



Major Market Indicators

	18 May	17 May	16 May
Mkt. Turn.(mn)	112,700	124,100	93,000
Stock Advances	829	1,101	862
Stock Declines	702	517	689
HSI	20,644	20,603	19,950
Change	+42	+652	+51

HSI Technical Indicators

10-days MA	20,160
50-days MA	20,970
250-days MA	24,711
14-days RSI	50.21
Primary resistance	20,800
Primary support	20,000

HSCEI Technical Indicators

10-days MA	6,889
50-days MA	7,185
250-days MA	8,791
14-days RSI	50.95
Primary resistance	7,200
Primary support	6,800

Stock Pick

China Mobile (0941)

Target: \$60

Stop loss: \$48

China Mobile 1Q22 revenue rose 14.6% yoy to Rmb227.3bn, in line with expectation. However, China Mobile net income rose 6.5%, below market expectation. However, the strong performance of DICT to support revenue growth at mid-to-high digit growth, in 2022. With undemanding valuation of 8x prospective P/E, and 8% dividend yield, we suggest accumulate.

China Life (2628)

Target: \$13

Stop loss: \$10

China Life new business value might continue to outperform peers. Shanghai plans to resume normal life starting from June, China epidemic shows sign of improvement, which is positive to life insurance business. Together with estimated improvement of A share market in 2H22, we suggest investors to accumulate during weakness.

BYD (1211)

Target: \$285

Stop loss: \$220

According to experts in the Automotive industry, the auto subsidy policy is expected to be introduced in early June. The subsidized models are cars (including fuel vehicles and new energy vehicles) within Rmb150,000, and the subsidy range for each vehicle may range from Rmb3,000 to Rmb5,000. BYD's product line is more extensive, and we think BYD's new energy vehicles are expected to benefit the most from the policy.

Market Overview

Owing to the heavy selling pressure from Nasdaq, together with Tencent (0700) senior management comment that China government has signaled easing of regulatory control, but it takes time to be effective, China tech stocks fell sharply in the US ADR market last night, and is expected to see profit taking pressure on the Hong Kong market today. Hang Seng Index will suffer pressure while support is at 20,000.

Hong Kong Stock Connect net inflow narrowed to HK\$806mn on Wednesday, of which, China Mobile (0941) and CNOOC(0883) recorded most net inflow. On the other hand, Tencent suffered most net outflow. Tencent announced 1Q22 quarter result after market close, with adjusted net profit decline 23%, which was below market expectation. Besides, its 2Q22 guidance also conservative, Tencent share price is expected to suffer pressure today, share price initial support is at HK\$325 (low since Apr). Besides, fund is expected to flow to high dividend yield stocks for risk averse. China Mobile will ex-dividend on 25-May-2022, share price is expected to remain firm in the near term.

Daily Focus

Tencent(0700): 1Q22 Earnings below expectation

- Tencent announced 1Q22 results yesterday, revenue remained flattish YoY but fell 6% YoY to Rmb135.4bn, below consensus by 4%; gross margin dropped 4.2ppts YoY and 2ppts QoQ to 42.1%, above market estimates of 41.7%. Adjusted operating profit fell 15% YoY but rose 10% QoQ to Rmb36.54bn, below consensus by 7.7%; and adjusted net profit declined 23% YoY to Rmb25.55bn in the quarter, below consensus by 3.4%.

Tencent(0700)Info	
Closed price	365.60
FY22 P/E (X)	27.0x
FY22 Dividend yield (%)	0.5%
52 week high	626.60
52 week low	297.00
14 RSI	51.9

- Revenue was dragged by advertising business, which posted 18% YoY decline in segment revenue to Rmb18bn, reflecting online advertising regulations tightening and weak advertising demands, especially in education, internet services and e-commerce sectors. Overall Weixin MAU grew 1.6% QoQ to 1.29bn, and advertising revenue of Weixin Official account increased but was offset by decline in mobile advertising. Fintech and other services revenue rose 10% YoY to Rmb42.8bn in 1Q22, significantly slowing down from 47% YoY growth in 1Q21. Online game revenue remained flattish YoY, and international games revenue (+4% YoY) was offset by fall in domestic game revenue, due to minors gameplay restrictions.
- Several major cities especially Shanghai imposed epidemic lockdown measures since mid-March, its impact on online advertising, Fintech and business services will persist in the second quarter of 2022. Looking ahead, although Shanghai will resume normal daily life starting from Jun 2022, but advertiser might still have conservative budget given the slow down of overall economy. On the other hand, with some new games to be launched as well as resumption of game approval process, online game revenue is expected to stabilize in the second quarter.
- Tencent 1Q22 net profit below expectation, while market expectation. Besides, its 2Q22 guidance also conservative. Moreover, Tencent senior management comment that China government has signaled easing of regulatory control, but it takes time to be effective, it will also dilute some of the recent optimism on regulatory control loosen. Tencent share price is expected to suffer pressure today. Share price initial support is at HK\$325 (low since Apr).

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	52.71	50.40	81.84
Balance as % of Quota Amount	101.4	96.9	97.4

Top 10 Most Actively Traded Stocks(SH-HK Connect Southbound)

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	862,962,900	1,198,607,300	2,061,570,200
MEITUAN-W	3690	671,778,060	577,463,700	1,249,241,760
GREATWALL MOTOR	2333	338,809,380	313,504,190	652,313,570
CNOOC	883	346,211,220	262,999,091	609,210,311
KUAISHOU-W	1024	199,411,805	283,258,500	482,670,305
CHINA MOBILE	941	411,845,500	55,677,525	467,523,025
ICBC	1398	102,560,250	98,080,334	200,640,584
XIAOMI-W	1810	142,528,888	55,552,520	198,081,408
GEELY AUTO	175	69,945,240	88,204,060	158,149,300
JUNSHI BIO	1877	90,697,080	64,746,180	155,443,260

Sources: HKEx

Top 10 Most Actively Traded Stocks(SZ-HK Connect Southbound)

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	707,283,340	971,574,262	1,678,857,602
MEITUAN-W	3690	872,993,970	525,228,280	1,398,222,250
CHINA MOBILE	941	661,355,525	385,691,425	1,047,046,950
CNOOC	883	443,419,600	64,745,520	508,165,120
KUAISHOU-W	1024	87,889,570	327,113,921	415,003,491
KINTOR PHARMA-B	9939	142,932,610	124,678,305	267,610,915
GREATWALL MOTOR	2333	155,293,730	81,087,950	236,381,680
XIAOMI-W	1810	85,643,240	125,236,808	210,880,048
YADEA	1585	99,650,040	109,373,504	209,023,544
LI NING	2331	57,624,775	145,249,325	202,874,100

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	-0.76%	365.60	102.99
MEITUAN-W	3690	-0.98%	172.00	62.55
BABA-SW	9988	-0.61%	90.00	36.46
JD-SW	9618	-1.12%	212.40	31.80
AIA	1299	0.71%	78.10	22.89
GREATWALL MOTOR	2333	-2.50%	12.46	22.51
CHINA MOBILE	941	2.14%	52.60	21.48
CM BANK	3968	1.73%	47.15	20.80
BYD COMPANY	1211	2.44%	260.20	20.49
KUAISHOU-W	1024	-2.65%	69.85	19.16

Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
TENCENT	00700.HK	3.15B	10.30B	30.61%
HSCEI ETF	02828.HK	1.60B	4.52B	35.42%
MEITUAN-W	03690.HK	1.28B	6.25B	20.43%
BABA-SW	09988.HK	1.14B	3.65B	31.34%
JD-SW	09618.HK	945.68M	3.18B	29.74%
TRACKER FUND	02800.HK	944.86M	2.94B	32.13%
AIA	01299.HK	783.34M	2.29B	34.22%
BYD COMPANY	01211.HK	566.39M	2.05B	27.65%
CM BANK	03968.HK	565.55M	2.08B	27.19%
GREATWALL MOTOR	02333.HK	411.50M	2.25B	18.28%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	Apr. Industrial Production (YoY)	5.0%	6.5%
		Apr. Retail Sales (YoY)	-6.2%	-3.5%
		Apr. Fixed Assets Ex Rural YTD (YoY)	7.0%	9.3%
	Hong Kong	VTech (303), Man Wah (1999) Results		
Tue	US	Apr. Core Retail Sales (MoM)	0.3%	1.4%
		Apr. Retail Sales (MoM)	0.7%	0.7%
		Apr. Industrial Production (MoM)	0.4%	0.9%
		Apr. Capacity Utilization	78.5%	78.3%
		Mar. Business Inventories	1.9%	1.5%
	Euro Zone	1Q. GDP SA (QoQ)	0.2%	0.2%
	Hong Kong	JD Logistics (2618), JD.com (9618) Results		
Wed	US	Apr. Building Permits	1,825k	1,870k
		Apr. Housing Starts	1,770k	1,793k
	Euro Zone	Apr. CPI (YoY)	7.5%	7.4%
		Apr. Core CPI (YoY)	3.5%	3.5%
	Hong Kong	Tencent (700), Tongcheng Travel (780) Results		
Thu	US	Initial Jobless Claims (Till May 14)		203k
		Continuing Jobless Claims (Till May 7)		1,343k
		Apr. Existing Home Sales	5.66m	5.77m
	Hong Kong	Xiaomi (1810) Result		

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