



Dim Sum Daily
每日港股简评



Market Overview

Last Friday, before the long weekend, the Hong Kong stocks market plunged as investors raised concerns on the Fed is in the tenuous position of fighting inflation without causing recession. All sectors fell broadly. The Hang Seng Index slumped 791pts to 20,001pts with a daily turnover of HKD117.8b. This week, a series of China economics data will be released, including inflation data, new yuan loan, money supply, vehicle sales and FDI data. Overnight, the U.S. stocks market slumped as worries deepened over the Fed's ability to get inflation under control without throwing the economy into recession. According to ig.com, the Hang Seng Index is expected to open c.800pts lower this morning to 19,200pts.

Sector News

Hong Kong Retail - Weaken March Data Dragged by Tighter COVID Restriction

On MoM basis, Hong Kong March retail sales declined by 2.4% in value terms and 1.3% in volume terms. The fall is likely to be caused by tighter COVID restrictions measures. By categories, sales in jewellery, watches and clocks (luxury products) recorded the most decline, followed by the sales in supermarkets. On YoY basis, the sales value fell by 13.8% YoY. Looking ahead, the relaxation of social distancing measures and a new round of consumption voucher program in Hong Kong is expected to support a recovery of retail sales in April and May. Positive to retail landlord and Hong Kong retailers, including Hysan Dev (14 HK), Wharf REIC (1997 HK).

China Telecom - Benefit from Digitization Trend

Market believes China telecom companies to benefit from industrial and digitization in several segments: (1) Internet of Things (IoT) account for c.10-15% of industrial revenue, recording over 20% CAGR in the past three year; (2) Internet data center account for c.30% of industrial revenue, three listed telcos recorded >10% YoY growth; (3) Cloud business account for c.20% of industrial revenue, at current stage, cloud business is loss-making. In the long run, market believes telcos' mobile revenue to remain flattish, broadband revenue CAGR at single digit, while industrial digitization revenue CAGR at >20%.

Company News

BUD APAC (1876 HK)

BUD APAC's Q122 revenue and EBITDA were USD1.6b (+1.5% YoY) and USD570m (+7.6% YoY), its earnings beat consensus mainly due to lower-than-expected tax rate and revenue recovery in Korea. Its 1Q21 EBITDA margin increased to 35% (new high). Its management highlighted that the

company achieved a record-high EBITDA margin in the quarter on the back of cost control during the pandemic, effective price hike and continuous premiumisation amid higher input costs. Looking ahead, its management believes China market is likely to be impacted by COVID-19 lockdowns than its peers due to high exposure to eastern China and on-premise/ night life channel in the near term; meanwhile, for South Korea market, its management raised its ASP for its premium brand portfolio in 2021 and some domestic brands in 1Q22.

GAC Group (2238 HK)

Its management commented that the COVID-19 lockdowns has impacted GAC's sales and production in April and May. It stated that around 500 of its component suppliers located in Shanghai and nearby areas were impacted by lockdowns. It estimated that company-wide production volume to decline by 30% MoM in April. Yet, GAC maintains its 15% YoY sales-volume growth target for 2022E, of which, GAC-Toyota is expected to record c.20% YoY growth; Trumpchi of 6-21% YoY growth; GAC Aion of 108%-150% YoY growth. Market expects GAC to increase its production in the upcoming months after the lockdown eased.

CSPC (1093 HK)

CSPC Pharma announced the receipt of marketing approval from China NMPA for its generic donepezil hydrochloride tablets, which are deemed to have passed GQCE. Donepezil hydrochloride is indicated for the symptomatic treatment of mild, moderate or severe Alzheimer's disease. Some cognitive signs and symptoms of Alzheimer's disease are currently postulated to be associated with a deficiency of cholinergic neurotransmission. Donepezil hydrochloride is proposed to exert its therapeutic effect by increasing acetylcholine concentration via reversible inhibition of its hydrolysis by acetylcholinesterase, thereby enhancing cholinergic function.

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