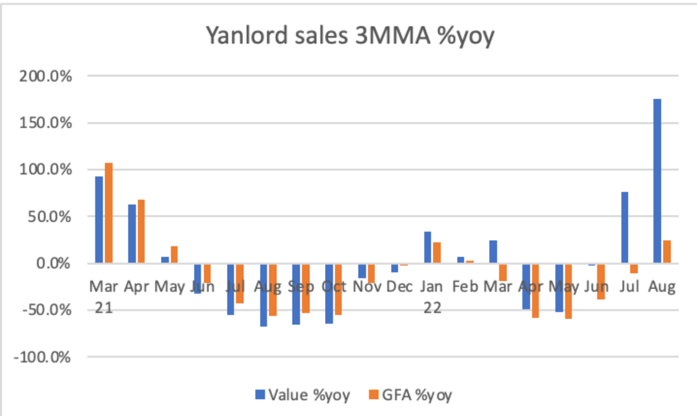
This is SAC's weekly newsletter for 07 September 2022. Thank you for reading.

Analysts' Notes

Yanlord Land <Company Visit> | Contracted pre-sales rebounded from July 2022. The improvement was more pronounced in August. On a 3-month moving average, sales in terms of GFA rose 24.7%, and in value term, a sharp 175.6%, suggesting a stronger pickup in the sale of higher-valued units. For the first eight months, sales in terms of GFA fell 23.8%, but was up 31.9% in value. This is measured against a strong property market in 1H21. Its top 3 markets are Shanghai, Suzhou and Singapore. The data suggest that underlying demand in the first-tier cities remains intact.

China's property downturn that began in early 2021 was triggered by policy tightening on the property developers (the three red lines) and home purchases, aggravated by COVID mobility restrictions and Evergrande default that dried up financing for other developers.

In recent weeks, however, there have been gradual easing of credit to developers and home buyers, such as lowering of mortgage rates, and lifting of purchase restrictions. The government is also working with developers through providing state guarantees to developers' bonds to ensure ongoing projects are completed and delivered to buyers. In many cities, developers could not sell above the price caps set by the local authorities, though Yanlord has been able to obtain a 5% increase in ASP for its latest project launched in Shanghai. Yanlord is trading at 0.3x P/B, reflecting fragile investor sentiment on the sector. Net gearing as at June 2022 was 0.53x. *(Peggy Mak)*



First Sponsor <Company Visit> | Despite the negative sentiments over Europe's energy crisis and slowdown in China's property market, First Sponsor could buck the trend with net earnings growth of average ~10% in FY22E & FY23E.

Its property development projects are located in Dongguan and Chengdu. The projects that are under construction have achieved strong take-up at presale launches. Buyers' sentiment had further improved with the recent easing of purchase restrictions. Construction progress in Chengdu is also returning to norm. Development profits are booked upon handover of units to buyers. Hence, we expect lower development profits in 2H2022 (vs 1H) from remaining units at 60%-owned Pinnacle and 27%-owned Skyline Garden. In 2023, the larger projects such as Time

Zone and Bolong Bay Gardens will be delivered to the buyers. Property financing business in China is also buoyant, aided by tighter lending conditions from the banks.

The hotels in Europe are still enjoying high occupancy and RevPAU, but the outlook has softened with looming recessionary pressure. Rental rates of the European offices are indexed to inflation, hence rental yields could hold steady. However, credit costs are rising, and this could push up cap rates too. First Sponsor is trading at 0.63x P/B. Net gearing as at Jun 2022 was 0.2x. *(Peggy Mak)*