



Market Overview

Yesterday, Hong Kong stocks rose to the highest level in more than six weeks following the gain in Chinese technology companies since Oct 2021. A Chinese government report showed inflation in Dec was slower-than-expected, creating room for further policy easing. Tech stocks surge 5% in Hong Kong as Alibaba-SW (9988 HK), JD-SW (9618 HK) lead charge while CNOOC (883 HK) surprises market with big dividend plan. The Hang Seng Index surged 663pts to 24,402pts with an increase in daily turnover of HKD153.6b. Technically, the index may experience resistance level at its 100-day Moving Average in the near term (i.e. 24,500pts), which is also a downward trend formed since Jun 2021.

Company News

Chow Tai Fook (1929 HK)

Chow Tai Fook announced its 3QFY22 (ended Dec-21) operating updates. Both China and HK & Macau markets beat. By segment, HK & Macau same-store-sales growth (SSSG) came at 14% YoY as sentiment picked up since late Nov as Macau reopened. While China gold sentiment is moderating from the peak in the Sept -quarter, it is more resilient than expected, with Dec SSS rebounding from Nov back to >20% pre-COVID. Net openings in mainland China in 9MFY22 already reaching FY22 target of 1000. Its management highlighted FY22E sales growth to be at high range of previously guided 30-40% (vs. consensus forecast of 33%) driven by better SSSG outlook and higher expansion target of 1,200.

CR Beer (291 HK)

CR Beer expects total sales volume to deliver a slight increase in 2022E, with 20%-25% volume growth for the 'sub high and above' segment, and maintains its premiumization goal in 2025E. Meanwhile, the company expects faster ASP growth (with the high single digit) and continuous gross profit margin (GPM) improvement in 2022E on the premise of continuous premiumization, at least two rounds of price hike done before sale season, and a stable COVID situation. The company said it will also continue to focus on investments in branding and major clients, and expects an increase in its selling expense ratio with a smaller magnitude in 2022E. Meanwhile, the company believes a faster recurring EBIT growth rate in 2022E vs. 2021 is achievable.

CNOOC (883 HK)

Its share price surged 6.7% after the company highlights increased focus on market value management by introducing a special dividend for 2021, raising dividend outlook over 2022-24E, as well as proposing share buybacks. The details include: (1) introduced the 2022-24E payout ratio target of being at par or higher than 40% (and absolute level being at par or higher than HKD0.70/share); (2) announced a special dividend (for the 20th anniversary of listing) in addition to the 2021 year-end regular dividend, of which the absolute number will be released in the annual earnings release in March. Further, the company plans to implement share buybacks in 2022 to mitigate the management-perceived underperformance of the share price.

WuXi Bio (2269 HK)

Wuxi Bio added 10wL capacity in 2021, and plans to add another 10wL in 2H22E. The newly launched manufacturing sites will take 2-4 years to ramp up, as per management. Given the low utilisation rate of new facilities, its management guides a c.45% gross profit margin over 2022-24E, slightly lower than 50% of its 1H21 figure. Regarding overseas expansion, its management alluded the company will set up a new site in Singapore. For the European

market, it might launch a new site in Ireland, thanks to the attractive tax rate and ease of accessing global suppliers and recruiting experts.

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