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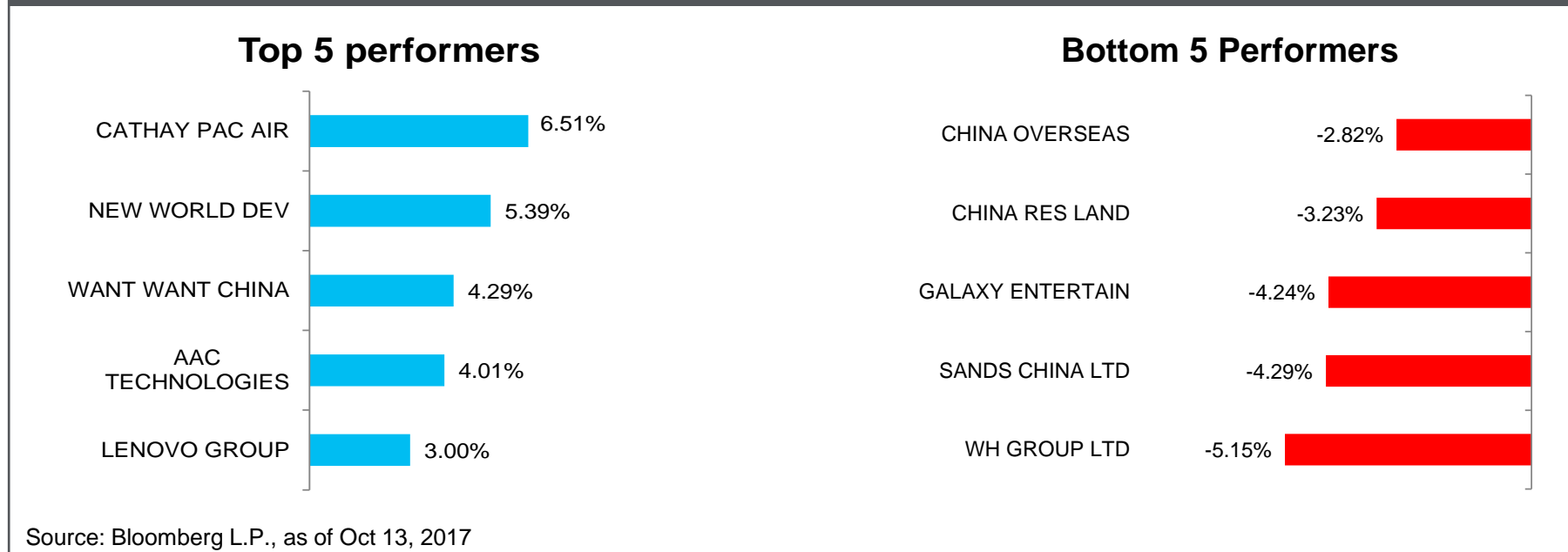
Stock Spotlight

Oct 16, 2017



HSI rose last week

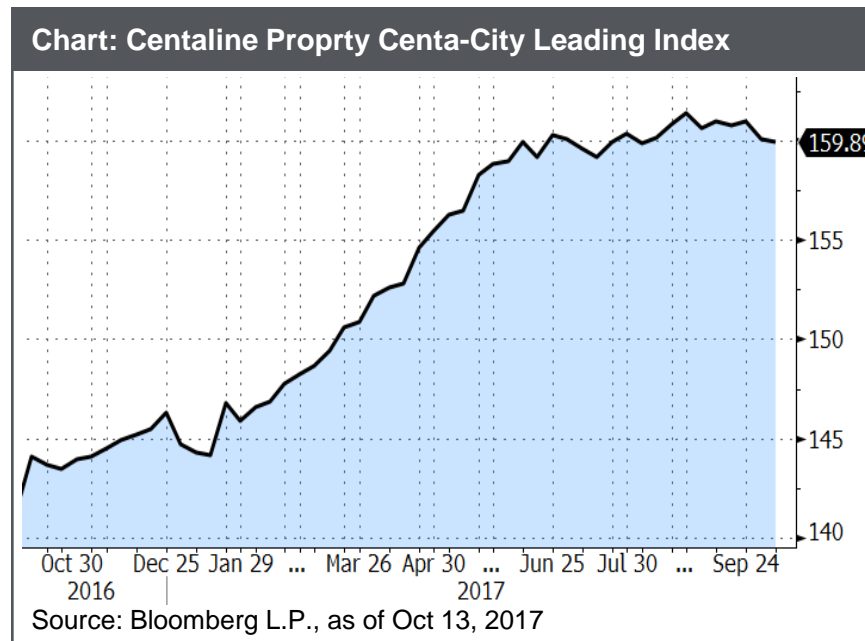
Chart: Weekly HSI Top 5 & Bottom 5 Performers



❖ The Hang Seng Index rose 0.1% last week.

- ▶ Cathy Pacific rose 6.51% last week and was the top gainer among HSI constituents.
- ▶ Gaming industry was the worst-performing industry group last week.

- ▶ Carrie Lam delivered her first Policy Address last week. No concrete plans are available for the “Starter Homes” (SH) schemes and farmland conversions. Government may need longer-than-expected time to make use of developers’ farmland and the scale may be smaller than market expectations. We generally take the policy address as being negative to residential developers given rallies ahead of the address.
- ▶ The SH scheme is still at a preliminary stage. Without affecting the supply of public housing, the land supply for SH units should come from sites owned by developers or government private residential sites. The upper income limit will be set at HK\$34K for singles and HK\$68K for households with 2+ members. Details of the scheme will be finalized in mid-2018. Developers may need to wait until then before submitting any proposal of marking use of their farmland.
- ▶ Citi tends to believe the high YTD land exchange numbers were mainly driven by developers. HK developers have become more active in sourcing landbank though farmland conversions due to competition of government land tenders by mainland developers.
- ▶ Citi believes every sq ft GFA farmland being converted will enhance NAV by HK\$2K. With slower farmland conversion pace. We recommend investors diversity into developers with stronger launch pipelines and other specific catalysts.



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