



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, the Hong Kong stocks market corrected after overnight (4 May) Powell said that there was "a broad sense on the committee that additional 50bps increases should be done for the next couple of meetings.", easing concerns the Fed would adopt more aggressive policy. Tech names were broadly up. A-share markets resumed trading yesterday and were slightly up after a long holiday for May Labour Day holiday. The Hang Seng Index was down 76pts to 20,793pts with a daily turnover of HKD100.7b. Technically, investors are advised to keep an eye on whether the index can stay and trade above its Bollinger Band middle level (daily) at c.21,100pts in the upcoming few trading days; if not the index still experience technical weakness. Overnight, U.S. stocks markets slumped as inflationary concerns returned with the spike on bond yields. According to ig.com, the Hang Seng Index is expected to open c.550pts lower this morning to c.20,250pts.

Sector News

China Brokerage - 1Q22 Results Review

China brokerage recorded 22% decline in 1Q22 net profit on average, the fall was mainly due to market fluctuations. Of which CITIC Sec (6030 HK), CSC (6066 HK) and CICC (3908 HK) outperforming its peers in earnings growth, on the back of their edge in investment banking division and wealth management business. In 1Q22, IPO underwriting served as the main earnings driver, the underwriting amount recorded more than double YoY on average. Market expects benefited from the full implementation of a registration-based IPO system and healthy IPO pipelines, investment banking division is expected to underpin the growth of overall equity financing market in 2022E. Due to earnings volatility influenced by market sentiment and COVID-19 lockdown in 1Q22, related companies' earnings decline, yet, market is positive on brokers' long-term growth on wealth management development and full implementation of registration-based IPO system. Any marginal improvement in A-share sentiment can act as near-term catalyst.

Company News

WH Group (288 HK)

Its management expects improving pork sales growth in all three key markets (China, U.S., UK) in the upcoming quarters. For China, its management indicates a recovery in both production and logistics from April 2022. WH Group expects both slaughter volumes and pork operating profit to improve significantly YoY. For U.S. market, its management expects rising hog prices to benefit

its hog raising business. It will improve product mix and optimize channel distribution to enhance its competitiveness. Meanwhile, for UK market, they expect its pork sales to benefit from rising hog price as well. The company plans to raise prices in order to pass on rising raw material cost inflation to its customers.

JD-SW (9618 HK)

The company announced that the Board has approved a special cash dividend of USD0.63 per ordinary share, or USD1.26 per ADS. The declared cash dividend involves c.USD2b and implies a dividend yield of c.2%. According to its announcement, the special dividend arrangement reflects JD's confidence in its long-term growth potential and strong balance sheet and the Board will consider measures to give back to shareholders in the long term, including paying dividend. Market expects JD is likely to carry out share buybacks as JD increased its share repurchase program from USD2b to USD3b in Dec 2022.

Gome Retail (493 HK)

The company and Tencent (700 HK) entered into a strategic cooperation agreement, which purportedly covered fields of advertising marketing, big data, cloud services, smart stores. Under the agreement, Gome Retail and Tencent would give full play to their respective advantageous resources and capabilities in a bid to co-share and co-build the full retail ecological platform.

Hansoh Pharma (3692 HK)

Hansoh Pharma has entered into an exclusive collaboration and license agreement with NiKang Therapeutics, a clinical-stage biotech focused on developing innovative small-molecule oncology drugs. Per the deal terms, Hansoh will be granted exclusive Greater China rights to develop and commercialize NKT2152, an innovative small-molecule HIF2 α inhibitor. Hansoh will be responsible for all the development costs for NKT2152 in Greater China, and NiKang will receive an upfront cash payment of USD15m, while also being eligible to receive up to USD203m in potential development, regulatory, and sales-based milestone payments, as well as tiered royalties.

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