



## Market Overview

Yesterday, the Hong Kong stocks market experienced directionless. Most China auto players continued to outperform after rumours said the "Going Countryside" policy on auto sector to be unrolled in early June. It is now expected to grant RMB3k-5k subsidy per vehicle which is priced below RMB150k, covering fuel vehicles and new energy vehicles. JD-SW (9618 HK) corrected even with its better-than-expected 1Q22 results. The Hang Seng Index was slightly up 41pts to 20,644pts with a daily turnover of HKD112.6b. Companies-news: (1) Today, Xiaomi-W (1810 HK) will release its 1Q22 results with consensus forecast of revenue of -6% YoY and net profit of -50% to -60% YoY; (2) Tencent (700 HK) released missed 1Q22 results, its ADR fell 6.6%.

## Sector News

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### China F&B - Cost Inflation Pressure Offset by Price Hikes

Tingyi (322 HK) and UPC (220 HK) mentioned historical highs for palm oil/PET prices, with overall costs remaining elevated for the rest of the year. Tingyi had a mid-single digit price hike in its classic noodles series in Feb and low-single digit hike for selective beverage products in April, to offset part of the cost pressure. While their management didn't rule out further price hikes, they enhance production efficiency and reduce promotions to help offset the cost pressure. Meanwhile, UPC has reduced channel discounts and investments rather than go the direct price hike route in both the instant noodles and beverage businesses, and sees further room for promotion reduction in instant noodles.

### China Airline - CAAC Proposes Potential Subsidies for Domestic Carriers

on 16 May, Civil Aviation Administration of China (CAAC) plans to roll out a subsidy plan that would enable Chinese domestic carriers to maintain at least 35% of pre-COVID level domestic flights for the next two months in order to help Chinese airlines to get through the most challenging time when the domestic air passenger traffic is only 25% of pre-COVID level due to Omicron outbreak and lockdown policy across China. This would be the first time that the Chinese government would directly provide cash subsidies to airlines since the outbreak of COVID-19 in 2020.

## Company News

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JD-SW (9618 HK)

Its better-than-expected 1Q22 results with revenue and adjusted operating profit of RMB239.7b (+18% YoY) and RMB4.7b (+32.8% YoY), respectively. On the conference call, its management commented its April revenue growth rate was significantly impacted supply chain disruptions and JD's larger exposure to higher-tier cities. Its management also is cautious on May and June growth and sees potential for single-digit growth for 6.18 sales festival, leading to potentially flattish JD Retail 2Q22 revenue growth.

### **Shenzhou Int'l (2313 HK)**

Its management stated that its production base in Ningbo has been sheltered from COVID-19 in the past 3 months, while Shanghai is also gradually reopening. On the other hand, the USD has appreciated by c.7% against the CNY in the past month, which is beneficial to the company. Besides the positive impact to the gross margin, as Shenzhou holds c.\RMB12b foreign currency denominated cash and deposits, which can enjoy FX gains. Overall, Shenzhou is running at full capacity utilisation with its capacity expansion plan in Southeast Asian countries well on track. Market believes Shenzhou's revenue and gross margin will improve QoQ in 2022E.

### **CR Power (836 HK)**

CR Power announced its April 2022 power generation data with consolidated power generation dropped by 7% YoY to 12,929GWh. By segment, wind power generation showed a strong 31.5% YoY growth in April. CR Power's wind output experienced a YoY increase of 31.5% in April 2022 to 3,648GWh, on a relatively better wind resource in April compared to last year, along with an improvement in utilisation rate. The company's cumulative wind power generation rose by 14.3% YoY to 12,078GWh in 4M22. Net power generation of coal-fired business down 17.3%YoY in April. The net power generation of the coal-fired segment recorded a 17.3% YoY decline to 9,039GWh, likely due to the relative lower utilisation hours over April. The company's cumulative thermal power generation recorded a 1.5% YoY growth to 45,614GWh in 4M22.

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