

## MARKET OVERVIEW

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Hong Kong stocks advanced after China released an improving economic data; 8M23 industrial profit was down 11.7% YoY (vs. 7M23 of -15.5%). Market expects the economic data recovery to continue in the next few months with recent government supportive measures. The Hang Seng Index was up 144pts to 17,611pts with a thin daily turnover of HKD75.9b. Watch for Chinese property developers' movement after Evergrande series halted trading this morning.

## SECTOR / COMPANY NEWS

### China Online Game - 89 Domestic Online Games Granted

On 25 Sept, China's National Press and Publication Administration (NPPA) issued the 8th batch of approvals of the monetization license for 89 domestic games, including 81 mobile games, 1 PC game, and 6 mobile/PC games. YTD a total of 757 domestic games were approved. Tencent (700 HK) and NetEase-S (9999 HK) have not received new game approvals in this batch. Market believes the game approval process is normalizing, expecting regular monthly domestic and regular import games approval grant. For Tencent, >30 domestic games were approved and set to launch in 2H23/2024, market expects Tencent's domestic game revenue to accelerate in 2024; meanwhile, for NetEase-S, there will be a high chance for the company to grant the approval of its blockbuster game, Naraka BladePoint Mobile.

#### Related stocks:

- NetEase-S (9999 HK, TP: HKD197.17, Buys: 100%, Not Rated)
- Tencent (700 HK, TP: HKD442.0, Buys: 94.4%, Not Rated)

### China Material - Production Cut on Environment Issue

The Ministry of Ecology and Environmental (MEE) recently released a draft document for tackling air pollution in 2023-2024 Autumn-Winter, which may lead to potential material production cuts, esp. on steel and aluminium. The plan covers several cities, including Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Shaanxi, and starts from 1 Oct until 31 Mar 2024. The major targets are (1) to complete the air quality improvement targets by 2023; and (2) to achieve the city-level controlling targets of PM2.5 concentration. On 19 Sept 2023, Mysteel reported a 20.8mntpa coal mine was required to be suspended for inspection in Inner Mongolia. Dongguan Jinzhou Paper will suspend for 11 days of maintenance during Mid-Autumn & National Holiday.

### Nio-SW (9866 HK, TP: HKD109.57, Buys: 78.9%, Not Rated)

On 21 Sept, Nio held its Innovation and Technology Day to unveil its first smartphone, Nio Phone. Its management highlighted Nio Phone features, including to allow users to use the phone as a key fob, view information such as battery charge and control functions like self-parking as well as the in-cabin infotainment system. Other features like syncing music, contacts, and personal device settings will automatically sync with the car. The Android-based handset series consists of three models, started pricing at RMB6,499. The aim for launching the phone is to increase the loyalty of the customer, yet, market double about the synergy between electric vehicle and smartphone usage.

## UPCOMING CALENDAR

- 30 Sept:** China Sept NBS Manufacturing PMI, China Sept NBS Non-Manufacturing PMI  
**1 Oct:** China Sept Caixin Manufacturing PMI, China Sept Caixin Services PMI

### HKEx (388 HK)

TP: HKD370.49,  
Buys:91.2%, Not Rated

## IDEAS OF THE DAY

On 29 Aug, the HKSAR government set up the Task Force on enhancing stock market liquidity to review factors affecting stock market liquidity and make improvement proposals. Market thinks the proposals are likely to announce during a Policy Address (on 25 Oct). Currently, market estimates several measures to launch: (1) lower stamp duty back to 10bp; (2) tick size reforms, to lower each tick size in order to minimize the bid-ask spread; (3) IPO reforms. Valuation-wise, HKEx is trading at 27x 2024E PER with 3% dividend yield. Technically, the stock experienced "rectangle trend" since May 2023, ranged between HKD278 and HKD325.



Source: FactSet

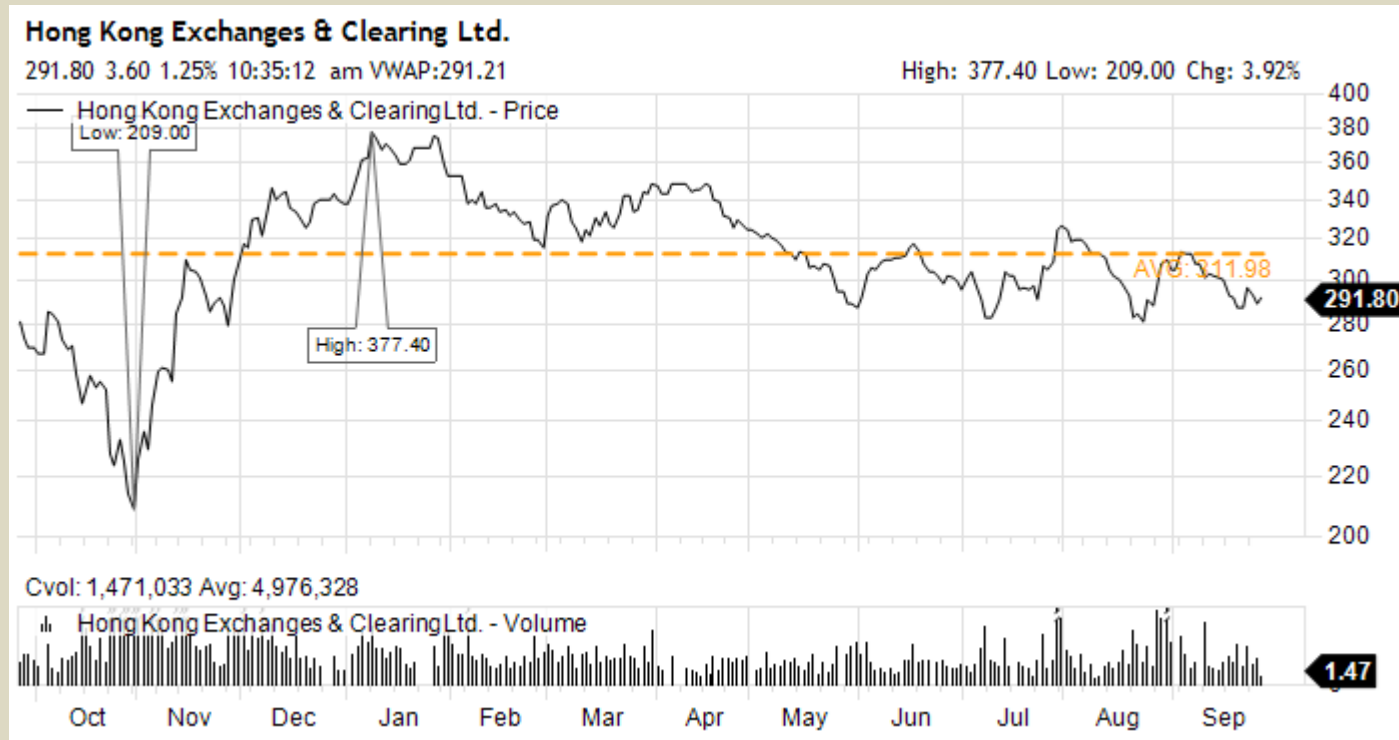
Equity Indices	Last Close	Weekly Δ (%)	YTD Δ (%)	52-wk Low	52-wk High
HSI	17,612	-1.53%	-10.97%	14,597	22,701
Dow Jones	33,550	-2.59%	1.2%	28,661	35,679
S&P500	4,275	-2.90%	11.3%	3,492	4,607
Nasdaq	13,093	-2.79%	25.1%	10,089	14,447
Nikkei 225	32,372	-1.97%	24.1%	25,622	33,773
KLCI	1,440	-0.79%	-3.70%	1,373	1,502
SH Comp	3,107	-0.04%	0.6%	2,885	3,419
Kospi	2,465	-3.70%	10.2%	2,135	2,668
TWSE	16,310	-1.36%	15.4%	12,629	17,464
STI	3,200	-1.29%	-1.58%	2,969	3,408
JKSE	6,938	-1.05%	1.3%	6,543	7,219
SET	1,497	-0.71%	-10.28%	1,462	1,696

Source: FactSet

Note: Bloomberg consensus target price as of last trading day

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52w H	52w L	Estimates
HKD382.40	HKD208.20	P/E 29.84

Source: FactSet

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