	316	2.2%	25.7%	996	588	69.4
EBIT margin	11.1%	9.7%	11.8%	-0.7ppt	1.4ppt	11.7%	7.9%	3.9ppt
Attributable net profit	244	197	206	18.4%	23.9%	730	389	87.7

Source: Yum China, UOB Kay Hian

RESULTS

- **Earnings miss.** Yum China Holdings (Yum China) reported revenue of US\$8.5b (+13.4% yoy) and attributable net profit of US\$730m (+87.7% yoy) in 9M23. Operating profit and operating profit margin grew to US\$996m (+69.4% yoy) and 11.7% (+3.9ppt yoy). In 3Q23, revenue was US\$2.9b (+8.5% yoy, +9.8% qoq), missing consensus estimate by 4%, and attributable net profit was US\$244m (+18.4% yoy, +23.9% qoq), missing consensus estimate by 13%. Excluding foreign exchange impact, 3Q23 revenue and attributable net profit were up 13% yoy and 27% yoy respectively. Operating profit margin declined by 0.7ppt yoy to 11.1% in 3Q23, due to higher payroll cost (+1.8ppt yoy) and food & paper cost (+0.4ppt yoy).
- **System sales were up 15% yoy in 3Q23** (vs 2Q23: +32% yoy), due to new unit contribution and same-store sales (SSS) growth of 4% yoy. By brand, KFC/Pizza Hut SSS growth of 4%/2% yoy was driven by 9%/12% yoy same-store traffic growth, offset by 5%/9% yoy decline in average ticket size. Overall same-store sales were 10% below 3Q19 level in 3Q23 (vs -7%/-10% in 1Q23/2Q23).
- **Accelerated store openings in 3Q23.** Yum China opened 500 net new stores (355/130 for KFC/Pizza Hut) in 3Q23 (vs 422 in 2Q23). Total net store opening in 9M23 represented 72-83% of its full-year target of 1,400-1,600. As of end-Sep 23, Yum China had 14,102 restaurants, with KFC/Pizza Hut accounting for 70%/23% of total store count.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2018	2019	2020	2021	2022
Net turnover	8,415	8,776	8,263	9,853	9,569
Gross Profit	1,910	2,046	1,900	2,055	1,706
Operating Profit	941	901	961	1,386	629
Net Profit	708	713	784	990	442
EPS (cents)	184.0	189.0	201.0	234.0	105.0
P/E (x)	25.2	24.5	23.0	19.8	44.1
Book value per share	7.6	8.2	14.8	16.5	15.5
P/BV(x)	6.1	5.7	3.1	2.8	3.0
EBITDA	1,386	1,774	1,883	2,440	1,772
EV/EBITDA (x)	18.1	14.1	13.3	10.3	14.2
DPS (fen)	42.0	48.0	24.0	48.0	48.0
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Net margin (%)	8.4	8.1	9.5	10.0	4.6
Net debt to equity (%)	(45.8)	17.5	(28.9)	(14.6)	(10.5)
ROE (%)	25.0	23.2	16.9	14.9	6.8
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: YUM China, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	HK\$356.20
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Yum China is a leading restaurant company in China, owning two of China's outstanding Western fast food brands, KFC and Pizza Hut, as well as exclusively rights to Taco Bell, Lavazza, Little Sheep, Huang Ji Huang and others. Yum China had 13,602 restaurants, with 9,562 KFC and 3,072 Pizza Hut stores as of end Jun 23.

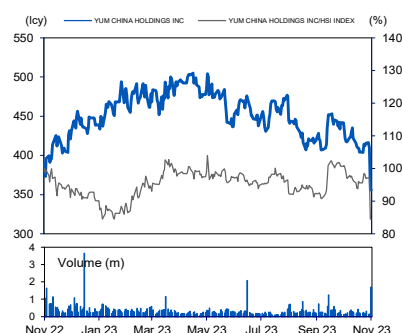
STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9987 HK
Shares issued (m):	414.7
Market cap (HK\$m):	147,731
Market cap (US\$m):	19205
3-mth avg daily t'over (US\$m):	19.0

Price Performance (%)

52-week high/low				HK\$514.50/HK\$318.00	
1mth	3mth	6mth	1yr	YTD	
(19.4)	(25.1)	(25.4)	4.0	(18.9)	
Major Shareholders				%	
JPMorgan Chase & Co				13.0	
Invesco Ltd				8.0	
FY23 NAV/Share (USD)				15.63	
FY23 Net Debt/Share (USD)				1.97	

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Softening demand in Oct 23.** Management observed that the softening demand since Sep 23 extended into Oct 23, noting that post-pandemic recovery is shaping up to be non-linear. Specifically, management saw traffic only picking up in the second half of the Double Festival holidays, as people went home to celebrate Mid-Autumn festival during the first half of the holidays. Furthermore, it saw marginal weakness on spending for its premium products.
- **Ticket size was relatively stable (vs 2019) despite intensifying market competition.** Despite media reports of the weak macro situation in China, Yum China sees growing competition in the chain-store business from both international and domestic players, which management views it positively. Thus, the company has widened its price offerings, from the premium categories (ie premium beef burger) to the entry price offerings (ie pizza below Rmb50 and single-person meal). The yoy drop in ticket size was due to higher promotional activities, lower delivery mix and rebound of the breakfast daypart, which management does not view as a concern. Average ticket size was relatively stable vs 2019's level (up slightly vs 3Q19).
- **Restaurant margins will be mainly determined by sales performance.** Looking ahead, management anticipates a mid-single-digit wage inflation in 4Q23, amid normalised store staff levels and labour shortage in 4Q22. Restaurant margins in 4Q23 could be impacted by softened sales performance and wage cost inflation, in addition to the temporary relief (US\$26m) the company received in 4Q22. Furthermore, we understand from management that the company's store opening acceleration may have short-term impact on the company's margin, given the cost of ramping up efforts.

VALUATION/RECOMMENDATION

- **Trading below historical average.** According to Bloomberg, Yum China currently trades at 21.8xx 2023F PE, vs its historical average of 27.5x.

KEY OPERATING DATA

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Total Revenue - by brand (US\$m)	2,097	1,813	1,548	1,692	2,118	2,038	2,331	2,451	2,310	2,087	2,548	2,026	2,561	1,975	2,772	2,517	2,759
KFC	1,546	1,344	1,220	1,260	1,597	1,556	1,783	1,734	1,750	1,596	1,991	1,571	1,992	1,566	2,166	1,954	2,154
Pizza Hut	540	457	322	422	508	469	538	538	546	475	542	443	556	398	591	546	591
Others	11	12	6	10	13	13	10	106	14	16	15	12	13	11	15	17	14
Revenue mix - by brand (%)																	
KFC	73.7%	74.1%	78.8%	74.5%	75.4%	76.3%	76.5%	70.7%	75.8%	76.5%	78.1%	77.5%	77.8%	79.3%	78.1%	77.6%	78.1%
Pizza Hut	25.8%	25.2%	20.8%	24.9%	24.0%	23.0%	23.1%	22.0%	23.6%	22.8%	21.3%	21.9%	21.7%	20.2%	21.3%	21.7%	21.4%
Others	0.5%	0.7%	0.4%	0.6%	0.6%	0.6%	0.4%	4.3%	0.6%	0.8%	0.6%	0.6%	0.5%	0.6%	0.5%	0.7%	0.5%
System sales growth (yoy %)	8%	8%	-20%	-4%	1%	5%	34%	14%	1%	-3%	-4%	-16%	5%	-4%	17%	32%	15%
KFC	10%	10%	-15%	-6%	-1%	3%	24%	14%	-1%	-3%	-4%	-15%	1%	-1%	17%	32%	15%
Pizza Hut	3%	1%	-38%	-12%	-6%	-3%	57%	16%	-6%	-2%	-1%	-14%	1%	-6%	17%	30%	13%
Same-store sales growth (yoy %)	2%	8%	-20%	-4%	1%	5%	34%	5%	1%	-3%	-4%	-16%	-	-4%	8%	15%	15%
KFC	3%	3%	-11%	-10%	-6%	-4%	5%	4%	-8%	-15%	-9%	-16%	-	-3%	8%	15%	4%
1) Transactions				-20%	-10%	-9%	-13%	-14%	-18%	-20%	-14%	-25%	-7%	-16%	6%	21%	9%
2) Average ticket				12%	4%	5%	8%	8%	6%	6%	6%	12%	8%	16%	2%	-5%	-5%
Pizza Hut	1%	-	-31%	-12%	-7%	-5%	38%	11%	-5%	-12%	-5%	-15%	2%	-8%	7%	13%	2%
1) Transactions				-5%	-5%	-2%	2%	9%	-1%	-4%	-3%	-20%	2%	-2%	13%	27%	12%
2) Average ticket				-7%	-1%	-3%	-7%	-11%	-10%	-8%	-2%	6%	0%	-5%	-5%	-11%	-9%
Restaurant margin	17.7%	12.4%	10.7%	13.7%	18.6%	15.1%	18.7%	15.9%	12.2%	7.5%	13.8%	12.1%	18.7%	10.4%	20.3%	16.1%	17.0%
KFC	20.1%	14.7%	13.6%	14.5%	19.4%	16.8%	19.9%	16.8%	13.6%	8.5%	15.2%	13.4%	20.6%	12.7%	22.2%	17.3%	18.6%
Pizza Hut	11.5%	6.6%	0.3%	11.1%	16.5%	10.4%	15.2%	13.1%	8.1%	5.9%	10.7%	8.6%	13.5%	1.8%	14.2%	12.3%	12.7%

Source: Yum China, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Net turnover	8,776	8,263	9,853	9,569
EBITDA	1,774	1,883	2,440	1,772
Depreciation & amortization	(873)	(922)	(1,054)	(1,143)
EBIT	901	961	1,386	629
Total other non-operating income	6	(42)	10	26
Associate contributions	(69)	(62)	44	-
Net interest income/(expense)	(39)	(43)	(60)	(84)
Pre-tax profit	1,003	1,108	1,392	687
Tax	260	295	369	207
Minorities	30	29	33	36
Net profit	713	784	990	442
Net profit (recurrent)	713	784	990	442

BALANCE SHEET

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Fixed assets	3,579	3,929	4,863	4,337
Long term investment	-	-	-	680
Other LT assets	1,112	2,010	3,644	2,869
Cash/ST investment	1,046	1,158	1,136	1,130
Other current assets	1,213	3,778	3,580	2,810
Total assets	6,950	10,875	13,223	11,826
ST debt	-	-	-	-
Other current liabilities	1,736	2,067	2,383	2,166
Total current liabilities	1,736	2,067	2,383	2,166
LT debt	1,829	1,943	2,326	1,948
Other LT liabilities	210	394	592	552
Total non current liabilities	2,039	2,337	2,918	2,500
Shareholders' equity	3,077	6,206	7,056	6,482
Minority interest	98	265	866	678
Total liabilities & equity	6,950	10,875	13,223	11,826

CASH FLOW

Year to 31 Dec (US\$m)	2019	2020	2021	2022
Operating	1,185	1,114	1,131	1,413
Pre-tax profit	1,003	1,108	1,392	687
Tax	(260)	(295)	(369)	(207)
Depreciation/amortization	(428)	(450)	(516)	(602)
Associates	(69)	(62)	44	-
Working capital changes	(176)	2,346	(536)	(559)
Non-cash items	(30)	(189)	(418)	141
Other operating cashflows	1,145	(1,344)	1,534	1,953
Investing	(910)	(3,109)	(855)	(522)
Capex (growth)	(435)	(419)	(689)	(679)
Investments	-	-	(25)	-
Proceeds from sale of assets	n.a.	n.a.	n.a.	n.a.
Others	(475)	(2,690)	(141)	157
Financing	(486)	2,098	(298)	(897)
FA	(181)	(95)	(203)	(202)
Issue of shares	-	2,195	n.a.	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(305)	(2)	(95)	(695)
Net cash inflow (outflow)	(211)	103	(22)	(6)
Beginning cash & cash equivalent	1,266	1,055	1,158	1,136
Changes due to forex impact	(6)	40	15	(53)
Ending cash & cash equivalent	1,055	1,158	1,136	1,130

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
Gross margin	23.3	23.0	20.9	17.8
Pretax margin	11.4	13.4	14.1	7.2
Net margin	8.1	9.5	10.0	4.6
ROA	10.3	8.8	8.2	3.7
ROE	23.2	16.9	14.9	6.8
Growth				
Turnover	4.3	(5.8)	19.2	(2.9)
Gross prprofit	28.0	6.1	29.6	(27.4)
Pre-tax profit	96.2	5.6	14.3	8.4
Net profit	(4.3)	6.7	44.2	(54.6)
Net profit (adj)	(93.5)	(800.0)	(123.8)	160.0
EPS (adj.)	6.2	(10.1)	(171.0)	(100.0)
Leverage				
Debt to total capital	41.1	27.0	26.4	25.1
Debt to equity	69.7	37.0	35.8	33.5
Net debt to equity	17.5	(28.9)	(14.6)	(10.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

COMPANY UPDATE

Kweichow Moutai (600519 CH)

Price Hike Of Core Feitian Products To Boost Earnings

Moutai's share price rose 6% yesterday in response to the ex-factory price hike announcement. We estimate the latest hike of about 20% on core Feitian products would boost 2024 profit by 3%, assuming an unchanged shipment volume. We believe this resolves the market's concerns on its growth capability and would further boost investors' confidence with its higher EPS. Moutai remains our top pick in consumer staples. Maintain BUY. Lift target price by about 1% to Rmb2,488.00.

WHAT'S NEW

- **Ex-factory price hikes on Feitian.** On 1 Nov 23, Kweichow Moutai (Moutai) announced that it will take the ex-factory price hike of Feitian Moutai, Five-Star Moutai and other 53% vol Moutai series products by ~20%, effective from 1 Nov 23. This implies that the ex-factory price of Feitian Moutai will increase from Rmb969/bottle to Rmb1,169/bottle. The adjustment does not involve the guided retail price of the company's products.
- **Expected to lift market sentiment and earnings.** To recap, the company has raised the ex-factory price of Feitian Moutai by nine times over the past 23 years, with an average hike of 18% each occasion. In the past, we did not see a direct correlation between price hikes and shipment volume, as shipment volume tends to be more related to the company's limited capacity. As of 1 Nov 23, the wholesale price of Feitian boxed/unboxed stood at Rmb2,915/Rmb2,650, which we think still provides a decent profitability for wholesalers and dealers alike. Share prices typically rose after price hikes in the past, surging by 10-16% in a week and 6-19% in a month, relative to CSI300's 2-7% and 3-11% respective ranges, with the exception of a couple of black swan events. We believe the price hike impact on 2023 earnings will be minimal, as we understand dealers have almost completed the targets for the year. We estimate a 0.1ppt gross profit margin expansion and 3% profit increase in 2024, assuming shipments of Moutai series products to traditional dealers are unchanged (17,000 tonnes), which accounts for 45% of Moutai series shipments in 2022.
- **Peers may not follow suit.** We believe the price hikes provide room for other baijiu companies to hike prices in the future. However, given the sluggish demand for overall baijiu, the weak macro environment and some dealers experiencing a squeeze in profitability, we reckon other baijiu companies, eg Wuliangye and Fenjiu, will take a wait-and-see approach.

EARNINGS REVISION/RISK

- **Earnings revision.** We lift our earnings for 2023 and 2024 by 0.3%/2.7%.
- **Risks.** a) Sharp decline in economic growth, and b) economic recovery being below expectations.

KEY FINANCIALS

Year to 31 Dec (RMBm)	2021	2022	2023F	2024F	2025F
Net turnover	109,464	127,554	147,548	173,175	200,954
EBITDA	74,978	87,802	105,651	125,061	145,804
Operating profit	73,753	86,414	104,118	123,449	144,025
Net profit (rep./act.)	52,460	62,716	73,388	87,375	102,879
Net profit (adj.)	52,460	62,716	73,388	87,375	102,879
EPS (Fen)	4,176.1	4,992.6	5,842.1	6,955.5	8,189.7
PE (x)	42.6	35.7	30.5	25.6	21.7
P/B (x)	11.8	11.3	9.4	7.8	6.5
EV/EBITDA (x)	27.3	23.3	19.4	16.4	14.0
Dividend yield (%)	1.2	1.5	1.7	2.0	2.4
Net margin (%)	47.9	49.2	49.7	50.5	51.2
Net debt/(cash) to equity (%)	(94.2)	(77.2)	(85.1)	(89.5)	(93.5)
Interest cover (x)	n.a.	n.a.	3,377.3	7,741.6	5,255.3
ROE (%)	29.9	32.4	33.7	33.2	32.5
Consensus net profit	-	-	73,984	86,694	100,510
UOBKH/Consensus (x)	-	-	0.99	1.01	1.02

Source: Moutai, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb1,780.99
Target Price	Rmb2,488.00
Upside	+39.7%
(Previous TP)	Rmb2,470.00)

COMPANY DESCRIPTION

Kweichow Moutai is a leading baijiu company in China known for its super-premium brand "Feitian Moutai". The company specialises in one of the three most famous distilled liquor types globally. It has the largest market cap among all 18 listed A-share baijiu companies.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	600519 CH
Shares issued (m):	1,256.2
Market cap (Rmbm):	2,237,275.7
Market cap (US\$m):	305,655.5
3-mth avg daily t'over (US\$m):	555.3

Price Performance (%)

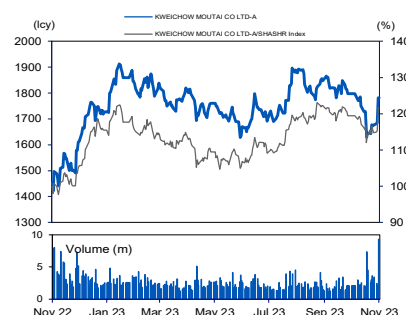
52-week high/low	Rmb1,912.90/Rmb1,421.40
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1mth	3mth	6mth	1yr	YTD
(1.0)	(5.7)	1.2	23.4	3.1

Major Shareholders

	%
Kweichow Moutai Group	54.0
Guizhou Province State-owned Capital Operation Co., Ltd.	4.54
FY23 NAV/Share (Rmb)	189.74
FY23 Net Cash/Share (Rmb)	161.44

PRICE CHART



Source: Bloomberg

ANALYST(S)

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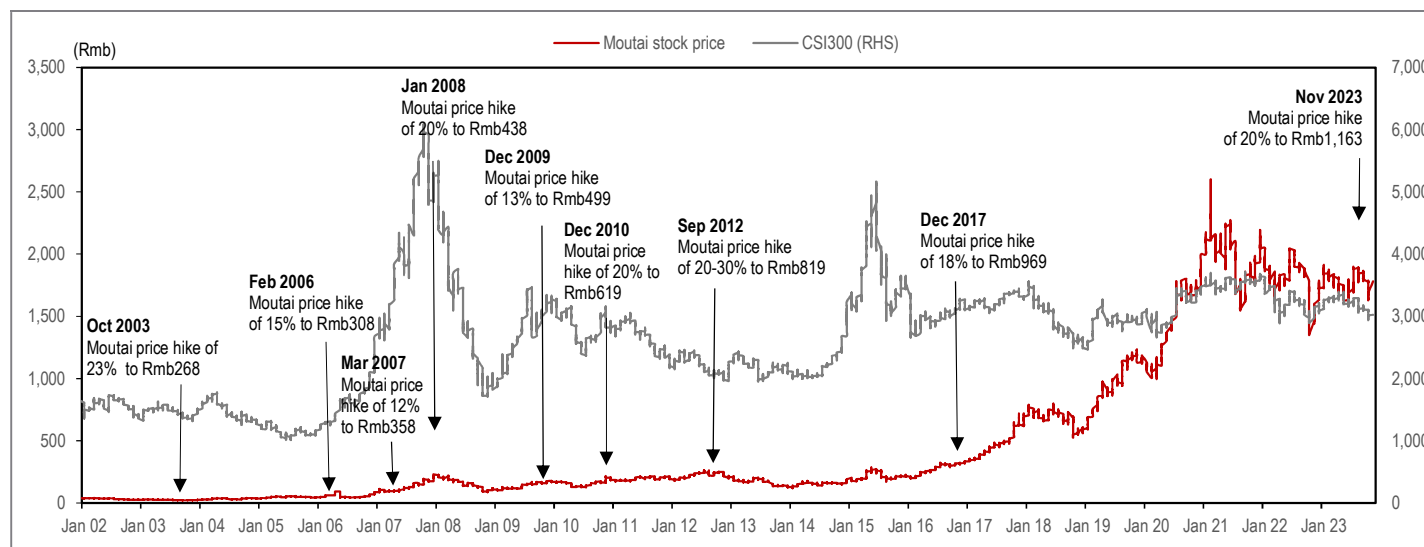
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VALUATION/RECOMMENDATION

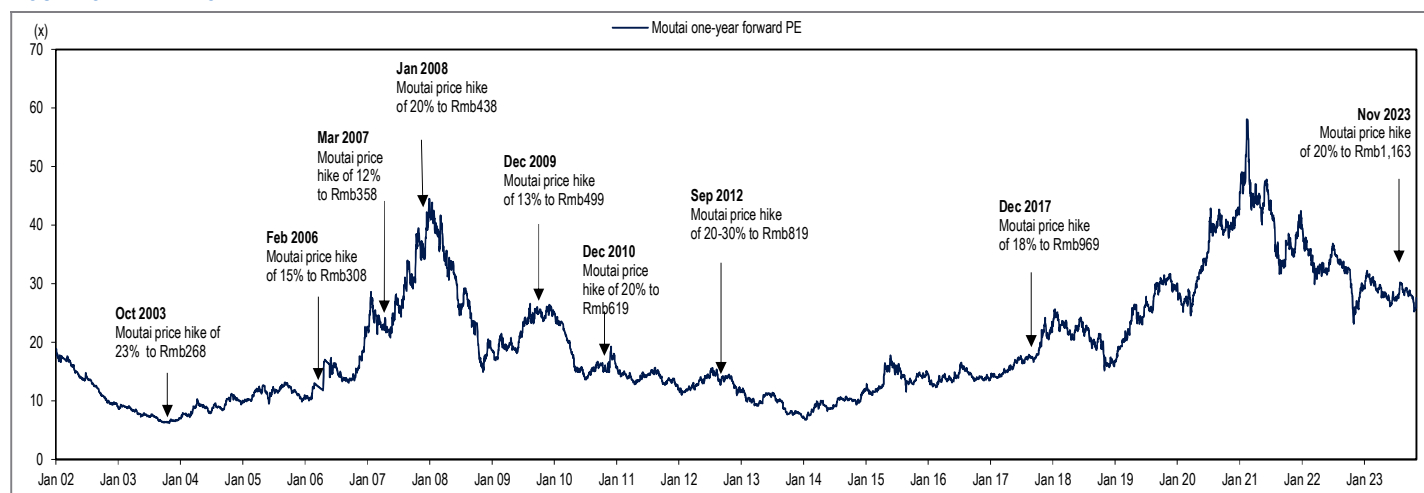
- **Maintain BUY and raise target price by 0.7% to Rmb2,488.00.** The market has been discussing about the ex-factor price hikes for some time as the previous price hike was in early-18 (by +18%). However, we believe the price hike is earlier than the market's expectation. This also removes the market's concerns on a weaker revenue growth next year. Moutai remains our top pick as it has the highest earnings visibility and strong operating cash flow amid the weak external environment. Our DCF-based target price implies 42.6x 2023F PE and 35.8x 2024F PE.

HISTORICAL PRICE HIKES VS MOUTAI SHARE PRICE TREND



Source: Bloomberg, Mingyue, UOB Kay Hian

MOUTAI ONE-YEAR FORWARD PE



Source: Bloomberg, Mingyue, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	127,554.0	147,548.4	173,174.7	200,954.1
EBITDA	87,802.1	105,650.6	125,060.9	145,804.1
Deprec. & amort.	1,388.3	1,532.7	1,612.1	1,778.8
EBIT	86,413.8	104,117.9	123,448.8	144,025.3
Total other non-operating income	(178.0)	0.0	0.0	0.0
Associate contributions	63.8	0.0	0.0	0.0
Net interest income/(expense)	1,391.8	(31.3)	(16.2)	(27.7)
Pre-tax profit	87,701.5	104,096.7	123,442.7	144,007.6
Tax	(22,326.4)	(26,024.2)	(30,490.3)	(34,561.8)
Minorities	(2,658.7)	(4,684.3)	(5,577.1)	(6,566.7)
Net profit	62,716.4	73,388.1	87,375.2	102,879.0
Net profit (adj.)	62,716.4	73,388.1	87,375.2	102,879.0

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	19,742.6	20,132.4	19,942.7	19,086.3
Other LT assets	18,010.7	18,010.7	18,010.7	18,010.7
Cash/ST investment	152,378.7	202,805.4	257,294.3	322,858.0
Other current assets	64,232.7	65,090.3	72,634.6	80,876.3
Total assets	254,364.8	306,038.9	367,882.3	440,831.3
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	49,065.7	55,216.6	62,195.6	71,045.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	334.4	334.4	334.4	334.4
Shareholders' equity	197,506.7	238,345.5	287,632.8	345,164.8
Minority interest	7,458.0	12,142.4	17,719.5	24,286.3
Total liabilities & equity	254,364.8	306,038.9	367,882.3	440,831.3

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	36,698.6	83,531.5	90,827.5	107,914.5
Pre-tax profit	87,701.5	104,096.7	123,442.7	144,007.6
Tax	(22,326.4)	(26,024.2)	(30,490.3)	(34,561.8)
Deprec. & amort.	1,443.6	1,532.7	1,612.1	1,778.8
Working capital changes	(29,126.7)	3,926.3	(3,736.9)	(3,310.1)
Other operating cashflows	(993.4)	0.0	0.0	0.0
Investing	(5,536.8)	(2,486.6)	(471.6)	442.4
Capex (growth)	(5,306.5)	(1,922.4)	(1,422.4)	(922.4)
Investments	(31.5)	0.0	0.0	0.0
Proceeds from sale of assets	6.2	0.0	0.0	0.0
Others	(205.0)	(564.2)	950.8	1,364.8
Financing	(57,424.5)	(30,618.2)	(35,867.1)	(42,793.2)
Dividend payments	(57,370.2)	(32,549.3)	(38,087.9)	(45,347.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(54.3)	1,931.1	2,220.8	2,553.9
Net cash inflow (outflow)	(26,262.8)	50,426.7	54,488.9	65,563.7
Beginning cash & cash equivalent	178,640.6	152,378.7	202,805.4	257,294.3
Changes due to forex impact	0.9	0.0	0.0	0.0
Ending cash & cash equivalent	152,378.7	202,805.4	257,294.3	322,858.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	68.8	71.6	72.2	72.6
Pre-tax margin	68.8	70.6	71.3	71.7
Net margin	49.2	49.7	50.5	51.2
ROA	24.6	26.2	25.9	25.4
ROE	32.4	33.7	33.2	32.5
Growth				
Turnover	16.5	15.7	17.4	16.0
EBITDA	17.1	20.3	18.4	16.6
Pre-tax profit	17.7	18.7	18.6	16.7
Net profit	19.6	17.0	19.1	17.7
Net profit (adj.)	19.6	17.0	19.1	17.7
EPS	19.6	17.0	19.1	17.7
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(77.2)	(85.1)	(89.5)	(93.5)
Interest cover (x)	n.a.	3,377.3	7,741.6	5,255.3

TRADERS' CORNER



Chart by Bloomberg

China Power International Development Ltd (2380 HK)

Trading Buy range: HK\$2.90-3.02

Last price: HK\$3.05

Target price: HK\$3.15/HK\$3.23

Protective stop: Breaks below HK\$2.70

Stock Highlights:

Shandong Energy, a subsidiary of the group, announced the successful completion of the pile-fixed offshore photovoltaic power demonstration project in Shandong Province. The project includes the HG34 site in Haiyang, Shandong and the HG32 site in Wendeng, Shandong. The two photovoltaic power plants have experienced the rainy and typhoon seasons and have been successfully verified in off-grid operations. The photovoltaic modules demonstrated good overall performance in corrosion resistance, wind and wave resistance, and system stability.

Technical View:

Share price has risen for five consecutive trading days, and is now higher than its 10-day (light blue), 20-day (orange), 50-day (red) and 100-day (pink) moving averages, but is presently restricted by the 200-day moving average (purple). 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, showing a bullish crossover. If the share price stays above the 50-day moving average and breaks through the 200-day moving average, it could rise further.

Average timeframe: Around two weeks.

China Traditional Chinese Medicine Holdings Co. Limited (570 HK)

Trading Buy range: HK\$3.70-3.80

Last price: HK\$3.83

Target price: HK\$4.00/HK\$4.20

Protective stop: Breaks below HK\$3.50

Stock Highlights:

In 1H23, revenue increased 57.4% to Rmb9,302m. Profit attributable to equity holders of the company increased 39.9% to Rmb578m.

Technical View:

Share price formed a double bottom pattern in August and September, and subsequently rose. It has risen above all major moving averages, including the 10-day (light blue), 20-day (orange), 50-day (red), 100-day (pink) and 200-day (purple) 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.

ANALYST(S)

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Chart by Bloomberg

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