



Market Overview

Yesterday, Hong Kong stocks markets slumped on the concern of political tensions with Russia over the Ukraine and market adopt "wait and see" approach towards FOMC's meeting. Tech names corrected 1-6% on average, while, China auto also performed weak. The Hang Seng Index corrected 412pts to 24,243pts with a daily turnover of HKD146.4b.

Sector News

China Coal

The CCTD QHD5,500 blended coal price rose by 3% WoW to RMB802/t as of 21 Jan. The BSPI increased slightly by 0.9% WoW to RMB745/t as of 19 Jan, while the CCI5,500 spot coal price rose by 6.3% to RMB962/t for the past week. The NDRC published a notice on 31 Dec to ensure coal supply for Jan 2022, requiring the coal IPPs located in North China to improve the average coal inventory available days to no less than 30 days before the opening of the Olympic Winter Games. Market expects the coal prices to remain relatively stable over 1Q22E on balanced supply/ demand dynamics despite short-term spot price hikes around Lunar New Year and Winter Olympics on coal inventory replenishment of IPPs.

Company News

Ganfeng Lithium (1772 HK)

Ganfeng Lithium announced a FY21 positive profit alert, expecting FY21 net profit to be RMB4.8b-5.5b (up 368%-437% YoY) and implying 4Q21 net profit to be RMB2.3b-3b (up 120%-187% QoQ). The earnings forecast beat consensus by 35-55%. The earnings growth was driven by (1) c.RMB950m FV gains from Pilbara in 4Q21; (2) higher-than-expected lithium price; (3) more flexible pricing for LT orders. Market believes its earnings to improve further in the coming quarters on the back of (1) sharp lithium price gains as well as margin expansion; (2) the rising portion of its lithium hydroxide sales benchmarked against spot prices; and (3) volume contribution from integrated projects, where operations will commence from 2H22E.

LK Tech (558 HK)

The company had won an order from Guangdong Hongtu for 8 die-casting machines, including a 12,000-tonne machine. Hongtu is the leading die-casting component supplier in China whose client base extends to major domestic and JV OEMs. According to the announcement, the 12,000-tonne machine would be used to make car bodies, chassis components and battery housing.

ZTE (763 HK)

An analyst expects ZTE's share price to rise over the next 60 days with the following positives: (1) China seeks to accelerate new infrastructure investment in the areas of 5G, datacenter and industrial internet; (2) ZTE is a leading 5G equipment vendor with c.30% market share in China, which is believed to be well positioned to benefit from such potential positives; (3) ZTE's valuation is at a trough level of 12x forward PER, with a 23% discount to its 3-year historical average of 16x.

Pharmaron (3759 HK)

The company announced an in-line preliminary FY21 results with revenue of RMB7.34b-7.49b (up 43%-46% YoY) and non-IFRS core earnings of RMB1.39b-RMB1.5b (up 31%-41% YoY). The company expects >30% revenue growth in

2022E. Its share price weakness was due to market concerns on the future perspective of biotech funding, yet, market believes Pharmaron to be able to record strong demand in all business sectors, and see talent recruitment as the potential limiting factor for further growth acceleration. Besides, market believes biologics/CGT and clinical CRO can act as an important long-term driver and believes the quick turnaround of new businesses (ABL/clinical CRO) would further boost its future growth potential.

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