



## Market Overview

In the last trading day in 2021, technology stocks surged by the most in three weeks in Hong Kong, helping the local market end a tumultuous year of trading on a high. The official PMI manufacturing index rose to 50.3, beating expectations of 50 and higher than Nov's of 50.1. Last Friday, the Hang Seng Index was up 285pts to 23,397pts with a half day turnover of HKD58b. For the whole year of 2021, the Hang Seng Index slumped 3,833pts (14.1%), underperforming the most international stock markets and recording the largest decline in 10 years. The performance of china enterprises index (CEI) and Hang Seng Tech index were even worse with 23.3% and 32.7% decline. For individual blue-chip companies' performance, Li Ning (2331 HK) and Sunny Optical (2382 HK) took the lead with accumulated 60% and 45% appreciation, meanwhile, the worst performers were Ali Health (241 HK) and Haidilao Int'l (6862 HK) with the decline of 71.2% and 70.5%.

## Sector News

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### China Industrial

The Ministry of Industry and Information Technology (MIIT) has released the <14th Five-Year Planning for Robotics Sector> and <14th Five-Year Intelligent Manufacturing Development Planning>, outlining targets and steps to reach a leading position in robotics and intelligent manufacturing by 2025E. The plan outlined that China targets to become a global robotics technology innovation centre and a high-end manufacturing and application hub, and the sector is expected to grow at a 20% CAGR till 2025E, and double its manufacturing robotics density (number of robots/ workers) by 2025E.

### China Healthcare

China's National Healthcare Security Administration (NHSA) and National Administration of Traditional Chinese Medicine (NATCM) issued a guidance opinion on supporting the tradition of Chinese medicine through medical insurance, designating that qualified traditional Chinese medicine decoction pieces and Chinese patent drugs, along with other relevant medicine products, will be included in China's medical insurance coverage list. The "dual channel" drug management mechanism extends the channels for insured patients to use drugs to designated retail pharmacies to better protect the drug needs of the insured folks. Related stocks: Trad Chi Med (570 HK).

## Company News

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### CRCC (1186 HK)

Market believes CRCC's 2021 full-year targets of 7% new contract growth and 6% revenue growth is achievable given 13%/18% new contract/revenue increase in 9M21. Recall that, CRCC announced major new contracts in Oct and Nov with a total value of RMB99b, which was equivalent to 11% of its 2020 revenue. Entering into 2022E, market expects railway and municipal engineering to be main drivers of new contract growth. For 2022E, market believes there will be a single digit growth in infrastructure FAI growth in China to fuel macroeconomic activities amid the property downcycle. Meanwhile, the use of special local government bonds and the encouraging progress of REIT issuance is expected to help improve contractors' cash flow. Valuation-wise, CRCC is trading at an attractive valuation of 2.6x 2022E PER, or 1.8 SD below historic average.

**Dongyue Group (189 HK)**

Dongyue announced that its subsidiary has obtained all approvals for 10ktpa battery-grade PVDF capacity. Dongyue highlighted that the construction is about to commence for the project with expected completion and commencement of operation in Oct 2022. Dongyue reiterated its plan of having 55ktpa PVDF capacity by 2025. Market views the announcement as a major overhang removal as investors appear to be concerned about Dongyue's PVDF project given it had not obtained the energy consumption approval for the project.

**Kintor Pharma (9939 HK)**

Its management highlighted that the low hospitalisation rate in the placebo group may have caused the miss and expects commercialisation to be delayed. Its management indicated that revising the protocols by recruiting high-risk patients could lead to a higher success rate. Apart from this trial, there are two other phase 3 MRCTs ongoing for outpatients and inpatients, which may still support a potential filing. The company plans to be very active in pushing its EUA in developing countries, esp. for inpatients. Its management remains blind to the event rate in terms of hospitalizations/ deaths and has not given any timeline on a potential data readout for the phase 3 trials. Some analysts have lower and cut its earnings and target price to reflect an increase in uncertainties and risks, including potentially disappointing final data, potential disagreements on discussions with regulatory authorities, failure of timely patient enrolment.

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