



Market Overview

Yesterday, Hong Kong stocks markets advanced on the support of Chinese technology firms, which experience an obvious rally in the afternoon session. Alibaba-SW (9988 HK), JD-SW (9618 HK) gained 5.6% and 4.1%, respectively. Tradition infrastructure and raw material sectors (cement, steel) also advanced. On the other hand, the underperformers include Wuxi Bio (2269 HK) and Hong Kong retailer. Wuxi Bio continued to decline even the company announced to repurchase its share at a price of HKD78.45 to HKD80.35. Hong Kong retailers suffered after Hong Kong government announced series of social distancing measures. The Hang Seng Index was up 165pts to 23,072pts with a daily turnover of HKD134.5b. Worth to pay attention to China property sector, local news stated that the debt used for acquisition purpose will not count into “three red lines”.

Sector News

China Property

According to CRIC's preliminary figures, top 50/100 Chinese developers' contracted sales in Dec 2021 dropped 36%/32% YoY. On a full-year basis, top 100 developers' sales fell 3% YoY to RMB12,631.8b, the first drop in the recent decade. Top 10/20 developers' market share (as a % of top 100's total sales) further shrank to 36.0%/54.1%. Most developers missed their 2021 full-year sales targeting, achieving c.90% of their target. The top 100 developers' land acquisition amount in 2H21 slumped by 42% YoY. With less saleable resources, market estimates FY22E sales to decline >10% YoY, given that new home price weakness and poor purchase sentiment are expected to persist in 1H22E.

Company News

Nissin Foods (1475 HK)

Nissin Foods announced its price hike plan for its noodle's products in China, will be effective from 1 March 2022. It plans to raise prices by mid-single digits with the range of product coverage including bag-type and cup-type products, covering its signature products - Cup noodles, Demae Icho (including bag, cup and bowl), Raoh, etc. This round of price hike is likely to improve its operating margin in China. On the other hand, the HK government announced that evening dine-in from 6pm will be suspended for 2 weeks along with bars, sports facilities and other entities. These measures may temporarily boost Nissin's Hong Kong noodles revenue from the 2-week stay-at-home consumption; if the measures are extended, it will further boost HK noodle revenue.

CR Power (836 HK)

Its share price slumped after news stated that the company plans to spin off its renewable energy business to be listed in Hong Kong to raise USD1b to USD2b. This should be positive to CR Power given that the company is expected to report negative cash flow for supporting renewable energy business. Yet, the correction reflects two things: (1) investors have been anticipating an A-share listing for its renewable business, which could potentially lead to a higher valuation; (2) investors may have to shift their position from CR Power to its spin-off business, leading to selling pressure.

Wharf REIC (1997 HK)

Market is turning more cautious on the earnings recovery trajectory of Wharf REIC. The Hong Kong Chief Executive Carrie Lam has announced social distancing measures to protect the community will start from 7 Jan, as Hong Kong is on the verge of a fifth wave of COVID-19 infections. This suggests there is a strong possibility of a further delay in the resumption of quarantine-free cross-border travel (market previously estimates a gradual re-opening of the border in Feb). These measures could adversely impact Wharf REIC's rental performance and the pace of its earnings recovery, given that the company is highly dependent on tourism spending. Market estimates c.69% of its exposure is in the retail and hospitality business.

Tencent (700 HK)

Tencent announced to launch a game credit system for its game title "Honor of Kings", designating that users with a game credit score of less than 100 will not be able to use certain socializing features of the game, including leaving comments, adding friends and joining teams.

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