



# KGI

CHINA  
DEVELOPMENT  
FINANCIAL

# Investment Daily

20 May 2022

## Major Market Indicators

	19 May	18 May	17 May
Mkt. Turn.(mn)	121,100	112,700	124,100
Stock Advances	515	829	1,101
Stock Declines	1,012	702	517
HSI	20,121	20,644	20,603
Change	-524	+42	+652

## HSI Technical Indicators

10-days MA	20,085
50-days MA	20,923
250-days MA	24,678
14-days RSI	44.63
Primary resistance	20,700
Primary support	20,000

## HSCEI Technical Indicators

10-days MA	6,865
50-days MA	7,165
250-days MA	8,777
14-days RSI	46.07
Primary resistance	7,000
Primary support	6,600

## Stock Pick

### CNOOC (0883)

**Target: \$11.8**

**Stop loss: \$9.3**

Although EU ban on Russia oil import was on hold, Saudi Arabia has warned that supply remains tight on lack of investments, supporting oil price at US\$90 or above. We expect CNOOC to benefit from strong oil price. CNOOC declared special dividend at HK\$1.18 per share, equivalent to 11% yield, which is defensive.

### GAC (2238)

**Target: \$7.6**

**Stop loss: \$6.2**

Rural Auto subsidies policy is expected to be launched near term, which target cars price less than Rmb150,000, and the subsidy for each car range from Rmb3,000 to 5,000. The market expects that the policy can increase 300,000-500,000 new energy vehicles (NEV) sales. NEV stocks will benefit. GAC's NEV sales more than doubled to 64,000 in the first four months of 2022, and will be one of the main beneficiaries.

### MTRC (0066)

**Target: \$46**

**Stop loss: \$41**

MTR's East Rail Line cross-harbour extension has opened, which will drive passenger volume growth. Besides, property development revenue will see marked increase this year, as MTRC plans to launch pre-sales for LOHAS Park Package 11, THE SOUTHSIDE Package 4 and Ho Man Tin Station Package 2. As macro factors have limited impact on MTRC business, MTRC is expected to see fund flowing in.

## Market Overview

Latest US corporate results showed the impact of inflation and economy slow down on corporate profit, US dollar index and US treasury yield soften recently, which will slight ease the pressure on HKD and RMB. Together with continuous net inflow from southbound fund, it would provide support to HK stock market at the low level. China tech stock rebounded in the US Stock market last night, Hang Seng Index resistance is at 20,700.

Hong Kong Stock Connect net inflow increased to HK\$5.3bn on Thursday, of which, Tencent (0700) recorded most net buy of HK\$1.7bn. Besides, obvious net buy also seen on Meituan(3690), CNOOC (0883) and China Mobile (0941). On the other hand, fund flow into renewable stocks, related power generating companies – Longyuan(0916) and China Resources Power(0836), as well as accessories stock such as Xinyi Solar (0916) and GCL Tech (3800) performed well. Since China and Europe is likely to accelerate the development of renewable energy, could accumulate related stocks during weakness.

**Daily Focus**

## Lever Style (1346): Apparel supply chain solution provider benefiting from growing apparel e-commerce trend

- Lever Style is a supply chain solution provider in multiple apparel categories for notable brands across the globe. Its end-to-end supply chain solutions encompass fashion design, prototype development, technical package development, fabric and ancillary raw material procurement, production oversight, quality control, as well as delivery and distribution logistics subject to our customers' needs. Renowned apparel branded customers of Lever Style include Bonobos, Shein, Theory, Paul Smith, Coach and Mammut, etc.
- Leveraging on its flexible and quick order management and one-stop multiple categories manufacturing platform, Lever Style has managed to grow its revenue steadily in the past five years. Lever Style posted a revenue CAGR of 7.4% in 2016-21. The company now works with 60 factory partners on an asset-light model. Its supply chain partners span across China, Hong Kong, Vietnam and Europe, by which branded customers could select order size and production location flexibly. This helps easing the impact from rising geopolitical risks and potential lockdowns amid pandemic, and appeals to internet apparel brands which targets niche markets. Benefiting from apparel e-commerce trend in US & Europe, revenue from digitally-native brands grew 43% YoY to US\$49.6mn in 2021.
- Revenue marked historical high at US\$143mn in 2021, up 64% YoY; and net profit surged 40x YoY to US\$4.32mn, thanks to apparel sales rebound after easing pandemic. Besides, Lever Style made five acquisitions in 2020, including supply chain providers in outerwear and athleisure which are among the fastest growing apparel categories. Nonetheless, owing to rising valuation of apparel supply chain providers, Lever Style has slowed down its M&A pace and waited for lower entry points.
- Serving nearly 120 active apparel brands, Lever Style adopts a platform models of going wide and shallow with a wide range of customers, suppliers and products. The approach caters to an underserved market of small & emerging brands with low production volume. This drives the needs for a digital platform. The company is in talks with technology partners to build a digital apparel supply chain platforms, boding well to drive sales from more small & medium apparel brands in the long-term.
- Lever Style mentioned that revenue growth remains strong in 1H22, but expects to turn weak in 4Q22 on macro headwinds including inflation and rate hikes. Full-year revenue growth is expected to remain strong, despite lower than that of last year. Profit margin will also improve on larger economies of scale (2021 net profit margin: 3.0%). Lever Style now trades at 7.3x 2021 PE, valuation looks fair to us. We see sustainable earnings growth to favor valuation upgrade going forward.

Lever Style (1346) Info	
Closed price	0.395
FY22 P/E (X)	7.3
FY22 Dividend yield (%)	6.3
52 week high	0.53
52 week low	0.34
14 RSI	48.5

## Hong Kong Banking Sector: HKD Time Deposit Rate Rose Sharply

- US accelerate its interest rate hike pace. Although Hong Kong dollar short term interbank rate (1 month hibor) remained low, however, longer term interbank rate (3 month to 12 month) has rose sharply in recent weeks. As a result, most banks in HK has sharply adjusted its time deposit rate, several of them offer around 2% annual rate for 12 months deposits.
- On the other hand, although longer term interbank Hong Kong dollar interest rate rebounded sharply, but 1 month HIBOR (which is often reference for mortgage rate) does not change much and stay below 0.2%. Together with prime rate remained unchanged, it might slow down the improvement of net interest income for Hong Kong banking sector for the upcoming rate hike cycle.
- In fact, 1Q22 result showed that although Hong Kong banking sector net interest margin improved on quarterly basis, but the increase is moderate only. Besides, increasing provision, especially on China real estate companies loan, is also a short term concern.
- Hence, most Hong Kong banking stocks share price turned weak recently. Of which, owing to better than expected 1Q22 results, BOCHK(2388) share price performance is relatively firm. However, as mentioned before, the net interest margin improvement might be moderate in the near term, which might limit its share price upside momentum. Despite its good long term prospect, we expect BOCHK (2388) share price to range trade at HK\$27-31 in the near term.

BOCHK(2388) Info	
Closed price	28.95
FY22 P/B(X)	0.98x
FY22 Dividend yield (%)	4.5%
52 week high	32.75
52 week low	22.20
14 RSI	42.7

Analyst: Samuel Chua, CFA

## Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
<b>Balance (RMB bn)</b>	47.78	47.67	77.46
<b>Balance as % of Quota Amount</b>	91.9	91.7	92.2

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	3,657,074,120	2,724,051,239	6,381,125,359
MEITUAN-W	3690	862,881,130	772,174,280	1,635,055,410
CNOOC	883	366,268,020	351,098,120	717,366,140
ANTA SPORTS	2020	149,462,070	311,872,270	461,334,340
CHINA MOBILE	941	284,986,400	142,189,550	427,175,950
GREATWALL MOTOR	2333	270,969,050	120,519,310	391,488,360
XIAOMI-W	1810	169,052,076	96,610,748	265,662,824
GCL TECH	3800	103,707,180	141,449,750	245,156,930
CCB	939	33,935,650	198,949,010	232,884,660
WUXI BIO	2269	170,035,175	56,583,325	226,618,500

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	2,340,111,940	1,549,863,421	3,889,975,361
MEITUAN-W	3690	1,016,510,200	465,256,740	1,481,766,940
CNOOC	883	480,582,160	53,605,580	534,187,740
CHINA MOBILE	941	354,660,025	91,937,650	446,597,675
WUXI BIO	2269	265,359,975	112,555,025	377,915,000
KUAISHOU-W	1024	132,895,220	210,293,120	343,188,340
BYD COMPANY	1211	140,908,300	171,852,000	312,760,300
GREATWALL MOTOR	2333	168,926,620	119,237,430	288,164,050
LI NING	2331	216,382,075	52,911,775	269,293,850
GCL TECH	3800	132,041,550	105,399,770	237,441,320

Sources: HKEx

## Other Statistics

### Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	-6.51%	341.80	203.88
MEITUAN-W	3690	-3.78%	165.50	62.27
BABA-SW	9988	-7.39%	83.35	53.70
JD-SW	9618	-3.70%	199.80	27.75
KUAISHOU-W	1024	-2.86%	67.85	17.29
BYD COMPANY	1211	-0.23%	259.60	16.76
CNOOC	883	-2.35%	10.82	16.74
CHINA MOBILE	941	-1.05%	52.05	15.18
WUXI BIO	2269	-1.42%	52.20	14.65
GREATWALL MOTOR	2333	-0.80%	12.36	13.96

## Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
TENCENT	00700.HK	5.27B	20.39B	25.87%
TRACKER FUND	02800.HK	1.67B	2.69B	62.09%
BABA-SW	09988.HK	1.16B	5.37B	21.52%
MEITUAN-W	03690.HK	915.52M	6.23B	14.70%
JD-SW	09618.HK	903.33M	2.78B	32.55%
XIAOMI-W	01810.HK	467.91M	1.32B	35.56%
BYD COMPANY	01211.HK	453.37M	1.68B	27.05%
PING AN	02318.HK	449.89M	1.22B	36.89%
KUAISHOU-W	01024.HK	424.59M	1.73B	24.56%
AIA	01299.HK	400.68M	1.39B	28.74%

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
		Apr. CPI (YoY)	7.5%	7.4%
	Euro Zone	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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