



Market Overview

Last Friday, Hong Kong stock markets advanced on the rally of China property sector and technology firms. Chinese property developers were stimulated by the local news stated that China plans to relax 'three red lines' to encourage state-led property M&A. For SOE property developers, COLI (688 HK), CR Land (1109 HK) gained by 6%. The Hang Seng Index was up 420pts to 23,493pts with a daily turnover of HKD147.2b. This week, a series of China economics data will be released, including inflation rate, PPI, new yuan loan growth (12 Jan, Wed), vehicle sales (13 Jan, Thur), trade date (export, import, balance of trade) (14 Jan, Fri).

Sector News

China Auto

According to CAAM, the stringent pandemic controls in some cities of China have affected the passenger vehicle sales in Dec 2021, which is usually the peak season in a year for vehicle sales. The Vehicle Inventory Alert Index in Dec 2021 declined by 4.6pp YoY. CAAM estimated that the passenger vehicle sales volume would reach 21m units by end-2021, rising by less than 5% YoY. Market believes the passenger vehicle market in 2022E will be well bolstered by EVs, particularly PHEVs.

Company News

Remegen-B (9995 HK)

RC48 (Disitamab Vedotin), the HER-2 ADC developed by Remegen, was approved for the treatment of 2L UC (urothelial carcinoma) by NMPA on 1 Jan 2022. Apart from UC, RC48 was approved for the treatment of GC by NMPA in June 2021. RC48 has 14 registered clinical trials in China at present, including UC, BC and NSCLC. On the other hand, STAR board dual-listing on track. On 11 Nov 2021, Remegen passed the STAR board A-share dual-listing hearing. According to its management, the company will register at China SAC, post which it will be dual-listed on the STAR board.

Luk Fook (590 HK)

Its management sees same-store sales (SSS) vs. pre-COVID staying robust for Dec-quarter. By monthly performance, Nov was the worst but still showed double digit (%) growth. Into the Mar-quarter, the company is seeing better pre-CNY order pipelines than last year and expects positive SSSG YoY despite the challenging base with a negative offline performance offset by online. Its management believes gold sentiment will remain strong in the near term under the inflationary environment. For China market, 500 net opening guidance in FY22 has been on track, and the company also aims to achieve annual 500 net additions over next 2-3 years. Its management sees the potential to reach 5,000 stores in the long run, double the size of the current network.

Geely Auto (175 HK)

Geely announced total Dec sales volume at 158,765 units (+3% YoY, +17% MoM). Of the total sales volume in Dec 2021, c.18k units (+162% YoY) were new energy and electrified vehicles. In the announcement, Geely also set 1.65m units 22E PV sales target, in line with expectations. Zeekr Dec sales were 3.8k units. According to Bloomberg, Geely will partner with Baidu-SW (9888 HK), Waymo and Mobileye: (1) With Baidu, it will launch an L4 AD vehicle in 23E equipped with NVIDIA Orin SoC chips; (2) Geely's Zeekr will also partner with Waymo on Robotaxi; (3) Geely will further enhance its relationship with Intel and Mobileye on EyeQ Ultra SoC technology. From March 2022 onward, Geely should continually deliver a decent volume growth, which was driven by new products launch.

Nongfu Spring (9633 HK)

Nongfu Spring is confident it can deliver more than 20% topline growth in 2021 and expects to maintain double digit sales growth in the next few years if COVID-19 outbreak is controllable. The company mentioned that sales growth slowed down in 2H21 vs. 1H21 due to more stringent travel control and COVID-19 resurgence in some regions, but the impact was manageable, and benefited from the company's more experienced responses. By segments, all categories saw volume growth in 2021 vs. 2019, except functional beverage segment. By categories, tea delivered the fastest growth followed by water (medium to large-sized water faster than small-sized water).

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