



Dim Sum Daily
每日港股简评



Market Overview

Last Friday, the Hong Kong stocks market advanced after China denied the city will be lock downed amid a slight rise in COVID-19 cases. China released a series of momentary data with mixed view: (1) April new yuan loans was RMB645.4b (vs. consensus forecast of RMB1,515b); (2) April total social financing was RMB910.2b (vs. consensus forecast of RMB2,150b); (3) April money supply M2 was 10.5% YoY (vs. consensus forecast of 9.9%). China auto sector surged after rumours said China is set to unroll a fresh round of "cars going countryside" event as soon as this month. The Hang Seng Index gained 518pts to 19,898pts with a daily turnover of HKD116.6b. Today, a series of China economic data will be released, including industrial production, retail sales, fixed asset investment, unemployment rate. This week, some tech companies will release their 1Q22 results, including JD-SW (9618 HK) (17 May), Tencent (700 HK) (18 May), Xiaomi-W (1810 HK) (19 May).

Sector News

China EV - April Installation Fell amid Production Disruptions

China April EV battery installation amounted to 13.3GWh (+58% YoY or -38% MoM). The MoM decline was caused by the production disruptions triggered by COVID-19 lockdown measures in major auto hubs across the country. According to CPCA, the retail sales of NEVs reached 282k units (+78% YoY or -36% MoM), while the domestic penetration rate of April was 27.1% (+17.3ppts YoY). Market believes the impact from COVID-19 lockdown measures was short-lived; while, NDRC and relevant departments recently introduced several favourable policies and practices to boost EV consumption and promote the development of supporting facilities for NEVs.

Company News

Uni-President China (220 HK)

UPC stated that 1Q22 revenue grew by a high-single digit YoY, driven by higher average selling price (ASP) and volume, with beverage revenue growing by double-digits YoY in 1Q22, contributed by tea and juices segment. Its management stated that beverage demand will be under pressure in 2Q22E due to the COVID-19 lockdown measures. While its management guides for likely cost pressure in 2Q22E. It noted that palm oil prices rose by 42% YoY and PET prices rose by 20% YoY in 1Q22. While its management stated that beverage revenue is likely to see demand pressure from continual lockdowns, raw material prices may remain resilient. CPU maintains its full-year guidance and expects pressure to ease in 2H22E.

Hua Hong Semi (1347 HK)

Hua Hong 1Q22 results with revenue and net profit of USD595m (+95% YoY) and USD103m (+210% YoY), respectively. The strong revenue in 1Q22 was driven by MCU, IGBT, Super Junction, NOR flash, PMIC, and CIS. Meanwhile, its 1Q22 gross profit margin was 26.9%, which was lower than its previous guidance of 28-29%. For 2Q22E, Hua Hong guided revenue at USD615m (+78% YoY) and gross profit margin of 28-29%. Valuation-wise, Hua Hong is trading at 1.3x forward P/B.

Tsingtao (168 HK)

Its management has implemented the "core products + two engines" strategy to develop its product mix. For "Core products", "Tsingtao Classic" and "Tsingtao Draft" are the major products that drive overall volume growth; For "Two engines" focus on the product mix upgrade. The company believes once the pandemic is largely under control, it could resume growth rapidly. Future profitability improvement would mainly come from product mix optimization. In 1Q22, its mid-high-end products achieved over 10% sales volume growth.

Samsonite (1910 HK)

The company announced its 1Q22 results with sales and net profit of USD574m (+62% YoY) and USD16.4m (1Q21 net loss of USD72.7m), respectively. By country, North America market was down 22% in sales for 1Q22; Asia was affected by China's "zero-COVID" policy with only margin improvement; Europe continued to see improvement with 1Q22 down 22%; Latin America was 29% above 1Q19's sales level in 1Q22. Looking ahead, its management stated that more new products to be launched in 2H22E, maintained its 2022E gross profit margin guidance at mid-50%.

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