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KEY HIGHLIGHTS

Sector

Property

New homes sales rebound in key cities; assessing impact of Evergrande event.

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TRADERS' CORNER

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China Resources Pharmaceutical (3320 HK): Trading Buy range: HK\$5.08-5.15

Bosideng International (3998 HK): Trading Buy range: HK\$3.16-3.22

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
27 Sep	China	Aug Industrial Profits
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	33618.9	(1.1)	(2.6)	(2.1)	1.4
S&P 500	4273.5	(1.5)	(3.8)	(3.0)	11.3
FTSE 100	7625.7	0.0	(0.5)	3.9	2.3
AS30	7238.3	(0.6)	(2.1)	(1.3)	0.2
CSI 300	3692.9	(0.6)	(0.7)	(0.4)	(4.6)
FSSTI	3215.1	(0.0)	(0.8)	0.8	(1.1)
HSCEI	6030.8	(1.6)	(3.3)	(2.3)	(10.1)
HSI	17466.9	(1.5)	(2.9)	(2.7)	(11.7)
JCI	6923.8	(1.1)	(0.8)	0.4	1.1
KLCI	1445.6	0.1	(0.8)	0.1	(3.3)
KOSPI	2463.0	(1.3)	(3.8)	(2.2)	10.1
Nikkei 225	32315.1	(1.1)	(2.8)	2.2	23.8
SET	1494.0	(0.9)	(1.9)	(4.2)	(10.5)
TWSE	16276.1	(1.1)	(2.2)	(1.2)	15.1
BDI	1694	5.0	11.0	56.9	11.8
CPO (RM/mt)	3677	0.9	(0.5)	(3.4)	(9.2)
Brent Crude (US\$/bbl)	94	0.7	(0.4)	11.2	9.4

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HKEX	288.20	(1.5)	1,231.3
JD-SW	112.30	(2.7)	1,112.2
KUAI SHOU-W	61.00	(1.4)	1,037.7
XPENG INC-A SHRS	63.60	(3.2)	958.4
LI AUTO INC-A	137.90	(4.7)	923.1

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
HANSOH PHARMACEU	10.34	3.0	27.3
CHOW TAI FOOK JE	11.46	2.9	55.9
ENN ENERGY	66.05	2.6	375.5
EAST BUY HOLDING	35.80	2.1	260.8
TRAD CHI MED	3.56	1.4	161.1

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XINYI GLASS	9.89	(6.2)	49.1
CHINA RES CEMENT	2.00	(6.1)	20.0
SUNNY OPTICAL	53.10	(5.6)	335.0
LI NING CO LTD	32.05	(5.2)	607.0
LI AUTO INC-A	137.90	(4.7)	923.1

*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

Property – China

New Homes Sales Rebound In Key Cities; Assessing Impact Of Evergrande Event

China's easing of the mortgage policy has effectively boosted new home transactions in Tier 1 cities and core Tier 2 cities. We expect further improvement of markets empowered by continuous policy easing. Investigation into Evergrande came as a negative surprise. Very likely to fail on debt restructuring, Evergrande has a good chance of undergoing bankruptcy reorganisation. Binjiang and Longfor will remain resilient under short-term impact from Evergrande. Maintain MARKET WEIGHT.

WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 18-24 Sep 23.
- Evergrande's offshore debt restructuring halted due to investigation by local authorities.

ESSENTIALS

- Easing of mortgage policy continues to boost secondary home transactions in Tier 1 cities.** In the week of 18-24 September, the number of second-hand home units transacted in Beijing/Shanghai/Guangzhou/Shenzhen recorded wow growth of 6%/4%/9%/0% respectively, and mom growths of 46%/30%/25%/14% respectively. New home transactions continuously increased; the number of new home units transacted in Beijing/Shanghai /Guangzhou/Shenzhen recorded wow growth of 136%/139%/0%/8% and mom growth of 96%/40%/17%/-37% respectively. Beijing and Shanghai showed a resilient rebound in new home transactions.

FIRST-TIER CITIES MARKET SENTIMENT FOR SEP (18-24 SEPTEMBER)

	No. of new home sold				No. of 2 nd hand home sold			
	BJ	SH	GZ	SZ	BJ	SH	GZ	SZ
18-24 Sep	2457	3,955	1108	661	3,713	4,381	2,325	888
- wow	136%	139%	0%	8%	6%	4%	9%	0%
- mom	96%	40%	17%	-37%	46%	30%	25%	14%
- yoy	41%	1%	-42%	-32%	6%	5%	17%	105%
11-17 Sep	1042	1,652	1109	613	3,490	4,209	2,129	892
- wow	24%	10%	31%	22%	26%	1%	13%	10%
- mom	-7%	-39%	19%	-10%	40%	25%	7%	15%
- yoy	-44%	-52%	-19%	-22%	28%	1%	27%	106%
4-10 Sep	843	1,507	845	502	2,780	4,163	1,877	591
- wow	18%	-49%	-8%	6%	3%	35%	4%	23%
- mom	1%	-11%	-7%	-23%	23%	44%	1%	8%
- yoy	-52%	-49%	-12%	-47%	22%	-8%	21%	62%

Source: Local government housing bureau, UOB Kay Hian

- New home sales rebound in Sep 23.** According to CREIS, sales in Tier 1 cities increased 79.2% wow and decreased 4.6% yoy. Sales in Tier 2 cities jumped 10.3% wow and dropped 46.2% yoy. Sales in Tier 3 and 4 cities grew 28.8% wow and fell 37.5% yoy. The average weekly sales of new homes in 50 cities in Sep 23 rose 10.9% mom and declined 29.6% yoy. The top 10 cities with mom increases were: Kunshan (116%), Xuzhou (102%), Yantai (87%), Changsha (76%), Dongguan (66%), Shenyang (+65%), Xi'an (36%), Beijing (33%), Lanzhou (32%), Shanghai (28%).

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market Cap	PE		P/B		Yield	
			26 Sep 23	Price	to TP		2022F	2023F	2022F	2023F	2022F	2023F
			(HK\$)	(HK\$)	(%)	(HK\$m)	(x)	(x)	(x)	(x)	(%)	(%)
China Resources Land	1109 HK	BUY	30.70	47.48	54.7	218,919.8	7.6	7.5	0.8	0.7	4.9	5.0
China Overseas Land	688 HK	BUY	15.62	25.86	65.6	170,959.1	6.5	5.9	0.5	0.4	4.9	5.0

Source: Bloomberg, UOB Kay Hian.

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR LAND	1109 HK	BUY	30.70	47.48
COLI	688 HK	BUY	15.62	25.86

Source: UOB Kay Hian

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- Investigation into Evergrande came as a negative surprise.** On 18 September, senior management of Evergrande's wealth management unit was detained by police in Shenzhen. As announced by Evergrande on 22 and 24 September: a) Evergrande cancelled the meetings on debt restructuring on 25 and 26 September respectively; and b) in view of Hengda Real Estate Group being investigated, Evergrande is unable to meet the qualifications for the issuance of new notes under the rules of CSRC and NDRC. On 25 September, as reported by Caixin, Evergrande's CEO and CFO were detained by the authorities. The investigation and suspension of debt restructuring came as an unexpected negative event to the China property sector.
- What's next for Evergrande?** Very likely to fail on debt restructuring and with negative equity, Evergrande may go into bankruptcy, which includes bankruptcy reorganisation and bankruptcy liquidation. Bankruptcy liquidation is the worst-case scenario: as a) Evergrande will no longer exist, and b) all the debts, which amounts to Rmb2.4t will be immediately marked to zero, leading to huge P/L losses at financial institutions. As the company's sold but uncompleted units will pose a risk to social stability, there is a good chance that Evergrande will likely seek bankruptcy reorganisation, ie following the path of Hainan Airlines. However, Evergrande will need government assistance and a new strategic shareholder. Recent investigation into Evergrande may help clear the way for government intervention.
- Hit sentiment on POE developers in the short term.** The Evergrande crisis again clouded the future of POEs. We think the sentiment of home buyers as well as investors on POE developers will be weakened in the short term. To assess developers' resilience in a tightened financing and sales environment, we looked at the following indicators: a) adjusted cash to short-term debt ratio with puttable bonds included in debt maturity, b) net debt to attributable equity ratio, c) account payable to cash ratio, and d) estimated monthly construction cost to sales ratio. Among the major POEs, Binjiang has the highest score, followed by Longfor, while CGH, SEAZEN and Agile are in a much weaker financial condition. After all, we do not expect more developers to be investigated as this will damage confidence in the property industry that the government is trying hard to build.

KEY FINANCIAL METRICS OF DEVELOPERS

1H23	Cash to Short Term Debt Ratio	Adjusted Cash to Short Term Debt Ratio	Net Gearing Ratio	Net Debt Ratio (attributable equity)	Ratio of Account Payable to Cash	Estimated Monthly Construction Cost to Sales Ratio	Total Score (the higher the better)
COLI	2.38	2.38	39.0%	0.38	0.49	0.05	70
BINJIANG	2.07	1.95	85.9%	0.52	0.17	0.09	65
YUEXIU	2.54	2.54	77.0%	1.26	0.05	0.15	57
CR LAND	2.16	2.16	31.9%	0.39	0.62	0.15	57
GEMDALE	1.13	0.95	56.6%	0.97	0.54	0.11	45
CMSK	1.72	1.72	53.6%	1.30	0.52	0.10	48
LONGFOR	1.85	1.68	56.2%	0.94	0.97	0.18	40
CHINA VANKE	2.44	2.37	37.3%	0.82	2.16	0.22	42
POLY	2.38	2.20	64.7%	1.05	0.96	0.20	42
GREENTOWN	2.16	1.69	74.5%	2.11	0.66	0.17	36
CHINA JINMAO	1.29	1.29	81.6%	2.27	1.20	0.11	30
CGH	0.93	0.85	56.2%	1.01	2.00	0.73	25
SEAZEN	0.77	0.77	52.3%	0.82	1.98	0.73	29
AGILE	0.32	0.31	62.7%	1.39	3.24	0.22	15

Source: Respective companies, UOB Kay Hian

ACTIONS

- Maintain MARKET WEIGHT on China's property sector.** On 26 September, Chengdu announced the lifting of purchase curbs on properties 144sqm and above by no longer conducting qualification reviews of home buyers, which is a surprise. We expect more core Tier 2 cities like Hangzhou to follow suit. The relaxation of purchase restrictions in Chengdu reflects the government's strong willingness to support the market. China's real estate industry is in a period characterised by policy easing and deteriorating fundamentals, thus we expect range trading of the sector. Evergrande's recent crisis offers a good buying opportunity for other quality names. Our top picks remain COLI and CR Land.

BANKRUPTCY REORGANISATION OF HNA GROUP

Jun 17	CBRC asked major banks to check their exposure to Wanda/Hainan Airlines Group/Fosun
Mar 18	Hainan Airlines found it difficult to pay its bill with China Aviation Oil Corporation
2018	Hainan Airlines sold Rmb300b of assets
Jul 18	Chairman Wangjian passed away
Jul 19	Hainan Airlines default on 16HA02 Bond
Sep 19	Meilan Airport defaulted on US\$200m US\$ bond
Feb 20	The Hainan Provincial Government took the lead in establishing the Hainan Joint Working Group to promote the group's risk management work
2020	After the working group was established, all loans were extended or interest rates were suspended.
2020	After the working group moved in, it comprehensively investigated the assets and liabilities and determined that HNA's assets were insolvent.
Jun 20	Working group made preliminary plan of reorganization
Oct 20	Hainan Airlines published reorganisation plan and debt repayment arrangement
Jan 21	HNA Group announced that the bondholders applied to the court for bankruptcy reorganisation of the group
Feb 21	CSRC and the Supreme People's Court approved HNA's bankruptcy and reorganisation plan
Sep 21	HNA and Meilan Airport respectively introduced Fangda Group and Haifa Holdings as strategic investors

Source: Caixin, UOB Kay Hian

TRADERS' CORNER



Chart by TradingView

China Resources Pharmaceutical Group Limited (3320 HK)

Trading Buy range: HK\$5.08-5.15

Last price: HK\$5.18

Target price: HK\$5.32/HK\$5.48

Protective stop: Breaks below HK\$4.82

Stock Highlights:

In 1H23, revenue increased 10.5% yoy to HK\$138.94b.

Technical View:

The share price rebounded after reaching a low of HK\$4.88 on 7 Sep 23. Share price has now risen above its 20-day moving average (orange) for the first time in two months. The direction of the 10-day (light blue) and the 20-day (orange) moving averages are flat for the time being, which could change to an upward direction. The 14-day RSI rebounded from the oversold zone (below 30) and is now around 46, indicating an improvement in momentum. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by TradingView

Bosideng International Holdings Limited (3998 HK)

Trading Buy range: HK\$3.16-3.22

Last price: HK\$3.26

Target price: HK\$3.35/HK\$3.48

Protective stop: Breaks below HK\$3.00

Stock Highlights:

For the year ended 31 Mar 23, revenue increased by 3.5% yoy to Rmb16,774.2m.

Technical View:

The share price started an uptrend in mid-August and has been supported by a bullish trendline. Share price is now near its 10-day (light blue), 20-day (orange) and 50-day (red) moving averages. The 14-day RSI is above the midline level of 50 and is currently around 57, 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.

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