

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

KEY HIGHLIGHTS

Sector

Automobile

Page 2

Weekly: China's PEV sales growth accelerated to 40% during 18-24 Sep 23. Maintain UNDERWEIGHT. Top BUYs: BYD, CATL and Li Auto.

Baijiu

Page 5

Weak retail growth expectations; be selective. Top pick: Moutai.

TRADERS' CORNER

Page 7

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (874 HK):

Trading Buy range: HK\$22.30-22.60

Avichina Industry & Technology Company Ltd. (2357 HK): Trading Buy range: HK\$3.60-3.65

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
30 Sep	China	NBS Sep PMI
01 Oct	China	Caixin Sep PMI
09-15 Oct	China	Sep Money Supply And Credit
13 Oct	China	Sep Inflation
13 Oct	China	Sep Trade
18 Oct	China	3Q GDP and Sep Economic Activities
20 Oct	China	Oct Loan Prime Rate

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33666.3	0.3	(1.2)	(2.6)	1.6
S&P 500	4299.7	0.6	(0.7)	(3.0)	12.0
FTSE 100	7601.9	0.1	(1.0)	3.6	2.0
AS30	7222.5	(0.1)	(0.6)	(1.9)	0.0
CSI 300	3689.5	(0.3)	0.5	(2.7)	(4.7)
FSSTI	3207.0	0.2	0.1	(0.5)	(1.4)
HSCEI	5990.6	(1.3)	(1.8)	(6.2)	(10.7)
HSI	17373.0	(1.4)	(1.6)	(6.0)	(12.2)
JCI	6937.8	0.2	(1.1)	0.2	1.3
KLCI	1440.1	(0.4)	(0.8)	(0.3)	(3.7)
KOSPI	2465.1	0.1	(3.7)	(3.1)	10.2
Nikkei 225	31872.5	(1.5)	(2.1)	(1.1)	22.1
SET	1482.1	(1.0)	(2.1)	(5.5)	(11.2)
TWSE	16353.7	0.3	0.2	(1.6)	15.7
BDI	1716	(2.1)	9.4	58.9	13.3
CPO (RM/mt)	3644	(0.9)	0.4	(4.2)	(10.0)
Brent Crude (US\$/bbl)	95	(1.5)	2.0	12.7	10.7

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
JD-SW	111.10	(2.0)	1,348.6
HKEX	283.60	(2.3)	1,133.4
LI AUTO INC-A	133.50	(3.2)	1,116.5
KUAISHOU-W	62.05	(0.1)	997.1
XPENG INC-A SHRS	64.55	1.0	872.6

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
SHENZHOU INTL GP	70.40	3.5	238.3
ORIENT OVERSEAS	104.90	1.7	56.7
CHINA UNICOM	5.73	1.6	134.6
HUA HONG SEMI	19.22	1.6	77.5
BRILLIANCE CHINA	3.87	1.6	45.4

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
GALAXY ENTERTAIN	45.25	(5.7)	361.5
SANDS CHINA LTD	23.05	(4.8)	378.8
JD HEALTH	37.65	(4.0)	128.1
ALIBABA HEALTH	4.41	(3.7)	121.1
MENGNIU DAIRY	24.75	(3.5)	193.5

*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

SECTOR UPDATE

Automobile – China

Weekly: China's PEV Sales Growth Accelerates To 40% During 18-24 Sep 23

China's PEV retail sales growth accelerated to 40% yoy in the third week of September, driven by seasonality and stimulus measures. CPCA estimates Sep 23 PEV sales at 750,000 units (+22.7% yoy/+7.4% mom), in line with expectations. The top EV companies in China jointly saw 7% mom and 17% wow growth in insurance registrations. BYD's insurance registrations grew 19.8% mom/20.7% wow to 64,700 units during 18-24 Sep 23, hitting a record high. Maintain UNDERWEIGHT. Top picks: BYD, CATL and Li Auto.

WHAT'S NEW

- China's PEV retail sales growth accelerated to 40% in the third week of September with market share reaching a record high of 43%. According to China Passenger Car Association (CPCA), China's retail sales volume and wholesale shipment of passenger vehicles (PV) grew 19%/21% yoy and 14%/19% mom to 452,000/534,000 units respectively during 18-24 Sep 23, mainly driven by passenger electric vehicle (PEV) sales. PEV retail sales volume and wholesale shipment spiked by 40%/76% yoy and 16%/20% mom to 195,000/249,000 units during 18-24 Sep 23, and PEV market share reached a record-high 43.1%/46.6% in retail sales and wholesale shipments respectively during the period. On a weekly basis, the third week of September saw a 38%/40% wow surge in retail sales volume and wholesale shipments of PEVs. The spike in PEV sales last week was due to seasonality and stimulus measures kicking in in more cities and provinces such as Shenzhen.
- Top EV companies in China jointly saw 7% mom and 17% wow growth in insurance registrations in the third week of September. Among these 14 EV companies, eight recorded mom growth in insurance registrations (which is a proxy to retail sales volume). The six companies that registered mom retail sales declines were Tesla, Aion, Changan, NIO, Zeekr and Neta. Since the week ending 17 Sep 23, this was the second week that Tesla has seen a drop in insurance registrations. This was due to the generation transition of Model 3. Tesla's sales will probably recover from October once the deliveries of the revamped Model 3 commence.

BYD remained the biggest EV manufacturer in China with insurance registrations growing 19.3% mom/20.7% wow to 61,700 units during 18-24 Sep 23. Together with Denza, BYD's insurance registrations grew 19.8% mom/20.7% wow to 64,700 units during 18-24 Sep 23, hitting a record high. We keep our estimates on BYD's 2023-25 sales at 3m units/4m units/5.2m units, including 250,000 units/0.5m units/1m units of overseas sales.

PEER COMPARISON

Company	Ticker	Rec	Price @ 27 Sep 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (US\$m)	----- PE -----		----- P/B -----		ROE (%)	Net Gearing (Cash)
							2023F (x)	2024F (x)	2023F (x)	2024F (x)		
BYD	1211 HK	BUY	235.00	590.00	151.1	87,239	26.1	16.5	4.7	3.8	19.6	(26.7)
Geely Automobile	175 HK	SELL	9.07	6.50	(28.3)	11,609	21.5	18.0	1.1	1.0	5.0	(26.9)
Great Wall Motors	2333 HK	SELL	9.22	5.20	(43.6)	10,324	20.3	20.5	1.1	1.0	5.3	(7.7)
Guangzhou Auto	2238 HK	SELL	3.72	3.20	(14.0)	4,936	7.6	9.2	0.3	0.3	4.1	(14.9)
Li Auto Inc	2015 HK	BUY	133.50	312.00	133.7	35,555	29.1	17.3	4.7	3.7	17.7	(103.0)
XPeng	9868 HK	SELL	64.55	18.00	(72.1)	15,242	Loss	Loss	4.2	6.3	(43.3)	(58.3)
Weichai Power	2338 HK	BUY	10.54	16.00	51.8	11,634	9.9	8.5	1.6	1.4	11.0	(51.1)
Fuyao Glass	3606 HK	BUY	35.70	42.00	17.6	11,903	17.1	14.7	2.8	2.6	16.6	(18.3)
Desay SV	002920 CH	HOLD	143.64	135.00	(6.0)	10,915	54.5	41.3	10.4	8.7	20.8	0.5
Nexteer	1316 HK	SELL	4.18	2.70	(35.4)	1,340	12.7	13.8	0.7	0.6	5.4	(10.1)
Mint	425 HK	BUY	20.05	33.00	64.6	2,976	10.8	9.0	1.2	1.1	11.0	17.9
Ningbo Xusheng	603305 CH	BUY	23.49	36.00	53.3	2,143	25.3	20.3	3.4	3.0	16.9	(9.9)
CATL	300750 CH	BUY	203.03	410.00	101.9	67,667	21.0	13.6	4.4	3.5	21.9	(46.1)
EVE Energy	300014 CH	BUY	45.12	92.00	103.9	12,596	20.3	15.0	2.7	2.3	10.5	37.2
Ganfeng Lithium	1772 HK	HOLD	31.55	33.00	4.6	8,122	6.2	8.2	1.1	1.0	14.8	6.5
GEM	002340 CH	SELL	6.09	4.00	(34.3)	4,245	64.8	75.5	1.7	1.6	2.6	53.0
Tinci Materials	002709 CH	SELL	27.03	20.00	(26.0)	7,071	19.4	22.1	4.4	4.1	21.9	2.3
Zhongsheng Group	881 HK	SELL	20.60	14.00	(32.0)	6,347	7.9	8.9	0.9	0.9	13.0	38.8
Yadea Group	1585 HK	BUY	14.32	20.00	39.7	5,480	15.5	13.2	4.9	4.0	34.7	(139.1)

Source: Bloomberg, UOB Kay Hian

UNDERWEIGHT

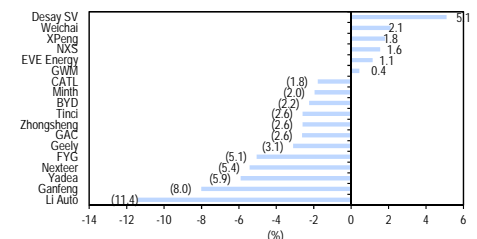
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TOP PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
BYD	1211 HK	BUY	235.00	590.00
Li Auto	2015 HK	BUY	133.50	312.00
CATL	300750 CH	BUY	203.03	410.00

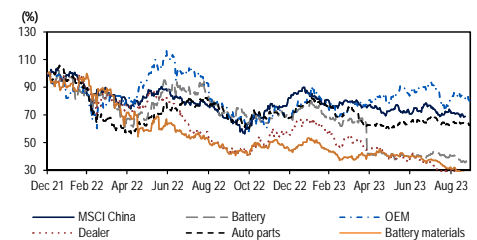
Source: UOB Kay Hian

WEEKLY STOCK PERFORMANCE



Source: Bloomberg

RELATIVE PERFORMANCE OF AUTO STOCKS



Source: Bloomberg

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Li Auto's insurance registrations remained at a record high of 9,100 units during 18-24 Sep 23, up 18.2% mom, due to increasing capacity and an implicit 2-3% price cut via insurance subsidies. Recently, Li Auto has started to offer Rmb10,000 in insurance subsidies for customers. We believe the modest discount would be mitigated by the growth in volume. The debut of the competing extended range electric vehicle (EREV) M7 by Huawei-backed Aito did not impact sales of Li Auto. We maintain our estimates on Li Auto's 2023-25 sales at 350,000 units/580,000 units/840,000 units respectively.

XPeng's insurance registration also remained flat wow at 3,600 units during 18-24 Sep 23, due to the ramp-up of G6's sales and a price cut. XPeng is offering a 7-11% discount for its new model P7i. Additionally, XPeng will launch the new G9 at Rmb263,900-359,900, 13-19% below the prices of the existing G9, by end-23. XPeng's gross margin had already turned negative in 2Q23, and the substantial price cuts will further squeeze its margins.

- **CPCA estimates September PEV retail sales at 750,000 units (+22.7% yoy/+7.4% mom), in line with expectation.** CPCA estimates September total PV retail sales at 1.98m units (+3% yoy/+3.1% mom), of which 750,000 units are passenger electric vehicles (PEVs) and 1.23m units are ICE-cars (-6.3% yoy/+0.7% mom). Based on CPCA's estimates, China's PV retail sales reached 15.202m units (+2.2% yoy) in 9M23, including 5.177m units of PEVs (+33.8% yoy) and 10.025m units of ICE-cars (-9% yoy).
- **We keep our estimates on China's 2023 PV sales and passenger EV sales at 23.8m (+1% yoy) and 8.5m (+30% yoy) units respectively, implying 36% EV penetration.** We expect China's EV sales to be driven by the country's supportive policies, plug-in hybrid electric vehicles (PHEV) continuously taking market share from ICE-cars, and burgeoning exports. Shenzhen, for example, has given out Rmb10,000/vehicle in EV purchase subsidies effective from this week to the year's end. We project China's 2023 passenger EV wholesale shipment at 8.5m units, comprising 7.5m units in domestic sales and 1.0m units in exports.
- The South China International Auto Show will be held from 29 Sep 23 to 2 Oct 23. A few dozen new car models will be showcased at the auto show, including BYD Seal DM-i, GAC Hyper GT, an all-new Accord, Arcofox Koala, IM LS6, Voyah's new FREE, Dongfeng Honda's all-new M-NV, a South China version of Avalon, Aito's new M7, HiPhi Y, MG Cyberster, Haval Menglong, Neta S 2024, Zeekr 001 FR, and more.

ACTIONS

- **Maintain UNDERWEIGHT on China's automobile sector, with a preference for the EV segment.** Based on the expected decline in China's ICE-car sales and the intensifying price war in the ICE-car market, we maintain UNDERWEIGHT on China's automobile sector. However, based on the expected faster EV sales CAGR of 30% in 2023-25, we still like the EV segment. Given the declines in battery material prices due to increasing supply, we prefer the leading midstream and downstream EV plays with strong capabilities in cost control.
- **Our top BUYs include BYD (1211 HK/BUY/Target: HK\$590.00), CATL (300750 CH/BUY/Target: Rmb390.00), and Li Auto (2015 HK/BUY/Target: HK\$312.00).** Our BUY calls are in the following order of preference: BYD, CATL, Li Auto, Yadea, Fuyao Glass, Minth, Ningbo Xusheng, EVE Energy, Weichai Power.
- **Maintain SELL on Geely (175 HK/SELL/Target: HK\$6.50), Great Wall Motor (2333 HK/SELL/Target: HK\$5.20), Guangzhou Auto (2238 HK/SELL/Target: HK\$3.20), Nexteer (1316 HK/SELL/Target: HK\$2.70), GEM (002340 CH/SELL/Target: Rmb4.00), Tinci Materials (002709 CH/SELL/Target: Rmb20.00), and Zhongsheng (881 HK/SELL/Target: HK\$14.00).**
- **Upgrade Ganfeng Lithium (1772 HK/HOLD/Target: HK\$33.00) from SELL to HOLD on valuation, as its share price has hit our target price of HK\$33.00.**

UOBK's FORECASTS ON CHINA AUTO SALES

(m units)	2022	2023F	yoy % chg
EV	6.9	9.0	30.9
- PV	6.5	8.5	30.0
- CV	0.3	0.5	48.4
ICE-car	20.0	18.6	(6.9)
- PV	17.0	15.3	(10.1)
- CV	3.0	3.3	11.4
Total auto	26.9	27.6	2.8
- PV	23.6	23.8	1.0
- CV	3.3	3.8	15.2
EVs' share (%)			
PV	27.8	35.7	8.0
CV	10.2	13.2	2.9
Overall	25.6	32.6	7.0

Source: CAAM, CPCA, UOB Kay Hian

ESTIMATED CHINA'S PV SALES (SEP 23)

	Sep 23	yoy % chg	mom % chg	9M23	yoy % chg
EV	750	22.7	7.4	5,177	33.8
ICE-car	1,230	(6.3)	0.7	10,025	(9.0)
Total	1,980	3.0	3.1	15,202	2.2
EV market share (%)	37.9	6.1	1.5	34.1	8.0

Source: CPCA

WEEKLY PV SALES VOLUME IN CHINA

('000 units)	--- Retail sales ---			-- Wholesale shipment --		
	Total	EV	ICE	Total	EV	ICE
<u>Daily avg sales</u>						
1-10 Sep 23	44	17	27	46	17	29
11-17 Sep 23	52	20	32	67	25	42
18-24 Sep 23	65	28	37	76	36	41
yoy % chg	19	40	7	21	76	(5)
mom % chg	14	16	12	19	20	18
wow % chg	24	38	15	14	43	(3)
<u>Sales volume</u>						
1-10 Sep 23	439	172	267	460	172	288
11-17 Sep 23	365	141	224	467	174	293
18-24 Sep 23	452	195	257	534	249	285
yoy % chg (%)	19	40	7	21	76	(5)
mom % chg (%)	14	16	12	19	20	18
1-24 Sep 23	1,256	508	748	1,461	595	866
yoy % chg (%)	13	33	3	17	40	5
mom % chg (%)	6	11	3	19	17	20

Source: CPCA

WEEKLY INSURANCE REGISTRATIONS BY BRAND

	14-20 Aug	4-10 Sep	11-17 Sep	mom % chg	wow % chg
BYD	45.9	51.1	61.7	19.3	20.7
Tesla	10.6	8.4	13.2	(21.9)	57.1
Aion	8.2	9.8	11.1	(11.2)	13.3
Li Auto	8.5	9.1	9.1	18.2	-
Wuling	7.5	8.0	8.5	9.0	6.3
VW	4.4	4.6	5.5	12.2	19.6
Changan	3.7	4.1	4.1	(4.7)	-
NIO	3.8	3.9	4.0	(20.0)	2.6
Leapmotor	2.7	3.4	4.0	29.0	17.6
Deepal	2.9	3.2	4.0	37.9	25.0
XPeng	2.5	3.6	3.6	9.1	-
Denza	2.5	2.5	3.0	30.4	20.0
Zeekr	1.8	2.4	2.9	(6.5)	20.8
Neta	1.7	2.0	1.5	(34.8)	(25.0)

Source: Dongchedi

BYD SEAL DM-I



Source: Sohu.com

IM LS6



Source: Sohu.com

HIPHI Y



Source: Sohu.com

AITO M7



Source: Sohu.com

GAC HYPER GT



Source: Sohu.com

ARCFOX KOALA



Source: Sohu.com

SPECIFICATIONS OF NEW EV MODELS

	BYD Seal DM-i 2023	Hyper GT 2023	Aito M7 2024	Arcfox Koala	IM LS6	Voyah New FREE	HiPhi Y
MSRP (Rmb'000)	166.8-236.8	219.9-339.9	249.8-379.8	131.8-169.8	230-300	266.9	339-459
Segment	B-segment	C-segment	C-segment	n.a.	C-segment	C-segment	C-segment
Type	Sedan	Sedan	SUV	MPV	SUV	SUV	SUV
Powertrain	PHEV	BEV	EREV	BEV	BEV	EREV	BEV
Length	4,980	4,886	5,020	4,500	4,904	4,905	4,938
Width	1,890	1,885	1,945	1,870	1,988	1,950	1,958
Height	1,495	1,449	1,760	1,655	1,669	1,645	1,658
Wheelbase	2,900	2,920	2,820	2,820	2,950	2,960	2,950
Acceleration 0-100km/h (s)	7.9-8.2	4.9-6.5	4.8-7.8	n.a.	n.a.	4.8	n.a.
CLTC electric-only range (km)	n.a.	560-710	200-240	500	n.a.	210	560-810
WLTC electric-only range (km)	100-160	n.a.	135-200	n.a.	n.a.	160	n.a.
WLTC all-in range (km)	1,300	n.a.	1,000-1,150	n.a.	n.a.	n.a.	n.a.
WLTC overall fuel economy (L/100km)	0.84-1.14	n.a.	0.85-1.09	n.a.	n.a.	0.81	n.a.
Power consumption (kWh/100km)	n.a.	11.9-12.9	n.a.	11.8	n.a.	n.a.	n.a.
Battery type	LFP	LFP/NCM	NCM	LFP	NCM	NCM	LFP/NCM
Battery capacity (kWh)	17.6-30.7	60-80	40	58.86	n.a.	39.2	76.6-115

Note: BEV, PHEV and EREV respectively stand for battery electric vehicle, plug-in hybrid electric vehicle and extended range electric vehicle.

Source: Autohome, UOB Kay Hian

SECTOR UPDATE

Baijiu – China

Weak Retail Growth Expectations; Be Selective; Top Pick: Moutai

Share prices of baijiu companies under our coverage have fallen by 4-9% since early-Sep 23 given the weak environment. We expect mild retail sales growth for baijiu, with low-end to mid-range products (Rmb80-300) recovering faster than sub-premium (Rmb300-800) and the “thousand yuan” products. Moutai remains our top pick given its highest earnings visibility, while other names face intensified competition in the sub-premium category and firm-specific inventory destocking. Maintain OVERWEIGHT on the sector.

WHAT'S NEW

- **Modest demand expectations for upcoming holiday.** According to a survey by China Chain-Store & Franchise Association (CCFA), 47 out of 59 supermarkets (80% of the total) expect alcohol beverages, including baijiu, beer, and red wine, to record positive sales growth during the “Double Festival”. However, the magnitude will be modest, with 38 supermarkets (64% of the total) expecting sales to only rise by 5-10% yoy, while only nine supermarkets (15% of the total) expect higher growths at >10% yoy.
- **Wholesale price trend fell ahead of holidays**, unlike previous years, which reflected the overall weak consumer sentiment. A survey from Jiushuo indicated that only 31% of the distributors saw a rise in baijiu wholesale prices ahead of the Golden Week, while the high-end baijiu only recorded minor price hikes. During the week before the Mid-Autumn Festival, the average wholesale price of Feitian Moutai (2023) boxed/unboxed declined Rmb2/Rmb11 wow to Rmb2,999/Rmb2,749 per bottle, respectively. The average wholesale price for Puwu stayed stable wow at Rmb960/bottle. Positively, average wholesale price of Qinghua 20/Qinghua 30 rose Rmb6/Rmb16 wow to Rmb367/Rmb799 per bottle, respectively, reflecting distributors’ more optimistic expectations of demand for gifting and banquets.
- **Multiple marketing activities launched ahead of holidays.** Moutai has launched a series of online and offline events (such as tasting events) and also increased available sales volume for non-Moutai series products. In recent months, Moutai launched the Mid-Autumn Festival gift boxes, Moutai Latte (in collaboration with Luckin Coffee) and Mao Xiaoling liquor-filled chocolate (in collaboration with Dove), with the aim of attracting the younger consumer groups. Wuliangye plans to distribute over Rmb50m worth of gifts during the 2023 Mid-Autumn Festival Gala hosted by China Central Radio and Television. On 16 Sep 23, Wuliangye launched the liquor-filled Mooncake in collaboration with the popular reality show “Chinese Restaurant Season 7” that has been broadcasted since Jul 23.

PEER COMPARISON

Company	Ticker	Rec	Price @ 28 Sep 23 (Rmb)	Target Price (Rmb)	Upside/(Downside) to TP (%)	Market Cap (US\$m)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	EV/EBITDA 2023F (x)	2024F (x)	ROE 2023F (%)	Div. yield 2023F (%)
Moutai	600519 CH	BUY	1,798.55	2,520.00	40.1	309,328.4	30.9	26.5	9.5	7.9	19.6	17.0	33.6	1.7
Wuliangye	000858 CH	BUY	156.10	231.40	48.2	82,957.1	19.9	16.9	4.7	4.0	12.7	10.8	25.0	2.5
Fenjiu	600809 CH	BUY	239.50	345.00	44.1	40,002.9	28.4	22.7	10.3	7.9	20.5	16.2	41.3	1.4

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (Rmb)	Target Price (Rmb)
Moutai	600519 CH	BUY	1,798.55	2,520.00
Wuliangye	000858 CH	BUY	156.10	231.40
Fenjiu	600809 CH	BUY	239.50	345.00

Source: UOB Kay Hian

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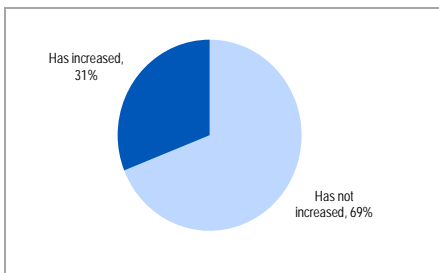
ESSENTIALS

- Offline retail demand weaker than expected; promotions resulted in strong online sales.** During JD's 9.19 Promotion Day, transaction value of baijiu category rose 180% yoy. Of this, Moutai and Wuliangye's transaction values surged 180% and 200% yoy respectively. However, in offline retail channels, some specialty stores primarily selling products priced around Rmb1,000 recorded a marginal sales improvement compared with last year's Mid-Autumn Festival season, according to Hongxingzibenju. In a survey by Jiushuo, 45% of the dealers expect products priced between Rmb80-300 to be the key contributor to sales during the holidays, as these can be purchased for gifting and banquet entertainment, while there is some demand for products priced Rmb300-600 from the higher-end business banquets and gifting needs.

ACTION

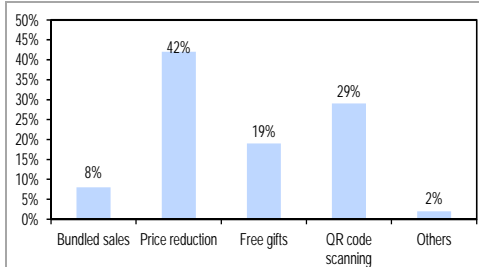
- Maintain OVERWEIGHT on the sector.** The capital market's overall expectation for baijiu demand during the holiday season has weakened. Channel inventory destocking has been the main priority for some baijiu companies (eg Wuliangye) and we expect the destocking to continue into 4Q23 with the weak consumption sentiment. Hence, we are selective on the sector and prefer companies with strong earnings visibility and solid growth from the companies' expansion plans. Our pecking order is Moutai > Fenjiu > Wuliangye.

HAVE BAIJIU PRICES INCREASED AHEAD OF THE "DOUBLE FESTIVAL"?



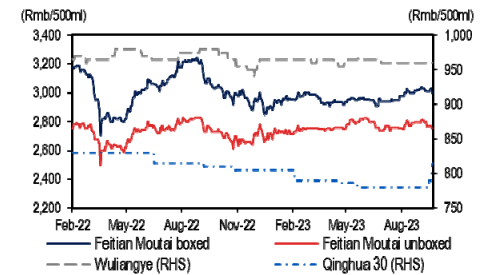
Source: Jiushuo, UOB Kay Hian

WHICH PROMOTION METHODS ARE MORE POPULAR AMONG CONSUMERS DURING THE "DOUBLE FESTIVAL" PERIOD?



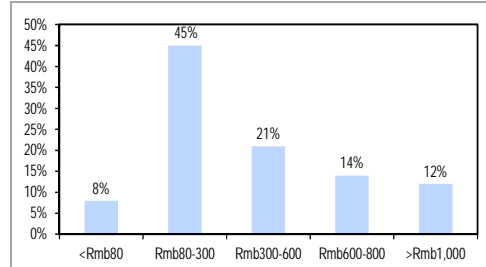
Source: Jiushuo, UOB Kay Hian

BAIJIU WHOLESALE PRICES



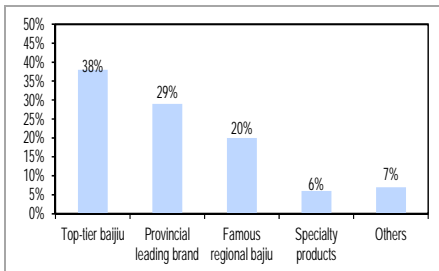
Source: Jinri Jiujia, UOB Kay Hian

WHICH PRICE BAND IS HIGHER IN DEMAND DURING THE "DOUBLE FESTIVAL" PERIOD?



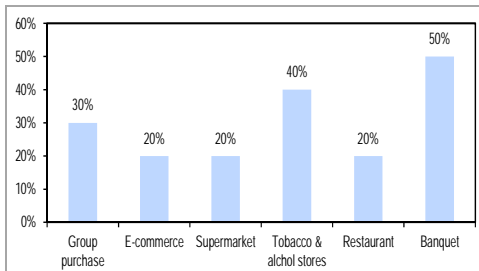
Source: Jiushuo, UOB Kay Hian

WHICH TYPE OF BAIJIU IS MORE POPULAR AMONG CONSUMERS DURING THE "DOUBLE FESTIVAL" PERIOD?



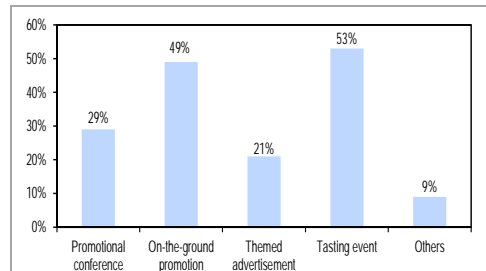
Source: Jiushuo, UOB Kay Hian

WHICH CHANNELS HAVE GREATER BAIJIU DEMAND DURING THE "DOUBLE FESTIVAL" PERIOD?



Source: Jiushuo, UOB Kay Hian

WHICH PROMOTION TYPE IS MORE EFFECTIVE DURING THE "DOUBLE FESTIVAL" PERIOD?



Source: Jiushuo, UOB Kay Hian

TRADERS' CORNER



Chart by TradingView

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (874 HK)

Trading buy range: HK\$22.30-22.60

Last price: HK\$22.75

Target price: HK\$23.40/HK\$23.80

Protective stop: Breaks below HK\$21.60

Stock Highlights:

In 1H23, income from operations increased 7.39% yoy to Rmb39.97b.

Technical View:

Share price formed a round bottom pattern from August to early-September. It has now risen to around its 10-day (light blue), 20-day (orange), and 50-day (red) moving averages, but restricted by the 200-day moving average (purple) at the moment. The 14-day RSI is above the midline level of 50 and is currently around 58, indicating strong momentum. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by TradingView

Avichina Industry & Technology Company Ltd. (2357 HK)

Trading buy range: HK\$3.60-3.65

Last price: HK\$3.67

Target price: HK\$3.78/HK\$3.88

Protective stop: Breaks below HK\$3.50

Stock Highlights:

In 1H23, revenue increased 21.95% yoy to Rmb40,873m.

Technical View:

Share price started an uptrend in mid-August and has been supported by a bullish trendline. It is now near its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages. The 14-day RSI is higher than the midline level of 50 and is now around 53, indicating that momentum is moderately strong. The MACD line is higher than the signal line, showing a bullish crossover. If the share price stays above the 50-day moving average, it could rise further.

Average timeframe: Around two weeks.

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