



Market Overview

Yesterday, Hong Kong stocks slipped as risk appetite waned after official reports showed China's economy slowed more than market expected last quarter and manufacturing cooled last month amid a power crisis. Tech stocks retreated on regulatory concerns. According to the National Bureau of Statistics, China's 3Q21 gross domestic product grew 4.9% YoY, missed expectations for a 5.2% expansion. Industrial production rose by 3.1% in Sept, below the 4.5% expected by Reuters. YTD fixed asset investment grew 7.3%, also lower than expectation of 7.9%. The Hang Seng Index was up 78pts to 25,409pts with a thin daily turnover of HKD126.9b. This week, companies will start to release their 3Q21 results, including COLI (688 HK), China Tower (788 HK) (at Tue); Flat Glass (6865 HK) (at Wed); China Unicom (762 HK) (at Thur); China Telecom (728 HK), CM Bank (3968 HK), CR Cement (1313 HK), China Shenhua (1088 HK) (at Fri).

Sector News

China Airline

Three H-share Chinese airlines released their Sept operating data: (1) Air China (753 HK) reported a narrower YoY decline in the revenue-passenger kilometers (RPK) of 28% YoY (vs. a decline of 53% YoY in Aug). On a MoM basis, the RPK improved by 68%. For 9M21, the overall and domestic RPKs rose by 11% and 28% YoY respectively (or recovering to 48% and 78% of the 2019 levels); (2) China East Air (670 HK) reported a drop in RPK of 31% YoY in Sept (vs. -56% in Aug). On a MoM basis, the total and domestic RPK increased by 67% and 71%, respectively, recovering to 47% and 71% of the 2019 levels. For 9M21, the overall and domestic RPK rose by 16% and 33% YoY respectively (or recovering to 52% and 79% of the 2019 levels); (3) China South Air (1055 HK) Sept RPK dropped by 26% YoY (vs. a decline of 51% YoY in Aug). For 9M21, CSA's RPK rose by 18% YoY, of which that for domestic rose by 30% YoY (or recovered to 57% and 81% of 2019 levels respectively).

Hong Kong Jewelry

Chow Tai Fook (CTF) (1929 HK) and Luk Fook (LF) (590 HK) released their operating updates during National Day. For Chow Tai Fook, its performances during National Day in China remained strong at 26% YoY same-store-sale growth (SSSG) with upbeat gold sentiment of 45% YoY SSSG. According to its management, 1HFY22 topline came in above expectations thanks to better gold sales and faster penetration, resulting in a higher operating profit, despite a lower OPM due to weaker GPM from higher gold and wholesale mix. Meanwhile, for Luk Fook, it recorded 40%+ SSSG YoY for both its licensed and self-operated stores during the National Day holiday, which was stronger than 26% YoY for Chow Tai Fook. When comparing to same period in 2019, SSS for LF/CTF came at similar level at mid-high 30%/40%+ above.

Company News

Zijin Mining (2899 HK)

The company released its 3Q21 results with operating income of RMB59.1b (+25% YoY) and net profit of RMB4.65b (+116% YoY). The earnings growth was driven by strong execution in its copper segment amid a high price

environment. Its 9M21 net profit came in at RMB11.3b, accounting for c.79% of FY21E consensus estimates. With the completion of Kamoa ahead of planning, the company raised 2021E production guidance of copper concentrate from the mine to 85-95kt. The 2nd phase will ramp up in 2Q22E. Valuation-wise, the name is currently trading at 14.5x/12.5x 2021E/22E PER, market is positive on its outlook on gold price and growing output volume.

LK Tech (558 HK)

According to yzweekly, XPeng-W (9868 HK) has submitted to the Wuhan government its construction plan for the Wuhan factory. XPeng plans a diecasting workshop and welding corridor for its Wuhan factory in addition to traditional workshops. According to yzweekly, XPeng is likely to equip its factory with at least one set of mega die-casting machines and auxiliary facilities for die-casting machines. Market believes it is likely that XPeng will purchase its mega diecasting machine from LK Technology due to its technological leadership in die-casting machines.

Ganfeng Lithium (1772 HK)

The company announced it entered into a contract with Umicore for a 5-year supply of battery-grade lithium carbonate and lithium hydroxide over 1 Jan 2022 to 31 Dec 2026. Umicore is one of the largest cathode producers in the world in terms of global market share. Both quantity and pricing mechanism are not revealed in the announcement. Yet, market believes this cooperation act as a proof that there was a solid demand for Ganfeng's high-quality lithium compounds. On the other hand, its 3Q21 results missed was mainly due to a lower-than-expected ASP for long-term lithium hydroxide contracts.

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