



# KGI

CHINA  
DEVELOPMENT  
FINANCIAL

# Investment Daily

27 May 2022

## Major Market Indicators

	26 May	25 May	24 May
Mkt. Turn.(mn)	95,500	103,400	113,600
Stock Advances	737	842	500
Stock Declines	837	732	1,089
HSI	20,116	20,171	20,112
Change	-55	+59	-358

## HSI Technical Indicators

10-days MA	20,280
50-days MA	20,850
250-days MA	24,521
14-days RSI	45.22
Primary resistance	20,850
Primary support	20,000

## HSCEI Technical Indicators

10-days MA	6,950
50-days MA	7,125
250-days MA	8,706
14-days RSI	47.80
Primary resistance	7,000
Primary support	6,600

## Stock Pick

### CNOOC (0883)

**Target: \$11.8**

**Stop loss: \$9.3**

Although US economic slowdown is expected to drag oil demand, China's reopening supports oil demand, supporting oil price at US\$110. 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.

### Guangzhou Auto (2238)

**Target: \$8.0**

**Stop loss: \$6.2**

Shenzhen rolled out subsidy policy, which offers consumers a maximum of Rmb 10,000 for each eligible new energy vehicle that is purchased and licensed in Shenzhen. The vehicle purchase tax is also waived under a previous national policy. We believe that Central and local government will launch measures to boost auto consumption, suggest to accumulate sector leader such as GAC during weakness.

### Trip.com-S (9961)

**Target: \$180**

**Stop loss: \$140**

Covid-19 pandemic has been easing in China, and lockdown measures have gradually lifted. This will drive short-haul travel demand recovery. Trip.com has issued a 2021-22 business travel management white paper, which expects China business travel market to return to pre-pandemic level by 2024. We see business travel to lead the tourism market recovery near-term, driving up shares of Trip.com from the bottom.

## Market Overview

Alibaba (9988) and Baidu (9888) quarter result beat expectation, together with the continuous rebound of US stock, China tech stock rose sharply in the US ADR market last night. Hong Kong stock is expected to rebound obviously today, Hang Seng Index resistance is at 50 Day SMA(20,850). However, HK stock market turnover remained weak, while RMB turned weak again despite US dollar index retreated, it will limit HK stock market momentum.

Hong Kong Stock Connect net inflow rose to HK\$2,994mn on Thursday. Of which, Tencent (0700) and CNOOC (0883) recorded most net buy, however, Meituan (3690) recorded slight net outflow. In fact, Tencent share price fell to near low end of past two months trading range, together with China tech strong performance in the US ADR market last night, Tencent share price will have support at current level. Besides, Alibaba quarter result beat expectation. Since Alibaba share price has accumulated significant decline, share price is expected to rebound markedly today.

## Daily Focus

### Shenzhen announce sizable consumption subsidy plan

- Shenzhen is turning to subsidies to help boost consumption of a range of electronics and other products that include smartphones, laptops and drones. Under the plan, consumers can receive subsidies of up to 15 per cent, for a maximum reimbursement of Rmb2,000 per person, on purchases of specified products.
- In addition to the electronics subsidies, the policy offers consumers a maximum of Rmb 10,000 for each eligible new energy vehicle that is purchased and licensed in Shenzhen. The vehicle purchase tax is also waived under a previous national policy.
- State Council announced 33 measures to stabilize economic growth earlier this week, while Premier Li Keqiang conducts a national video conference afterward with over 100,000 cadres from provinces, cities, counties to re-enforce local government to implement the supportive growth measures.
- Shenzhen recent move is positive for the consumption of vehicles and auto sector. However, owing to sharp decline of real estate sales as well as slowdown of economy activities, local government fiscal revenue is impacted. Other provincial/city local government might not able to launch similar generous consumption subsidy plan as Shenzhen. Overall speaking, we believe that Central and local government will launch measures to boost auto consumption, suggest to accumulate sector leader during weakness.

Guangzhou Auto(2238): Info	
Closed price	7.16
FY22 P/E (X)	6.3x
FY22 Dividend yield (%)	4.9%
52 week high	9.19
52 week low	5.50
14 RSI	61.0

Analyst: Samuel Chua, CFA

## Alibaba (9988): 4QFY22 Performance beats; business recovery in sight

- Alibaba released 4QFY22 quarterly results ended March yesterday, adjusted net profit was down 24% YoY to Rmb19.799bn, above consensus by 16%. In the quarter, Alibaba's revenue grew 9% YoY to Rmb204.05bn, attributed to China commerce segment revenue up 8% YoY to Rmb140.33bn, local services revenue up 29% YoY to Rmb10.445bn and cloud revenue up 12% YoY to Rmb18.971bn.
- Adjusted EBITA fell 30% YoY to Rmb15.811bn, due to increased investments in Taobao Deals and Taocaicai, pandemic resurgence and impairment loss on Sun Art. As at March 31, Alibaba global annual active consumers reached 1.31bn, up 28.3mn QoQ, among which consumers in China exceeded 1bn milestone, which rose 24.6mn QoQ.
- In the quarterly results conference call, Alibaba stated that, due to the pandemic, revenue has posted low-single-digit percent decline in April, and GMV was down 10% YoY on Taobao in April. Along with express delivery recovery these two weeks and easing pandemic in Shanghai, Alibaba business has gradually recovered but still needs time for delivery processing. Merchants have been actively preparing for the 618 shopping festival, and business has improved in May.
- Besides, Alibaba will focus on cost optimization, including disposal, shutdown, mergers and transfers to businesses which did not see incremental long-term contribution. Furthermore, the company will improve efficiency based on different business natures; for instance, Alibaba will require higher standards on gross margin and logistics for its direct businesses (e.g. Sun Art, Freshippo and Tmall). The company will strictly control its marketing spending to minimize costs.
- We see 2Q22 earnings to be under pressure amid pandemic resurgence, nonetheless the market has factored in the negative impacts. That said, the 4QFY22 results beat reflects efficient cost control of Alibaba, which will drive share price rebound. In the long-term, earnings recovery still weighs on regulatory policies. Coupled with uncertainty in US-China auditing talks, we suggest shareholders to offload their shares on further share rebound.

Alibaba (9988): Info	
Closed price	81.1
FY23 P/E (X)	18.8x
FY22 Dividend yield (%)	-
52 week high	225
52 week low	71
14 RSI	51.0

Analyst: Christopher Ho

## Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
<b>Balance (RMB bn)</b>	50.53	51.47	79.96
<b>Balance as % of Quota Amount</b>	97.2	99.0	95.2

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	707,737,180	437,635,405	1,145,372,585
MEITUAN-W	3690	303,061,960	493,091,229	796,153,189
CNOOC	883	244,337,320	272,963,820	517,301,140
CCB	939	154,335,810	234,731,290	389,067,100
GREATWALL MOTOR	2333	223,265,910	110,825,757	334,091,667
WUXI BIO	2269	206,632,550	99,708,900	306,341,450
YANKUANG ENERGY	1171	207,689,400	59,437,500	267,126,900
ANTA SPORTS	2020	133,729,160	110,851,150	244,580,310
LI NING	2331	143,958,150	92,733,975	236,692,125
CHINA MOBILE	941	135,500,350	80,473,625	215,973,975

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
MEITUAN-W	3690	686,801,860	540,243,580	1,227,045,440
TENCENT	700	671,116,900	438,805,700	1,109,922,600
CNOOC	883	596,911,040	97,616,700	694,527,740
WUXI BIO	2269	89,048,475	244,188,525	333,237,000
LI NING	2331	179,166,300	99,871,375	279,037,675
KUAISHOU-W	1024	205,280,605	48,191,570	253,472,175
YANKUANG ENERGY	1171	164,267,400	55,738,000	220,005,400
BYD COMPANY	1211	65,366,100	106,394,200	171,760,300
GEELY AUTO	175	144,229,920	7,864,640	152,094,560
KINGDEE INT'L	268	25,104,680	113,311,680	138,416,360

Sources: HKEx

## Other Statistics

### Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	0.06%	334.20	61.53
BABA-SW	9988	-1.52%	81.10	35.92
MEITUAN-W	3690	-0.69%	158.60	34.82
NTES-S	9999	0.19%	155.90	17.52
KUAISHOU-W	1024	1.57%	67.80	16.11
LI NING	2331	0.20%	50.75	15.73
CNOOC	883	1.58%	11.60	15.06
JD-SW	9618	-0.60%	197.40	14.75
CHINA MOBILE	941	-1.47%	50.25	14.67
BYD COMPANY	1211	1.00%	263.80	13.98

## Ten Short Sell Stocks

Stock Name	Code	Short Selling Turnover	Turnover	Short Selling Ratio
BABA-SW	09988.HK	1.13B	3.59B	31.35%
NTES-S	09999.HK	804.86M	1.75B	45.94%
TENCENT	00700.HK	755.67M	6.15B	12.28%
HSCEI ETF	02828.HK	662.80M	2.40B	27.63%
TRACKER FUND	02800.HK	532.68M	3.52B	15.12%
PING AN	02318.HK	531.51M	1.02B	51.91%
JD-SW	09618.HK	526.91M	1.47B	35.73%
MEITUAN-W	03690.HK	486.48M	3.48B	13.97%
CSOP HS TECH	03033.HK	461.49M	1.02B	45.13%
HSBC HOLDINGS	00005.HK	423.93M	1.12B	37.78%

Source: AA Stocks

## Economic Calendars

Date	Country	Event	Survey	Prior
Mon	Hong Kong	XPeng Inc. (9868) Result		
Tue	US	May. Manufacturing PMI	57.9	59.2
		May. Services PMI	55.2	55.6
		Apr. New Home Sales	750k	763k
	Euro Zone	May. Manufacturing PMI		55.5
		May. Services PMI		57.7
	Hong Kong	Kuaishou (1024), ZTO Express (2057), Kingsoft (3888), NetEase (9999) Results		
Wed	US	Apr. Durable Goods Orders	0.6%	1.1%
	Hong Kong	Alibaba Health (241), CSPC Pharma (1093) Results		
Thu	US	FOMC Meeting Minutes (4 May)		
		1Q. GDP Annualized (QoQ)	-1.3%	-1.4%
		Initial Jobless Claims (Till May 21)		218k
		Continuing Jobless Claims (Till May 14)		1,317k
		Apr. Pending Home Sales (MoM)	-1.8%	-1.2%
	Hong Kong	Lenovo (992), Baidu (9888), Alibaba (9988) Results		
Fri	US	Apr. Wholesale Inventories (MoM)		2.3%
		Apr. Personal Income	0.5%	0.5%
		Apr. Personal Spending	0.6%	1.1%
		Apr. Retail Inventories (MoM)		2.0%
		Apr. PCE Deflator (MoM)	0.2%	0.9%
		May. University of Michigan Sentiment	59.1	59.1

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