



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, the Hong Kong stocks market gained on the back of the rally of China property sector, of which, Longfor (960 HK) and Country Garden (2007 HK) surged 4.8% and 10.4%, respectively. China property sector rallied after Chinese financial authorities allowed a further cut in mortgage loan interest rates for some home buyers to boost the physical market and the economy on Sunday (15 May) and three private Chinese property developers (Country Garden, Longfor and Midea Real Estate (3990 HK)) were asked by the authorities to issue bonds to help boost market sentiment. On the other hand, Chinese airline companies were up after Shanghai will gradually begin reopening businesses such as shopping malls and hair salons in China's financial and manufacturing hub from Monday (16 May) after weeks in strict COVID-19 lockdown. The Hang Seng Index advanced 51pts to 19,950pts with a decline in daily turnover of HKD93b. Companies-new: JD-SW (9618 HK) will release its 1Q22 results today with consensus forecast of revenue and net profit of RMB235.8b (+16% YoY) and RMB2.4b (-37% YoY), respectively.

Sector News

China Macro - Weaken Data in April

A series of China economic data were released, all missed consensus forecast, indicating that China's economy shrank sharper-than-expected in April. China's industrial output fell 2.9% YoY (vs. consensus forecast of +0.4%); April retail sales shrank 11.1% YoY (vs. consensus forecast of -6.1%); YTD fixed asset investment increased 6.8% YoY (vs. consensus forecast of 7%). The statistics bureau stated that the increasingly grim and complex international environment and greater shock of COVID-19 pandemic exceeded expectation, bringing new downward pressure on the economy.

China Auto - Passenger Vehicle Updates

According to Think Car, China's passenger vehicle (PV) wholesale volume declined by 43% YoY in April to 977k units, which was mainly caused by the Shanghai COVID-19 lockdowns. Market expects there will be only moderate MoM improvement in May given the Labour Day Golden Week and the COVID-19 restriction measures in Beijing. By brand, BYD Co. (1211 HK) outperformed its peers with sales volume growth of 133%, while Geely (175 HK) recorded 28% decline, Great Wall Motor (2333 HK) (-41% YoY), SAIC Motor (-68% YoY). NEV wholesale volume continued to grow at 49% YoY to 288k in April. With more NEV models are expected to be launched in 2H22E, market believes this to drive market demand. Related stocks: GAC Group (2238 HK), BYD Co. (1211 HK), Geely (175 HK).

China Auto - Stimulus Policy in Yiwu

On 13 March, Yiwu announced an auto consumption subsidy to stimulate new car consumption demand. The details are as follow: (1) Period: The subsidy period is valid from 15 May to 15 June; (2) Subsidy amount: RMB3k for new car price of over RMB30-100k; RMB5k for new car price of over RMB100-200k; RMB8k for new car price of over RMB200-300k; RMB10k for new car price of over RMB300k. Previously, Guangzhou had announced an auto stimulus policy in late April. Market expects more provinces/cities will follow and introduce similar stimulus policies to support auto consumption demand amid the macro overhang. With a gradual production recovery for auto supply chains in Shanghai from late April, we expect production to return to normal in late May or in June.

Macau Gaming - New Gaming Law Revisions

The Macau government representatives had a closed-door committee meeting with the Legislative Assembly regarding the gaming bill on 13 May. The Macau government is proposing the following changes to the new gaming bill, they include (1) waiving up to 5pp of the gross gaming revenue (GGR) tax, if the concessionaires are able to bring in overseas customers outside China and (2) dropping the proposal to require satellite casino gaming areas to be owned by concessionaires. Currently, concessionaires are required to pay a 35% gaming tax plus up to 5% of fees for infrastructure development and promotion of tourism and social security. In the proposed new law, this 5% of fees could be fully or partially exempted by the Chief Executive if the casino operators can attract foreign players outside China. Market believes that Sands China (1928 HK) and Galaxy Ent. (27 HK) are able to outperform in attracting foreign players given that they have more diversified non-gaming facilities.

Company News

Tingyi (322 HK)

Its management provided the following guidance: (1) maintains its guidance of high-single-digit top-line growth with beverage growing faster than noodles; (2) expects the possibility of profit decline amidst cost inflation headwinds; (3) expects raw material costs to remain elevated for the rest of the year; (4) expects to see some market share pressure in instant noodle as its peers didn't follow with the price hike; (5) plans to remove all the extra promotions they offered since price hike by end of 2Q22E; (6) plans to launch 2 more premium series with ASP at c.RMB10 later this year. For beverage, the company will continue adding new flavours in existing products/series and introducing different packages to satisfy various demand/occasions.

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