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KEY HIGHLIGHTS

Sector

Catering

Recovery rate diverged in Aug 23; expect continued promotions in 2H23. Maintain MARKET WEIGHT. Page 2

Internet

Upgraded LLMs launched amid positive regulatory development. Page 4

Property

Easing of mortgage rules boosting secondary markets in Tier 1 cities; expect non-core Tier 2 cities to lift HPRs. Page 7

TRADERS' CORNER

Wynn Macau, Limited (1128 HK): Trading Buy range: HK\$7.60-7.80

Weichai Power Co., Ltd (2338 HK): Trading Buy range: HK\$10.50-10.76 Page 9

EVENTS

Date	Corporate/Stock Code	Event
14 Sep	China Overseas Property Holdings Limited (2669 HK)	Virtual Meeting at 4:30pm HKT

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
15 Sep	China	Aug Economic Activities
20 Sep	China	Sep Loan Prime Rate
27 Sep	China	Aug Industrial Profits

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34646.0	(0.1)	0.0	(1.8)	4.5
S&P 500	4461.9	(0.6)	(0.8)	(0.0)	16.2
FTSE 100	7527.5	0.4	1.2	0.0	1.0
AS30	7402.9	0.2	(1.5)	(2.0)	2.5
CSI 300	3760.6	(0.2)	(1.6)	(3.2)	(2.9)
FSSTI	3214.5	(0.1)	(0.4)	(2.4)	(1.1)
HSCEI	6260.2	(0.6)	(4.2)	(4.3)	(6.6)
HSI	18025.9	(0.4)	(4.3)	(5.5)	(8.9)
JCI	6934.0	(0.4)	(0.8)	0.8	1.2
KLCI	1453.4	(0.1)	(0.1)	(0.3)	(2.8)
KOSPI	2536.6	(0.8)	(1.8)	(2.1)	13.4
Nikkei 225	32776.4	1.0	(0.8)	0.9	25.6
SET	1545.5	0.3	(0.2)	0.7	(7.4)
TWSE	16572.7	0.9	(1.3)	(0.2)	17.2
BDI	1235	2.2	16.2	9.4	(18.5)
CPO (RM/mt)	3704	(1.2)	(4.3)	(0.8)	(8.5)
Brent Crude (US\$/bbl)	92	1.6	2.2	6.0	7.2

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
SENSETIME-W	1.50	(3.2)	93,017
XIAOMI CORP-W	11.88	1.5	79,623
CHINA JINMAO HOL	1.20	1.7	61,841
CHINA POWER INTE	2.99	0.0	48,577
COUNTRY GARDEN S	9.92	2.3	38,532

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
MENGNU DAIRY	27.65	2.4	14,876
COUNTRY GARDEN S	9.92	2.3	38,532
SANDS CHINA LTD	25.90	2.2	7,638
BRILLIANCE CHINA	3.30	2.2	9,820
CHINA JINMAO HOL	1.20	1.7	61,841

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
GUANGDONG INVEST	5.70	(4.4)	20,602
ORIENT OVERSEAS	100.10	(3.5)	1,905
CHINA RES CEMENT	2.31	(3.3)	11,591
SENSETIME-W	1.50	(3.2)	93,017
HANG LUNG PPT	10.08	(2.9)	6,740

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	0.8	1.2
Euro Zone	3.5	0.1	1.0
Japan	1.0	1.0	1.5
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.4	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	4.9	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

SECTOR UPDATE

Catering – China

Recovery Rate Diverged In Aug 23; Expect Continued Promotions In 2H23

Haidilao's table turnover rate yoy growth accelerated in Aug 23, while the contrary was seen for Tai Er and Song. We attribute Haidilao's faster table turnover growth to its aggressive promotions in the midnight dining scene since mid-Jul 23, against the weak spending sentiment towards the end of summer holidays. Looking ahead, we expect the companies' table/seat turnover rate to gradually improve on economic recovery and continuous value-for-money meal offerings. Maintain MARKET WEIGHT.

WHAT'S NEW

- **Haidilao's table turnover rate growth accelerated in Aug 23**, which we attribute to the aggressive promotional activities launched since mid-Jul 23 that targets the supper consumption scene. Haidilao's overall table turnover rate was +25% yoy (vs Jul 23: +20% yoy) and recovered to >80% of 2019's level, of which, same-store (SS) table turnover rate was up nearly 30% yoy (vs Jul 23: >20% yoy).
- **Overall seat turnover rate growth of Tai Er decelerated to +5% yoy in Aug 23** (vs Jul 23: +10% yoy) while that of Song Hotpot turned to a decline of -5% yoy (vs Jul 23: +8% yoy). Moreover, Tai Er's same-store sales (SSS) recovery rate vs 2019's level also decelerated in Aug 23 to 86% (vs Jul 23's 90%), which we think is attributed to Tai Er's store penetration into lower tier cities that have less seat turnover. Tai Er's SSS posted a 7% yoy growth in Aug 23 (vs Jul 23: +10% yoy), thanks to: a) higher spending per customer, and b) growth in SS seat turnover rate (+2% yoy), while the fall of Song Hotpot's SSS (-7% yoy) in Aug 23 (vs Jul 23: +4% yoy) was dragged by the lower spending per customer (after menu price adjustment) despite the growth in SS seat turnover (+4% yoy).
- **Tai Er/Song Hotpot/Jiu Mao Jiu opened 8/2/1 stores in Aug 23** (vs Jul 23: 8/0/0). Haidilao opened two new stores in Aug 23 (vs Jul 23: 0). As of end-Aug 23, Tai Er and Song Hotpot opened a total of 62/18 stores in 8M23, vs full-year target of 133 and 30-40.
- **1H23 results wrap up.** SSS of Jiumaojiu, Haidilao and Yum China was up by 15.2% yoy/12.3% yoy/11.0% yoy in 1H23. By brand, SSS of Song Hotpot grew the highest (+25.4% yoy), reflecting its strong growth potential, followed by Tai Er (+16.1% yoy), Haidilao (+12.3% yoy), KFC (+11% yoy, excluding forex impact) and Pizza Hut (+10% yoy, excluding forex impact). Nevertheless, SSS recovery rate was generally weaker than our expectation, as echoed by Tai Er's 86% recovery rate (vs 1H19) in 1H23 and Yum China's 93%/90% recovery rate (vs 1Q19/2Q19) in 1Q23/2Q23.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Haidilao	6862 HK	BUY	20.85	26.00
Jiumaojiu	9922 HK	BUY	12.20	18.00
Yum China	9987 HK	NR	409.40	-

Source: UOB Kay Hian

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PEER COMPARISON

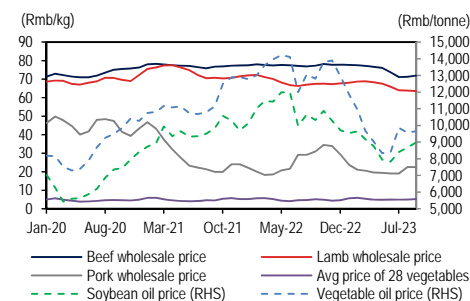
Company	Ticker	Rec	Price @ 12 Sep 23 (HK\$)	Target Price (HK\$)	Upside/(Downside) to TP (%)	Market Cap (US\$m)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	EV/EBITDA 2023F (x)	EV/EBITDA 2024F (x)	ROE 2023F (%)	Div. yield 2023F (%)
Haidilao	6862 HK	BUY	20.85	26.00	24.7	14,842.3	25.8	21.6	9.5	7.2	16.3	11.5	44.1	1.3
Jiumaojiu	9922 HK	BUY	12.20	18.00	47.5	2,266.2	28.0	16.7	4.2	3.5	12.5	8.0	15.8	0.9
Yum China	9987 HK	NR	409.40	-	-	21,703.4	24.3	20.2	3.0	2.7	11.0	9.3	13.3	1.0

Source: Bloomberg, UOB Kay Hian

ESSENTIALS

- Spending per customer in 1H23 was mostly down due to the brands' intensified promotional activities.** Tai Er's spending per guest was down 3.8% yoy to Rmb75 while SS average ticket size for KFC/Pizza Hut was down 5%/11% yoy in 2Q23 (vs +2%/-5% yoy in 1Q23). In the hotpot segment, average spending per guest of Song Hotpot was adjusted to Rmb121 (-7% yoy) to lift competitiveness, while that of Haidilao in Mainland China was Rmb101 (-2.5% yoy), among which, yoy changes in Tier 1/2/3 and below cities were -6.0%/-2.4%/-1.7% yoy.
- Expect margin improvement in 2H23.** Haidilao guided for a "reasonable and stable" gross profit margin in the future (vs 59.3% in 1H23 and 57%-59% in the past). We think it could still see operating profit margin (OPM) expansion in 2H23, given its: a) lower staff cost ratio, and b) depreciation and amortisation expense ratio as a result of process enhancement and selective approach in store opening. For Jiumaojiu, we expect Tai Er/Song Hotpot's store-level gross profit margin (GPM) and OPM to improve sequentially in 2H23 (1H23's GPM: around 60%/60-61%; OPM: 21.3%/13.7%), helped by the gradual economic recovery and lower meat price trends, offset by more value-for-money offerings. However, we think Song Hotpot will take a longer time to reach an ideal level (20%) given its low base and the aggressive store opening phase.

PRICES OF BEEF, LAMB, PORK, VEGETABLES, SOYBEAN OIL AND VEGETABLE OIL



Source: Wind, UOB Kay Hian

ACTION

- Maintain MARKET WEIGHT on the catering sector.** The recent table turnover trend suggests that SSS recovery has not returned to pre-pandemic levels, and we project a gradual and slow recovery ahead with more promotions and value-for-money products to be launched amid the uncertain macro environment. We prefer Jiumaojiu (9922 HK/BUY/Target: HK\$26.00) given its greater upside potential for margin expansion from multiple new brands and synergies from its new supply chain and central kitchen.

MONTHLY OPERATING FIGURES

	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23
Haidilao								
Overall table turnover rate (yoy chg %)	flat yoy	slightly lower yoy	30%	>40%	25%	20%	20%	25%
Same-store table turnover rate (yoy chg %)	largely recovered to Jan 22	-	30%	-	30%	>25%	>20%	nearly 30%
Tai Er								
Overall seat turnover	-	-	-	4.1	4.0	4.2	4.5	4.3
Overall seat turnover (yoy chg %)	-	-	-	46%	18%	17%	10%	5%
Number of same-store vs 2022	-	-	-	251	295	326	364	353
Same-store sales growth (yoy chg %)	6%	-3%	-	33%	8%	5%	10%	7%
Number of same-store vs 2019	-	-	-	68	68	77	81	90
Same-store sales recovery (% of 2019)	-	-	80%	84%	80%	81%	90%	86%
Song Hotpot								
Overall seat turnover	-	-	-	3.9	3.7	3.8	4.0	3.9
Overall seat turnover (yoy chg %)	-	-	-	30%	-3%	-3%	8%	-5%
Same-store seat turnover	-	-	-	-	-	-	-	4.4
Same-store seat turnover (yoy chg %)	-	-	-	-	-	-	-	4%
Same-store sales growth (yoy chg %)	-	-	-	28%	5%	4%	4%	-7%
Jiu Mao Jiu								
Overall seat turnover	-	-	-	2.8	2.8	2.9	3.4	3.4
Overall seat turnover (yoy chg %)	-	-	-	56%	12%	0%	10%	17%
Same-store seat turnover	-	-	2.6	-	-	-	-	3.3
Number of same-store vs 2022	-	-	-	54	66	69	68	68
Same-store sales growth (yoy chg %)	4%	-9%	-	31%	5%	-3%	-1%	-3%
Number of same-store vs 2019	-	-	-	59	57	58	61	66
Same-store sales recovery (% of 2019)	-	-	76%	85%	79%	78%	82%	86%

Source: Jiumaojiu, Haidilao, UOB Kay Hian

SECTOR UPDATE

Internet – China

Upgraded LLMs Launched Amid Positive Regulatory Development

China saw the emergence of 130 LLMs as of end-Aug 23, surpassing the US and positioning it at the forefront of LLM development. AI-related guidelines incorporate enhanced government support and feature less stringent content accuracy requirements as the sector is being leveraged to stimulate economic growth, leading to a robust post-pandemic recovery. We remain optimistic in view of the initial regulatory approvals granted to 11 LLM products. Maintain MARKET WEIGHT.

WHAT'S NEW

- Overview of favourable AIGC regulatory development.** On 31 August, 11 AI large-scale model products, registered under the "Interim Measures for the Management of Generative AI Services," will be accessible to the public. In the initial batch, eight organisations have obtained the green light to introduce their AI large-scale model products to the public. In Apr 23, Beijing introduced initial regulations for generative AI services, which were officially enacted into law on 15 August. The final regulations are more favourable compared to the initial proposal, emphasising the need to balance development and security, promote innovation in generative AI, and approach regulation in a tolerant and cautious manner. The more benign attitude is observed as the Chinese technology sector emerges from a prolonged period of regulatory scrutiny.
- Baidu stands to benefit from emerging LLM and AI themes, leveraging its first-mover advantage in product and monetisation.** On 31 August, Baidu received approval to publicly launch its Ernie Bot which is supported by a large language model (LLM), and was among the first batch of eight companies to receive regulatory approval. On the first day of public launch, the app handled 33m user queries within the first 24 hours. Ernie Bot achieved a user base of over 1m within 19 hours of release, securing its position as the most downloaded free application on Apple's China iOS store. The number of monthly active customers on Ernie Qianfan LLM platform reached around 10,000, covering more than 400 scenarios in finance, manufacturing, utility, government affairs and transportation. As stated by Baidu's management, the incremental revenue generated from generative AI is expected to have an immediate effect on advertising as compared to AI Cloud. Baidu is also targeting to upgrade the existing Ernie 3.5 to Ernie 4.0 by 2023.
- Tencent officially debuted its Hunyuan LLM** during Tencent Global Digital Ecology Conference on 7 Sep 23. Hunyuan is a fully self-developed LLM by Tencent, with parameters exceeding 100b and pre-training data consisting over 2t tokens (text units in LLM). Hunyuan LLM currently has been seamlessly integrated into over 50 of Tencent's current app line-up including Tencent Cloud, Tencent Advertising, Tencent Games, Tencent Financial Technology, Tencent Meeting, Tencent Docs, WeChat Search, QQ Browser, and more. For Tencent Meeting, Hunyuan is able to process comprehension of spoken language, summarise lengthy texts, and generate real-time analysis of meeting notes. According to management, Hunyuan outperforms GPT-3.5 in understanding instructions, thus achieving higher accuracy. For Tencent Doc, Hunyuan supports standard format text generation and can create charts based on data inputs. For Tencent Ad, Hunyuan's text-to-graph generation surpasses Midjourney and Stable Diffusion in terms of results. Meanwhile, for AI Code Assistant, developers benefit from an improved code generation rate that exceeds 30%, with a code adoption rate that also surpasses 30%.

PEER COMPARISON

Company	Tickers	Rec	Price @ 11-Sep-23 (HK\$)	Target Price (HK\$)	Upside/(Downside) To TP (%)	Market Cap (1cy m)	PE			EV/EBITDA			EV/Sales			ROE
							2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F
Tencent	700 HK	BUY	322.40	433.00	34	3,080,957	19.6	16.7	14.6	14.2	12.5	11.2	4.8	4.3	3.9	26.2
Baidu	9888 HK	BUY	134.60	192.00	43	376,446	14.1	13.9	13.3	8.0	7.5	6.6	2.0	1.8	1.6	7.0
Alibaba	9988 HK	BUY	87.65	133.00	52	1,783,449	10.4	9.3	8.3	6.0	5.5	5.0	1.2	1.1	1.0	8.5
Kingsoft	3888 HK	BUY	29.20	40.00	37	39,874	49.3	32.0	22.2	7.7	6.3	5.1	2.4	2.0	1.7	-25.0

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

STOCK PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Tencent	700 HK	BUY	322.40	433.00
Baidu	9888 HK	BUY	134.60	192.00

Source: Bloomberg, UOB Kay Hian

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ESSENTIALS

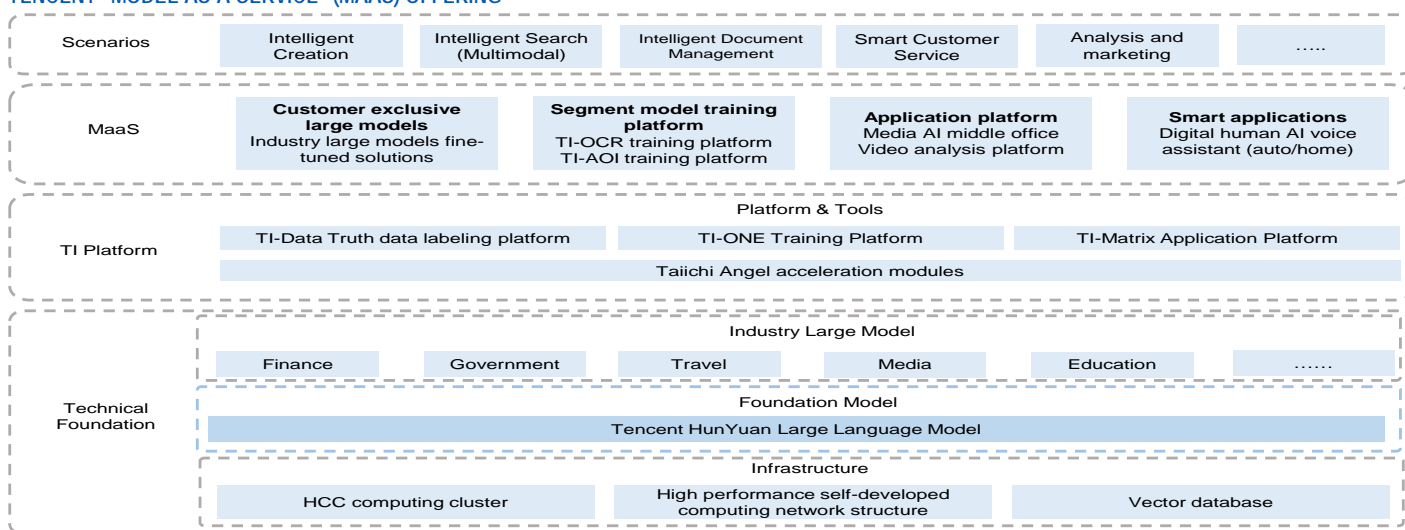
- Recent progress of China Internet companies in AIGC:

- **Baidu:** On 5 September, Baidu Cloud introduced the comprehensive upgrade and release of Ernie Qianfan 2.0 introduced during Baidu AI Cloud Summit. It hosts 42 domestic and foreign LLMs with 41 industry-specific data centres and pre-installs 10 AI native applications including customer service and code assistants. It has attracted 10,000 monthly active customers from 400 industry scenarios. Key upgrades of Qianfan 2.0 include: a) Integration of various stages of large-scale model development, training, deployment, and application development into a unified toolchain platform, streamlining the entire business process lifecycle; b) utilisation of an underlying system featuring heterogeneous computing clusters, high-speed interconnected networks, and high-performance storage, support large-scale model training and reduce costs for training and inference; and c) significant improvements in the Chinese language comprehension and generation abilities of large models like Llama2, particularly in Chinese conversations.

Baidu states that over 6m users are currently using Baidu Wangpan's "Yun Yiduo" intelligent assistant. Baidu AI Cloud focuses on four major verticals, including government affairs (Jiuzhou), finance (Kaiyuan), industrial (Kaiwu), and smart transportation (ACE 3.0). Although the contribution of generative AI to cloud revenue is currently in the initial stages, we expect the monetisation pace to ramp up seeing the ample monetisation opportunities in both the To Customer and To Business segments.

- **Tencent:** Hunyuan facilitates retailers' omni-channel operations by integrating various Weixin functions, such as Weixin Mini Program, Weixin payment, and Video Account, and saw e-commerce GMV grow 8x yoy in 2022. Tencent also introduced its full-stack "Tencent Cloud MaaS Services". In Tencent Cloud's industry large model selection store, it offers more than 20 industry-specific LLMs which are the latest open-source general-purpose LLMs, covering industries across finance, culture and tourism, retail, government affairs, healthcare, education, and more. The current partnerships of Hunyuan LLM include Minimax, China Construction, Mengniu, Uniqlo, ChangAn Auto, etc. In addition, Tencent debuted the "Tencent Hunyuan" official account and "Tencent Hunyuan Assistant" mini-program which is currently in the testing phase.

TENCENT "MODEL-AS-A-SERVICE" (MAAS) OFFERING



Source: Tencent, UOB Kay Hian

- **Alibaba:** AliCloud launched two open-source large vision language models (LVLM), Qwen-VL and its conversationally fine-tuned Qwen-VL-Chat on 25 August. Qwen-VL is the multimodal version of Qwen-7B, Alibaba Cloud's 7-billion-parameter model of its LLM, Tongyi Qianwen. Capable of understanding both image inputs and text prompts in English and Chinese, Qwen-VL can perform various tasks such as responding to open-

ended queries related to different images and generating image captions. On 8 September, Ant Group introduced its proprietary LLM and a new Web3 brand aimed at Hong Kong and international markets during the "Inclusion Conference on the Bund" event in Shanghai. Ant Group will leverage its financial LLM to drive two applications: Zhixiaobao, a tool that responds to customer inquiries, and Zhixiaozhu, an assistant tailored for financial professionals.

- **TCOM:** On 17 July, TCOM released vertical LLM "TCOM Wendao", with model parameters exceeding billions. There are two main capabilities of Wendao: a) it can provide services for querying and guiding bookings based on users' explicit needs. Users can directly send text or long natural language voice messages to make flight, hotel, and other product reservations, and b) it offers intelligent travel recommendation services for users including travel destinations, hotels, attractions, itinerary planning options, and discounted booking choices, after users express their ideas.
- **Netease:** On 27 July, NetEase Youdao launched of its LLM, Zi Yue, which is the first AI model designed for the education sector. Zi Yue can be applied in various educational scenarios, including translation, virtual voice tutoring, essay guidance, grammar analysis, and smart documentation. In addition, Youdao also introduced an electronic pen, X6 Pro for students which entails Youdao's LLM Ziyue. On 10 August, Netease Digital Sail introduced a conversational Business Intelligence (BI) product, "YouShu ChatBI" within the AIGC technical domain which focuses on "data trustworthiness."
- **Kingsoft:** On 5 September, Kingsoft Office officially announced the debut of WPS AI for public use. The AI capabilities are initially applied in WPS Smart Documents. Users can experience WPS Smart Documents with AI features on the latest version of the WPS client/app, Kingsoft Document mini-program/official website. WPS Smart Documents based on WPS AI is a new-generation online content collaboration and editing product under Kingsoft Office. It supports functions such as content generation, expression optimization, document understanding, and processing.

VALUATION/RECOMMENDATION

- **Maintain BUY on Tencent (700 HK)** with a target price of HK\$433.00 which implies 25x 2023F PE. We assign 5x 2023-24F PS to Tencent Cloud segment as Tencent is poised to benefit from the monetisation opportunities that have emerged from the integration of its recently launched Hunyuan LLM into its existing core offerings. The company currently trades at 17.4x 12-month forward PE, 1.5SD below its historical mean of 27.4x.
- **Maintain BUY on Baidu (9888 HK)** with a target price of HK\$192.00 (US\$198.00). We assign 8x 2023-24F EV/Sales to Baidu AI Cloud segment. We expect improved user adoption by individuals and enterprises for Baidu given its early mover advantage to capture the rapidly rising demand from industry players. Our target price implies 3.4x 2023F P/S and 16.5x 2023F PE. The company is currently trading at 14x 12-month forward PE, below its historical mean of 17.5x.
- **Maintain BUY for Alibaba (9988 HK)** with a target price of HK\$133.00 (US\$133.00) which implies 13.8x FY24F PE. We assign 5x EV/Sales FY24 to Alibaba Cloud Intelligence Group as we expect the company to deliver remarkable progress in integrating LLM with Alibaba's products to enhance user experience and competitiveness. BABA is trading at 11x 12-month forward PE, 2SD below its historical mean, below its historical mean of 24x on the back of a 18% EPS CAGR from FY23-26.
- **Maintain BUY on Kingsoft (3888 HK)** with a target price of HK\$40.00 which implies 47.8x 2023F PE. We remain cautiously optimistic on the company as it has a promising game pipeline, but will see intensified market competition. Kingsoft Cloud is currently trading at 1.2x 2023F PS.

SECTOR CATALYST AND RISK

- **Catalysts:** a) Increased deployment of AIGC will promote productivity and efficiency, b) monetisation of LLM by integrating with traditional industries, and c) relaxation of the US' chip ban.
- **Risks:** a) Regulatory risk (security and privacy concerns), b) heavy capex and R&D costs, c) limited access to high-performance GPU chips due to geopolitical risks.

SECTOR UPDATE

Property – China

Easing Mortgage Rules Boosting Secondary Markets In Tier 1 Cities; Expect Non-Core Tier 2 Cities To Lift HPRs

China's easing of mortgage policy has effectively boosted secondary home transactions in Tier 1 cities, which is expected to be followed by a recovery in new-home sales. Note that sentiment of land markets rebounded in Sep 23. We see rising possibility of most non-core Tier 2 cities completely removing purchase restrictions. In the near term, a sales rebound can be expected, which has not been priced in yet. Maintain MARKET WEIGHT on China's property sector.

WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 4-10 Sep 23.

ESSENTIALS

- Easing of mortgage policy effectively boosts secondary home transactions in Tier 1 cities.** In the week of 4-10 September, ie the first week after four Tier 1 cities announced that they would be adopting the new definition of first mortgage, the number of second-hand home units transacted in Beijing/Shanghai /Guangzhou/Shenzhen recorded wow growths of 3.3%/34.8%/3.9%/22.6% respectively, and mom growths of 23.4%/43.5%/1.3%/8.0% respectively. New home transactions have yet to pick up, due to: a) government data reflects online registrations, which may lag transactions, and b) the lack of new launches. We expect to see a pick-up of new-home transactions in Tier 1 cities in the following week, especially in the segment of upgrading home projects.

MARKET SENTIMENT IN FIRST-TIER CITIES (4-10 SEPTEMBER)

	No. of new homes sold				No. of second-hand homes sold			
	4-10 Sep	wow	mom	yoy	4-10 Sep	Wow	mom	yoy
BJ	860	17.8%	1.1%	-51.5%	2,780	3.3%	23.4%	22.2%
SH	1,652	-49.2%	-11.1%	-49.1%	4,163	34.8%	43.5%	-7.5%
GZ	846	-7.9%	-7.0%	-11.8%	1,877	3.9%	1.3%	21.2%
SZ	379	5.6%	-23.4%	-46.9%	591	22.6%	8.0%	61.5%

Source: Local government housing bureau, UOB Kay Hian

- New-home sales in Tier 2 and Tier 3 cities remained generally weak in Sep 23.** According to CREIS, sales in Tier 2 cities decreased 20.7% wow and 13.1% yoy. Sales in Tier 3 and 4 cities dropped 52.5% wow and 56.1% yoy. The average weekly sales of new homes in 50 cities in Sep 23 increased 11.7% mom and decreased 29.1% yoy. Cities that outperformed include Changsha (+71.0% mom), Xian (+54.9% mom), and Shenyang (+48.3% mom).
- Sentiment of land markets improved in Sep 23.** The land premium rate of the fifth round of land auctions in Ningbo increased sharply to 11.9% from 4.7% in the last auction, and two of seven land plots were sold at the top price. For Guangzhou, the investment sentiment remained high. Two land plots were sold at the top price. Total transaction value was Rmb13.9b, and COLI captured one of the land plots worth Rmb12.8b.

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market	PE		P/B		Yield	
			12 Sep 23	Price	to TP	Cap	2022F	2023F	2022F	2023F	2022F	2023F
			(HK\$)	(HK\$)	(%)	(HK\$m)	(x)	(x)	(x)	(x)	(%)	(%)
China Resources Land Ltd	1109 HK	BUY	33.45	47.48	41.9	238,529.9	8.1	7.1	0.8	0.7	4.6	5.2
China Overseas Land	688 HK	BUY	16.54	25.86	56.3	181,028.4	6.3	5.3	0.4	0.4	4.8	5.7

Source: Bloomberg, UOB Kay Hian.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR LAND	1109 HK	BUY	33.45	47.48
COLI	688 HK	BUY	16.54	25.86

Source: UOB Kay Hian

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CENTRALISED LAND AUCTION RESULTS

	Ningbo				
	1st	2nd	3rd	4th	5th
Transacted Plot	10	8	9	7	6
Transacted Value (Rmb100m)	47	52	65	84	66
Land Premium	10.5%	8.8%	4.9%	4.7%	11.9%
Failed Auction Ratio	0.0%	0.0%	25.0%	0.0%	14.2%

Source: Media reports, UOB Kay Hian

- **Since Sep 23, local governments have accelerated the pace of policy easing.** More than 30 cities have followed up to implement the new definition of first-home mortgage. Nine cities have also announced the removal of home purchase restrictions (HPR) in core regions, within core Tier 2 cities such as Shenyang, Nanjing, Jinan, Qingdao and Zhengzhou.

RECENT PROPERTY EASING POLICIES IN CORE CITIES

Cities	Implement the New Definition of 1st Home Mortgage	Removed Home Purchase Restrictions in core regions	1st Home Mortgage rate
Beijing	✓		LPR+55BP
Shanghai	✓		LPR+35BP
Guangzhou	✓		LPR-10BP
Shenzhen	✓		LPR+30BP
Hangzhou	✓		LPR-20BP
Tianjin	✓		LPR-40BP
Shijiazhuang	✓		LPR-50BP
Changchun	✓		LPR+5bp
Wuhan	✓		LPR-20BP
Changsha	✓		LPR-20BP
Chengdu	✓		LPR-20BP
Nanjing	✓	✓	LPR-20BP
Jiaxing	✓	✓	LPR-20BP
Dongguan	✓	✓	LPR-20BP
Foshan	✓	✓	LPR-20BP
Shenyang	✓	✓	LPR-50BP
Dalian	✓	✓	LPR-50BP
Suzhou	✓	✓	LPR-20BP
Jinan	✓	✓	LPR-20BP
Qingdao	✓	✓	LPR-20BP
Zhengzhou	✓	✓	LPR-50BP

Source: Media reports, UOB Kay Hian

ACTIONS

- **Maintain MARKET WEIGHT on China's property sector.** Tier 1 cities will first assess the effect of the policy easing before moving on to further relax restrictive policies. Due to relatively weak fundamentals in Tier 2 cities, we see rising possibility of most non-core Tier 2 cities completely removing HPRs. Relaxed mortgage rules in Tier 1 cities and removal of HPRs will help drive property sales in the short term, which have not been priced into stock prices of developers. We prefer real estate companies with strong presence in Tier 1 and Tier 2 as well as healthy credit. COLI remains our top pick.

TRADERS' CORNER



Chart by TradingView

Wynn Macau, Limited (1128 HK)

Trading Buy range: HK\$7.60-7.80

Last price: HK\$7.84

Target price: HK\$8.10/HK\$8.30

Protective stop: Breaks below HK\$7.20

Stock Highlights:

Wynn Resorts, the parent company of the group, is expected to soon obtain a gaming licence in Ras Al Khaimah, UAE, raising hopes for what could be the Gulf region's first casino resort.

Technical View:

Share price rose with a long white candlestick on 12 Sep 23 and approached its 200-day moving average (purple). The price is now higher than its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages, with the 10-day moving average pointing upwards. The 14-day RSI is higher than the midline level of 50 and is now around 55, indicating that the momentum has strengthened. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by TradingView

Weichai Power Co., Ltd. (2338 HK)

Trading Buy range: HK\$10.50-10.76

Last price: HK\$10.82

Target price: HK\$11.20/HK\$11.46

Protective stop: Breaks below HK\$10.00

Stock Highlights:

In 1H23, revenue increased 22.3% to Rmb106,135m. Net profit attributable to the shareholders of the parent increased 63.1% to Rmb3,899m.

Technical View:

Share price rebounded after hitting a low in mid-August. The price has now risen to near its 50-day moving average (red), and higher than the 10-day (light blue) and 20-day (orange) moving averages. However, it is temporarily restricted by its 200-day (purple) moving average. The 14-day RSI is above the midline level of 50 and is currently around 61, indicating strong momentum. The MACD line is higher than the signal line, showing a bullish crossover. If price stays above its 50-day moving average, it could rise further.

Average timeframe: Around two weeks.

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