



Market Overview

Yesterday, with the inflow of southbound capital, the daily turnover climbed to HKD118.3b (+69% DoD). Yet, it doesn't help much on the index movement. The Hang Seng Index opened 125pts higher yesterday morning, yet, the upside was not sustainable, dragged by China healthcare and China tech. Profit taking was observed along China renewable energy sector. The Hang Seng Index was closed at 23,289pts (+15pts). China Dec 2021 Caixin Services PMI and Caixin Composite PMI will be released on Thursday with consensus estimates of 52.1 and 51.2, respectively.

Sector News

China Tech

According to SCMP, a Securities Daily's report that c.140k of these enterprises have been deregistered since July, which referred to data from business registry tracking firm Tianyancha. That number signified a considerable acceleration from the 180,000 video gaming firms that shut down throughout 2020. The National Press and Publication Administration (NPPA) has not published a list of approved new titles since the end of July. This marks the country's longest suspension of new game licenses since a nine-month hiatus in 2018 that followed a regulatory reshuffling. This should be mildly positive to the large online game developers, including Tencent (700 HK), NetEase-E (9999 HK).

Company News

AAC Tech (2018 HK)

Market expects AAC total pure plastic handset lens shipment to turn positive QoQ and YoY growth in 1Q22E and 2Q22E, respectively. The growth is expected to be driven by easing chipset shortage and better seasonality drives end customers' smartphones shipment recovery, diversifying customer base with upside in Vivo, OPPO, Samsung, comprehensive offerings and sufficient capacity, and pixel mix upgrade. AAC's handset lens is mainly for Honor and Xiaomi for 2021, followed by Vivo, OPPO, and Samsung. The relatively concentrated customer base caused shipment volatility in 3Q21, when single customer suffering shipment decline. AAC is expected to continue diversifying its customer base, driving its exposure to other leading smartphone brands in the future. Its share price surged 6.8% yesterday.

Shenzhou Int'l (2313 HK)

Its management confirmed that the shutdown will negatively impact the delivery schedule of its orders but it cannot yet be quantified. Shenzhou stated that the company will subsidize all affected staff during the quarantine period. At an average of RMB300 per day per staff and 40,000 staff in Ningbo, implying extra cost of RMB12m per day is incurred; meanwhile, its overseas facilities are not impacted and its fabric facility in Vietnam is sufficient to continue supplying to its garment facilities in Vietnam and Cambodia. They expect the reopening the Ningbo base is expected to be in phases, with the non-high-risk facilities to reopen first. Market estimates that approx. 5% downward revision to its consensus 2022E earnings forecast. According to the previous lockdown experience, the production disruption is estimated to last for several weeks to 2 months.

BYD Co. (1211 HK)

BYD's Dec 2021 wholesales volume increased 76% YoY and 1% MoM to 99,112 unit, another month of record-high sales. Growth was driven by NEV segment's 226% YoY growth, while the ICE segment declined 81% YoY. By product, overall PHEV products sold 44.5k units (up 449% YoY and 1% MoM) and pure EV products sold 48k units (up 148% YoY).

and 5% MoM). For 2022E product pipeline, BYD will launch eight brand new products on top of the existing 12 products portfolio. All of these new products are from its "e-platform 3.0" pure electric vehicle technology. Meanwhile, BYD will also upgrade its existing PHEV products to low-cost DM-i PHEV products. For its "e-platform 3.0", market views this is a high-performance electric vehicle technology integrates core components and builds a brand-new body structure and electrical architecture.

Ascletis-B (1672 HK)

Recent updates on operation: (1) the company announces the expansion of the production of ritonavir oral tablets and oral direct-acting antiviral R&D pipeline for the treatment of SARS-CoV-2 infection. The company's COVID-19 pipeline currently includes (i) ritonavir oral tablet (100 mg), an authorized product, (ii) ASC10, an oral RNA dependent RNA polymerase (RdRp) inhibitor and (iii) ASC11, an oral 3-chymotrypsin like protease (3CLpro) inhibitor; ASC10 is an oral direct-acting antiviral drug candidate targeting RdRp. The company plans to submit the investigational drug applications (INDs) for clinical trials in China, USA etc. in 1H22E. Meanwhile, ASC11 is an oral direct-acting antiviral drug candidate targeting 3CLpro, which is expected to submit INDs for clinical trials in 2H22E; (2) the company announces the completion of the U.S. Phase I trial of ASC43F, an in-house developed, first-in-class dual targeting fixed-dose combination (FDC) tablet for non-alcoholic steatohepatitis (NASH).

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