Dim Sum Daily

每日港股简评

MIB

Market Overview

Yesterday, the Hong Kong stock markets was slightly up as market concerns over rising U.S.-China tensions on Pelosi's visit to Taiwan. China auto gained on the back of decent sales volume growth and deliveries in July. Country Garden (2007 HK) and CG Services (6098 HK) slumped to their 52-week lowest level on Country Garden's unexpected placement raising liquidity concern. The Hang Seng Index was up 77pts to 19,767pts with a daily turnover of HKD95.5b. Company-News: Alibaba-SW (9988 HK) will release its results; market estimated its revenue and adjusted net profit to fall 1.2% YoY and 35% YoY to RMB203b and RMB28b, respectively.

Sector News

Hong Kong Retail - Remained Flattish in June
Hong Kong retail sales remained flattish on monthly basis with +0.1% in value term and -0.1% in volume terms amid rising local COVID-19 cases. Among major categories, sales of clothing and footwear declined the most, followed by sales of jewellery, watches and clocks. Meanwhile, the sales in department stores increased the most, followed by sales of consumer durable goods. Looking ahead, the upcoming launch of phase 2 consumption voucher in Aug and Oct is expected to boost sales growth in local consumption in 2H22E. Besides, market sees there is a potential for gradual relaxation of travel restriction in Nov.

China Coal - Weekly Updates
Several sector weekly updates are as follow: (1) the CCTD QHD5,500 blended coal price remained flattish WoW while the QHD5,500 spot coal price and BSPI index dropped by 5.8% WoW and 0.1% WoW, respectively; (2) the average coal inventory at QHD decreased by 1.2% WoW to 5.58mt as of 31 July; (3) the coal inventory of major thermal IPPs in coastal provinces increased by 0.43% WoW to 28.18mt as of 31 July; (4) the weekly daily consumption up slightly by 0.9% to 2.21mt. Market expects thermal coal price to remain stable over 3Q22E on the robust coal inventory and strong hydropower output.

Company News

Zhou Hei Ya (1458 HK)
Zhou Hei Ya issued a profit warning for its 1H22 results, indicating that its revenue and net profit to fall 20% YoY and in range of 91% to 95% at RMB1.16b and RMB10m-20m, respectively. The decline in earnings was mainly caused by a COVIA-19 lockdown measures in China, leading a significant reduce in consumer traffic at store and disruption in logistics and distribution segment.

An increase in raw materials and an increase in exchange losses also impacted its profitability in 1H22. Recap that its management stated that July performance has sequentially improved from June. Eyes on upcoming results announcement and updates on full-year guidance.

Ming Yuan Cloud (909 HK)

The company issued profit warning for its 1H22 results, expecting the company to record a net loss in range of RMB540m-580m (vs. 1H21 net profit of RMB165m). The decline in earnings was mainly affected by: (1) a decline customers' investment in digitalization; (2) research and development expenses (the Skyline PaaS platform); (3) RMB221m share-based compensation expenses for its share incentive plans; (4) RMB116m foreign exchange loss.

LK Tech (558 HK)

Its recent share weakness was due to market concern on Tesla may seek its Giga Press supply from Buhler in the future. Yet, market believed it is normal for Tesla to seek another supplier for the Giga Press. According to LK Tech, its management confirmed that they has maintained good relationship and cooperation with Tesla and plan to double the capacity of die-casting machines by mid-2023E to meet the strong demand for large-to-mega size die-casting machines. Besides, the company also plans to expand the production of CNC machines centres.