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### KEY HIGHLIGHTS

#### Sector

#### Property

Home prices in Tier 1 cities feel greater downward pressure; eyes on policy catalysts and range trading opportunities.

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#### TRADERS' CORNER

**Tencent Holdings Ltd. (700 HK):** Trading Buy range: HK\$300.00-308.00

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

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### CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
07 Dec	China	Nov Trade
09 Dec	China	Nov Inflation
09-15 Dec	China	Nov Money Supply And Credit
15 Dec	China	Nov Economic Activities
20 Dec	China	Dec Loan Prime Rate
27 Dec	China	Nov Industrial Profits
30 Dec	China	Dec NBS PMI

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	36124.6	(0.2)	2.0	6.1	9.0
S&P 500	4567.2	(0.1)	0.3	4.8	19.0
FTSE 100	7489.8	(0.3)	0.5	1.0	0.5
AS30	7269.8	(0.9)	0.6	1.1	0.7
CSI 300	3394.3	(1.9)	(3.5)	(6.6)	(12.3)
FSSTI	3077.2	(0.2)	0.4	(3.3)	(5.4)
HSCEI	5609.6	(1.6)	(5.8)	(9.3)	(16.3)
HSI	16327.9	(1.9)	(5.9)	(9.1)	(17.5)
JCI	7100.9	0.1	0.8	3.2	3.7
KLCI	1449.5	(0.1)	0.1	(1.0)	(3.1)
KOSPI	2494.3	(0.8)	(1.1)	(0.3)	11.5
Nikkei 225	32775.8	(1.4)	(1.9)	0.2	25.6
SET	1383.5	0.2	(0.7)	(2.6)	(17.1)
TWSE	17328.0	(0.5)	(0.1)	4.1	22.6
BDI	3143	(6.1)	31.5	115.0	107.5
CPO (RM/mt)	3688	(0.9)	(1.4)	0.7	(8.9)
Brent Crude (US\$/bbl)	77	(1.3)	(5.7)	(9.3)	(10.4)

Source: Bloomberg

### TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XIAOMI CORP-W	14.78	(2.9)	2,287.6
LI AUTO INC-A	139.90	(1.3)	2,277.8
WUXI BIOLOGICS C	30.35	(8.4)	1,379.2
HKEX	253.60	(5.5)	1,378.5
NETEASE INC	158.00	(5.2)	1,328.8

### TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
EAST BUY HOLDING	32.10	8.6	181.4
PING AN HEALTHCA	17.62	3.8	81.0
CHINA RES GAS	24.75	2.7	65.2
LI NING CO LTD	21.25	2.7	505.6
NIO INC-CLASS A	56.45	2.0	96.2

### TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
LENOVO GROUP	8.87	(10.2)	585.6
WUXI BIOLOGICS C	30.35	(8.4)	1,379.2
BRILLIANCE CHINA	4.12	(6.4)	328.8
HAIDILAO INTERNA	13.82	(5.9)	313.4
HKEX	253.60	(5.5)	1,378.5

\*ADT: Average daily turnover

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	1.9	2.4	1.0
Euro Zone	3.5	0.5	0.6
Japan	0.9	1.5	1.0
Singapore	3.6	0.9	2.9
Malaysia	8.7	4.0	4.6
Thailand	2.6	2.3	3.6
Indonesia	5.3	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

Home Prices In Tier 1 Cities Feel Greater Downward Pressure; Eyes On Policy Catalysts and Range Trading Opportunities

**For 50 cities, new-home sales fell 20% yoy in Nov 23. For the 10 core cities, second-hand home sales surged 40% yoy. Sentiment of land auctions weakened further. We have a closer look at the Shanghai market, which has resilient demand but still faces growing downward pressure on property prices. Weakening of fundamentals and potential policy easing offer range trading opportunities. Top picks: CR Land (1109 HK) and Longfor (960HK). Maintain MARKET WEIGHT on the sector.**

#### WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for 27 Nov-3 Dec 23.
- More Shanghai new home projects start to offer discount to home buyers.

#### ESSENTIALS

- **New-home sales in 50 cities decreased 20% yoy in Nov 23.** According to CREIS, new-home sales volume in 50 major cities increased 21.2% wow and decreased 10.3% yoy during the fourth week of November (27 Nov-3 Dec 23). Sales volume in Tier 1 cities fell 4.9% wow and 9.6% yoy. Sales in Tier 2 cities went up 11.7% wow and dropped 9.8% yoy. Sales in Tier 3 and 4 cities rose 55.1% wow and tumbled 11.2% yoy. The average weekly sales of new homes in Nov 23 declined 11.5% mom and 19.9% yoy. Among Tier 1 & 2 cities, Hefei (-53%), Qingdao (-51%), Yinchuan (-44%), and Wuxi (-44%) were the top yoy new-home sales volume decliners.
- **Second-hand home sales in 10 core cities up 40% yoy in Nov 23.** According to WIND, weekly sales volume of second-hand homes in the 10 core cities during the fourth week of November (27 Nov-3 Dec 23) decreased 2.5% wow and increased 44.9% yoy. For the 10 core cities, average weekly sales of second-hand home in Nov 23 jumped 18.1% mom and 39.6% yoy. We attribute the strong recovery of second-hand home sales to: a) easing of mortgage and home purchase restrictions in Tier 2 cities, and b) deeper price cut offered by sellers.
- **Weakening sentiment of land markets in Tier 2 cities.** The land auction sentiment in Suzhou, Wuxi, Chengdu, Wuhan remained weak after removing the price ceiling for land sales. Only one land plot in Suzhou and one land plot in Chengdu were sold at 61% and 30% premium rate respectively, and the rest of land parcels were sold at reserve prices and acquired by local government financial vehicles. For Shanghai, the land auction diverged, with three land plots reaching price ceiling (10% premium rate) and four land plots were sold at reserve prices. The removal of price ceiling resulted in further divergence of sentiment among land plots.

#### RECENT LAND AUCTION SITUATION

	Transacted Plot	Plots sold at reserve price	Transacted Value (Rmb100m)	GFA (10,000 sqm)	Overall Land Premium Rate	Highest Land Premium Rate
Shanghai	8	4	148	75	5.9%	10.0%
Wuhan	4	4	34	66	0.0%	0.0%
Chengdu	5	4	32	41	12.0%	61.0%
Suzhou	6	5	75	28	9.8%	30.0%
Wuxi	6	6	56	34	0.0%	0.0%

Source: Media reports, UOB Kay Hian

#### PEER COMPARISON

Company	Ticker	Rec	Price @ 05 Dec 23 (HK\$)	Target Price (HK\$)	Upside/(Downside) to TP (%)	Market Cap (HK\$m)	PE		P/B		Yield	
							2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
China Resources Land Ltd	1109 HK	BUY	27.00	47.16	74.7	192,535.4	6.4	5.6	0.6	0.6	5.8	6.6
China Overseas Land	688 HK	BUY	13.60	27.14	99.6	148,850.4	5.1	4.3	0.4	0.3	5.9	7.0
Longfor Properties	960 HK	BUY	12.86	17.68	37.5	84,770.0	3.7	4.1	0.4	0.4	8.1	7.4

Source: Bloomberg, UOB Kay Hian.

### MARKET WEIGHT

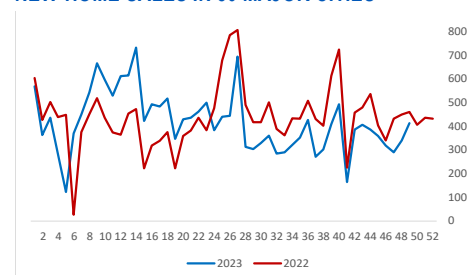
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#### SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR land	1109 HK	BUY	27.00	47.16
Longfor	960HK	BUY	12.86	17.68

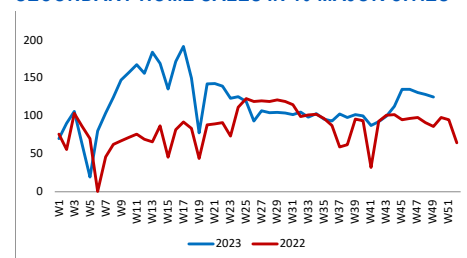
Source: UOB Kay Hian

#### NEW-HOME SALES IN 50 MAJOR CITIES



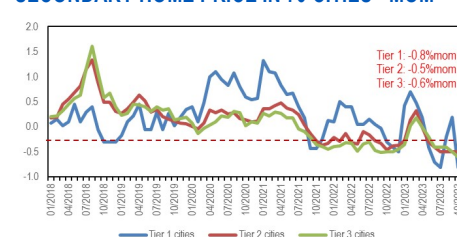
Source: CREIS, UOB Kay Hian

#### SECONDARY HOME SALES IN 10 MAJOR CITIES



Source: UOB Kay Hian

#### SECONDARY HOME PRICE IN 70 CITIES - MOM



Source: WIND, UOB Kay Hian

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- A closer look at Shanghai market.** Despite relatively resilient demand, Shanghai is seeing weakening of buyers' sentiment, where: a) the subscription rate of new homes has been dropping; b) some SOEs started to offer 5-10% discount for new home projects; and c) besides price discount, developers also use various marketing measures to promote sales, eg cooperate with real estate agents (Lianjia, etc) to help home buyers sell their existing home, allowing homebuyers to pay down-payment only after selling the existing home, and promise unconditional refund if the existing home is not sold within a certain period. However, without a meaningful macro stimulus policy, we expect property prices in Tier 1 cities will face growing downward pressure, as: a) the number of secondary home listings is at a historically high level, and b) the effect of demand side policy easing is proved to be short-lived.

### NEW HOME MARKET DISCOUNT IN HIGH TIER CITIES

Project Name	Region	Developer	Price discount	car park subsidies (Rmb mn)	Total discount	Other benefits
奉发·云邸	Fengxian	Local SOE	5%	/	5%	
郎拾花语	Minhang	CRCC & Vanke	0%	0.45	3-6%	a) Developers help homebuyers to sell homes in hand, b) allow
松江万科	Songjiang	Vanke	4%	/	4%	deferring of down-payment, and
森蘭航薈名庭	Pudong	Local SOE	5%	0.20	8%	c) offer upgraded decoration

Source: social media, UOB Kay Hian

### ACTIONS

- Maintain MARKET WEIGHT and eye on more policy catalysts.** The factors driving China's real estate industry are still mixed, ie with both weakening fundamentals and potential policy support. On the fundamental side, we expect property sales to further deteriorate in Dec 23, which may trigger a deeper price cut even in Tier 1 cities. On the policy front, considering growing downward pressure on property prices in Tier 1 cities, we do not rule out the possibility that the government will announce stronger-than-expected policy easing in 4Q23-1Q24. Key measures may include funding support for urban redevelopment and government housing projects. The combination of weakening fundamentals and growing policy support will offer range trading opportunities. We pick Longfor (960 HK) as it will be a key beneficiary of policy easing. For the sector, our top pick remains CR Land, as we expect it to report resilient earnings in FY23.

### TRADERS' CORNER



Chart by Bloomberg

### Tencent Holdings Ltd. (700 HK)

Trading Buy range: HK\$300.00-308.00

Last price: HK\$308.80

Target price: HK\$320.00/HK\$330.00

Protective stop: Breaks below HK\$286.00

#### Stock Highlights:

In 3Q23, revenue from online advertising was Rmb25.7b, up 20% yoy, propelled by robust advertising demand for video accounts, mobile ad network, and Weixin Search.

#### Technical View:

Share price has exhibited a strong rebound trend since mid-October. Although it has adjusted slightly in December, it still stayed above its 50-day moving average (red) recently. Therefore, its uptrend remains unchanged. The 14-day RSI is around 45, indicating neutral to slightly weak momentum. Although the MACD line is lower than the signal line, both lines are in the bullish zone. Therefore, the uptrend of the share price remains unchanged for the time being. If it rises above its 20-day moving average (orange) again, the rebound trend may continue.

Average timeframe: Around two weeks.



Chart by Bloomberg

### 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\$4.10

Protective stop: Breaks below HK\$3.40

#### Stock Highlights:

In 1H23, revenue surged 57.4% to Rmb9.3b. Profit attributable to equity holders of the company increased 39.9% to Rmb579m.

#### Technical View:

Since mid-August, share price has been trending higher with a succession of higher highs and higher lows. It has risen to around its 10-day moving average (light blue), and higher than the 20-day (orange), 50-day (red), 100-day (pink), and 200-day (purple) moving averages. The 10-day, 20-day and 50-day moving averages are pointing upwards. The 14-day RSI is higher than the midline level of 50 and is now around 55, indicating that momentum is moderately strong. 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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