



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, the Hong Kong stocks market gained on the rally of tech and auto names. Tech names rallied after JPMorgan Chase upgraded its recommendation on some of China's biggest technology companies. On the other hand, investment sentiment was also boosted by news that Shanghai plans to reopen in phases starting next month. The Hang Seng Index surged 652pts to 20,602pts with an increase in turnover of HKD124.1b. Technically, the Hang Seng index is said to be experienced technical improvement once the index can stand above its daily Bollinger Band mid-level for three consecutive trading days (i.e. 20,400pts). Today, Tencent (700 HK) will release its 1Q22 results with revenue and adjusted net profit of RMB142.2b (+5.1% YoY) and RMB26.6b (-19.4% YoY).

Sector News

China Coal - Stable Coal Price

CCTD QHD5,500 blended coal price, QHD5,500 spot coal price, and BSPI price stayed flattish WoW. Coal production continued to expand under policy stimulus. According to the National Bureau of Statistics' data on 16 May, coal production in April achieved a 10.7% YoY increase to 360mt, with an average daily output of 12.09mt. Coal production resuming with the effective control of COVID-19 cases, along with likely smoother logistics upon the resumption of the Daqin Railway maintenance by end-May. In addition, the RMB570-770/t price range for the QHD5,500 mid-to-long term coal contract has stayed in effect since 1 May, and market expects coal prices to continue to remain stable over 2Q22E.

China Property - Further Ease Mortgage Loan Rate

On 15 May, the PBOC and CBIRC published a notice regarding adjustment of mortgage policies. The notice states that (1) the mortgage rate floor for first homes will be lowered to LPR minus 20bps (vs. Loan Prime Rate before) while the minimum mortgage rate for second homes remains unchanged; and (2) guidance will be provided to regions to determine first and second home mortgage rates in various cities according to their property market situation and local property policies. Market views the lowering of minimum first home mortgage rates as positive for sector sentiment. Yet, market is doubtful as to how effective this will be in boosting home sales in the near-term. Related stocks: COLI (688 HK), CIFI (884 HK), China Vanke (2202 HK).

Company News

Man Wah (1999 HK)

Man Wah reported largely in-line FY22 (end 31 March 2022) results with revenue and net profit of HKD21.4b (+30.8% YoY) and HKD2.2b (+16.8% YoY), respectively. Its management expressed higher emphasis on SSSG improvements with higher traffic conversion rate and average ticket size, while they plan to slow down store openings in FY23E. For product expansion, they believe this act as the key growth driver with beds, mattress and customized furniture and expect this to record faster growth. Its management also expects NPM to recover to the range of 12-18% in the mid/long term from 10.5% in FY22.

VTech (303 HK)

VTech posted largely in-line FY22 annual results (end 31 March 2022), with net profit decreasing by 25% YoY to USD173m. The earnings decrease was mainly due to a 2.4pp YoY contraction in gross profit margin to 28.2%, given the cost pressure from freight, raw material and labour costs. VTech has also declared a USD0.51 as final dividend, maintaining a 99% full-year dividend pay-out ratio, offering near 10% dividend yield. Looking into FY23E, the company guides for modest revenue growth backed by a solid order backlog and stable margins.

Fosun Pharma (2196 HK)

The company received approval from China NMPA to carry out a Ph II study assessing its novel small-molecule MEK1/2i drug FCN-159 in histiocytic tumors. FCN-159 is a highly selective MEK1/2i which can significantly inhibit the proliferation of tumor cells with Ras/RAF mutation, inhibit or block the downstream pathway by inhibiting the phosphorylation of MEK, block the phosphorylation of ERK in cells, and block the cell cycle in G0/G1 phase and induce apoptosis, which can bring potential clinical benefits to solid tumor patients with RAF mutation-positive, or RAS mutationpositive and MAPK/ERK signal pathway activated. The drug, being developed to treat advanced solid tumors, type I neurofibroma, histiocytic tumors, and others, is subject to a Ph I trial in MM in China, and a Ph II and Ph I study in type I neurofibroma in China and the U.S. respectively.

DISCLAIMERS

This Dim Sum Daily is prepared for general circulation and for information purposes only. It is not an investment research or a research recommendation, as it does not constitute substantive research or analysis. The material contained herein is intended as a general market commentary. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable. However, MIB Securities (HK) Ltd, its subsidiary and affiliates (collectively, "MIB (HK)") do not independently verify such information and consequently no representation is made as to the accuracy or completeness of such information. MIB (HK) does not take responsibility for any loss occasioned by reliance placed upon the contents hereof. Any statements nonfactual in nature constitute only current opinions, which are subject to change at any time without prior notice. MIB (HK) or its officers, directors, analysts, or employees may, to the extent permitted by law, from time to time participate or invest in financing transaction with any company mentioned herein; may have positions in securities or commodities referred to herein, and may, as principal or agent, buy and sell such securities or commodities. An employee, analyst, officer, or a director of MIB (HK) may serve as a director for companies mentioned in this email. Neither the information nor opinion expressed in this email shall constitute a solicitation to buy or sell any securities. There may be instances when fundamental, technical, and quantitative opinions may not be in concert. MIB (HK) may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this email. This Dim Sum Daily is prepared for the use of MIB (HK)'s clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MIB (HK) and MIB (HK) accepts no liability whatsoever for the actions of third parties in this respect. There are risks inherent in international investments, which may make such investments unsuitable for certain clients. These include, for example, economic, political, currency exchange rate fluctuations, and limited availability of information on international securities. MIB (HK) recommends that you obtain the advice of your Financial Advisor regarding this or other investment in order to confirm to your financial resources and risk preference.