



Market Overview

Yesterday, the Hong Kong stock markets continue to experience directionless as market eyes on the situation of COVID-19 in China, upcoming China economic data and companies' results announcement. The Hang Seng Index was down 156pts to 20,045pts with a thin daily turnover of HKD74.9b. Today, FIH (2038 HK), UPC (220 HK) and Zai Lab-B (9688 HK) will release their interim results.

Sector News

China Travel - Hainan COVID-19 Cases Rise

Recently, it is reported that there was a COVID-19 outbreak in Hainan. On Sunday, China recorded 736 COVID-19 cases, of which around two-thirds of them from Hainan. A lockdown has been imposed in Hainan's resort of Sanya. Public transport has been halted as people's movements are being restricted. Hainan began conducting nucleic acid tests for all people in Hainan to curb its latest COVID-19 outbreak. Eyes on the latest development of COVID-19 situation, adversely affect related travel players, esp. Meilan Airport (357 HK).

China Airline - Revised "Circuit Breaker" for Non-domestic Flights

The Civil Aviation Administration of China revised its "circuit breaker" rules for non-domestic flights. The new rule requires flight suspension of a week if confirmed COVID-19 cases account for 4% of pax per single flight and two weeks for 8% for all inbound flights with >5 cases confirmed. This considers as relaxation compared with previous rule. The previous rule required flight suspension of two weeks if >5 COVID-19 cases confirmed per single inbound flight and 4 weeks for 10 cases. Market believed it should marginally improve non-domestic capacity, but probably not bring significant improvement to China non-domestic air capacity control.

Company News

Alibaba-SW (9988 HK)

Alibaba's 1QFY23 results was better-than-expected margin across all segments in core commerce and effective cost control, yet, its cloud revenue missed consensus estimates. Market believed there will be earnings upside risk factoring Alibaba's stringent cost control efforts in the coming quarters. Besides, market also believes Alibaba will benefit in 2H22E as the proxy of China's consumption recovery. Future catalysts include (1) the approval of its dual-primary listing in Hong Kong; (2) potential positive news flow on Ant Group; (3) share buybacks program.

WuXi Bio (2269 HK)

On 4 Aug, WuXi Bio announced that it has reached a deal with AstraZeneca on domestic production of the COVID-19 preventive drug Evusheld. The drug has been approved in several countries and aims to benefit the ones with a weak immune response to vaccines. According to AstraZeneca, Evusheld costs RMB13k per dose of two injections. In 2021, WuXi Bio has produced c.50% of AstraZeneca's vaccine supply to the Global COVID-19 Vaccine Program. Market believed this cooperation can strength WuXi Bio's leading CXO position.

MicroPort (853 HK)

The company issued a profit warning for its 1H22E results, expecting the company to record 1H22E net loss of between USD193m-203m (vs. 1H21 net loss of USD90.3m). The deteriorating trend was due to (1) an increase in non-cash expenses, including the accrued interest on the convertible bonds issued by the company and the preference shares issued by its subsidiaries; (2) a significant increase in expenses for the surgical robot business, the heart valve business, the surgical business and promotion of research and development; (3) an increase in investment in overseas market development and product promotion.

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