

Major Market Indicators

	24 Jan	23 Jan	22 Jan
Mkt. Turn.(mn)	128,800	124,100	112,200
Stock Advances	1,208	1,154	290
Stock Declines	438	493	1,433
HSI	15,900	15,354	14,961
Change	+546	+393	-348

HSI Technical Indicators

10-days MA	15,695
50-days MA	15,412
250-days MA	15,740
14-days RSI	70.12
Primary resistance	16,200
Primary support	15,800

HSCEI Technical Indicators

10-days MA	5,276
50-days MA	5,169
250-days MA	5,290
14-days RSI	70.23
Primary resistance	5,600
Primary support	5,200

Stock Pick

Tencent (700)

Target: \$400

Stop loss: \$258

Tencent achieved notable margin expansion, favored by the relatively new services such as Video Accounts and Mini Games which contributed high margin revenue streams. Meanwhile, the AI development of the Company is creating new growth opportunities and enriching its ecosystem.

Lenovo (992)

Target: \$10.8

Stop loss: \$9

IDC report earlier pointed out that global PC shipments will resume positive growth in 2024. One of the important factors is that the development of AI has attracted market attention, and this year's technological progress in commercial computers and gaming computers will drive PC sales performance. We are positive towards Lenovo. The company has a leading position in the global PC market and can revolutionize the industry in the AI PC cycle.

NetEase (9999):

Target: \$183

Stop loss: \$131

NetEase's net revenue increased 11.6% yoy to RMB27.3bn in 3Q23. Revenue from games and related value-added services was RMB21.8bn, a yoy increase of 16.5%. Gross profit margin and operating profit margin increased steadily. Non-GAAP net profit was RMB8.64bn, a yoy increase of 15.7%. NetEase's gaming division performed well in the third quarter, with gross profit margin reaching 69%, thanks to contributions from Justice mobile.

Market Overview

The U.S. manufacturing PMI rose from 47.9 to 50.3 in January, resuming expansion and reaching the highest level in 15 months. The services PMI rose to 52.9 from 51.4, a seven-month high. The PMI composite index rose to 52.3 from 50.9, hitting a seven-month high. Driven by improving demand conditions and steady growth in new orders over the past three months, growth momentum has increased significantly, lifting business confidence to the most optimistic level since May 2022. Additionally, there is optimism about lower inflation in 2024, which is expected to ease cost-of-living pressures and potentially pave the way for lower interest rates.

Hong Kong Stock Connect had a net inflow of HK\$1.98bn on Wednesday, of which Tracker Fund (2800) had the largest net inflow, reaching HK\$1.03bn; followed by CNOOC (883). Tencent (700) recorded the largest net outflow at HK\$0.67bn, followed by CCB (939).

Daily Focus

Tencent (700): Previous negative factors have been partially eliminated

- The negative factors that dragged Tencent's share price have been partially eliminated. The consultation period for the "Measures for the Administration of Online Games (Draft for Solicitation of Opinions)" ended on Jan22. Senior game industry insiders told China media that the Measures would still be introduced, but will definitely take into account the views and suggestions of the industry, and will retain more flexibility and room for maneuver. The released version will therefore certainly be different from the draft for consultation, report said. To recap, the fundamental of Tencent in recent quarter result is actually solid.
- Tencent recorded quarterly revenue of RMB154.63bn in 3Q24, increased by 10% yoy, slightly lower than market expectations of RMB154.8bn; operating profit of RMB48.48bn, a 6% decrease from 3Q22, but an increase of 20% from 2Q23, beating the market forecast of RMB43.4bn. Adjusted net profit was RMB44.92bn, increased by 39% yoy, beating the market expectations of RMB39.98bn.
- Revenues from VAS increased by 4% yoy to RMB75.7bn. Domestic Games revenues grew by 5% to RMB32.7bn, driven by the recent launches of Lost Ark and VALORANT, as well as increased revenues from evergreen titles such as Honour of Kings and DnF. International Games revenues increased by 14% to RMB13.3bn, or up 7% excluding the impact of currency movements. The revenue recovery of PUBG Mobile, alongside contributions from Goddess of Victory: NIKKE, VALORANT, and Triple Match 3D explains the growth of International Games revenues.
- Revenues from Online Advertising were RMB25.7bn for 3Q23, up 20% yoy, propelled by robust advertising demand for Video Accounts, mobile ad network, and Weixin Search, with notable growth in the local services and FMCG categories. Tencent explains that the growth of advertising business relies on its AI technology, which significantly improves the recommendation efficiency of the advertising system and provides advertisers with creative generation capabilities.
- Revenues from FinTech and Business Services increased by 16% yoy to RMB52bn for 3Q23. FinTech Services maintained double-digit yoy growth, driven by increased commercial payment activities and higher revenues from wealth management services. Business Services achieved a qoq growth, benefitting from its cloud services restructuring undertaken in prior periods, as well as higher eCommerce technology service fees within Video Accounts.
- The gross profit margins of all segments have improved. The GPM of value-added services, Online Advertising, FinTech and Business Services were 55.5%, 52.3% and 40.9% respectively. The expansion of the GPM as a Group is due to the structural mix shift toward higher-margin revenue streams, including Mini Games platform service fees, as well as newer services such as Video Accounts advertising and eCommerce technology service fees.
- Tencent achieved notable margin expansion, favored by the relatively new services such as Video Accounts and Mini Games which contributed high margin revenue streams. Meanwhile, the AI development of the Company is creating new growth opportunities and enriching its ecosystem.

Tencent (700): Info	
Closed price	281.8
FY24 P/E (X)	13.76
FY24 Dividend yield (%)	0.89
52 week high	416.6
52 week low	260.2
14 RSI	46.02

Analyst: Cynthia Tam

Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	49.53	52.04	80.37
Balance as % of Quota Amount	95.3	100.1	95.7

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	818,790,660	945,562,297	1,764,352,957
MEITUAN-W	3690	320,398,060	482,043,405	802,441,465
CNOOC	883	359,941,000	107,866,181	467,807,181
TRACKER FUND	2800	437,793,395	13,265,885	451,059,280
SMIC	981	109,065,230	288,753,900	397,819,130
CHINA SHENHUA	1088	194,586,025	174,589,235	369,175,260
PING AN	2318	109,287,525	254,139,175	363,426,700
CHINA MOBILE	941	271,396,200	86,957,925	358,354,125
ICBC	1398	183,890,620	97,548,110	281,438,730
XIAOMI-W	1810	120,164,940	143,642,984	263,807,924

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	383,673,620	931,965,987	1,315,639,607
TRACKER FUND	2800	613,342,550	3,167,510	616,510,060
MEITUAN-W	3690	222,881,290	256,660,867	479,542,157
CNOOC	883	226,465,840	175,528,180	401,994,020
CHINA MOBILE	941	164,041,725	186,146,450	350,188,175
KUAISHOU-W	1024	240,749,100	88,209,180	328,958,280
CCB	939	31,086,530	238,508,610	269,595,140
XPENG-W	9868	50,006,135	193,007,683	243,013,818
CHINA UNICOM	762	159,921,460	65,643,400	225,564,860
ICBC	1398	19,773,980	205,003,820	224,777,800

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	3.60%	281.80	94.18
TRACKER FUND	2800	3.75%	16.06	85.95
BABA-SW	9988	7.32%	72.60	74.04
MEITUAN-W	3690	6.03%	70.30	42.14
CSOP HS TECH	3033	4.54%	3.22	32.04
HSCEI ETF	2828	4.19%	54.22	28.31
CCB	939	3.86%	4.58	27.94
PING AN	2318	5.43%	33.00	25.76
AIA	1299	2.69%	62.90	20.79
NTES-S	9999	6.57%	155.80	19.87

Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TRACKER FUND	02800.HK	3.81B	8.59B	44.36%
TENCENT	00700.HK	2.03B	9.42B	21.54%
HSCEI ETF	02828.HK	1.62B	2.83B	57.32%
BABA-SW	09988.HK	1.21B	7.40B	16.35%
MEITUAN-W	03690.HK	1.09B	4.21B	25.78%
BYD COMPANY	01211.HK	890.64M	1.67B	53.26%
CCB	00939.HK	709.57M	2.79B	25.40%
PING AN	02318.HK	631.47M	2.58B	24.51%
JD-SW	09618.HK	599.98M	1.85B	32.41%
XL2CSOPHSTECH	07226.HK	563.29M	1.88B	30.03%

Source: AA Stocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	5-Year Loan Prime Rate	4.20%	4.20%
	Euro Zone	1-Year Loan Prime Rate	3.45%	3.45%
Tue	US	3M (MMM), Johnson & Johnson (JNJ), Netflix (NFLX) Results		
	Japan	BOJ Monetary Policy Meeting		
Wed	US	Jan. S&P Global Manufacturing PMI	48.0	47.9
		Jan. S&P Global Services PMI	51.0	51.4
	Euro Zone	Abbott Laboratories (ABT), ASML (ASML), AT&T (T), Tesla (TSLA) Results		
		Jan. HCOB Manufacturing PMI		44.4
	Euro Zone	Jan. HCOB Services PMI		48.8
		Hong Kong	New Oriental Education & Technology (9901) Result	
Thu	US	Initial Jobless Claims (Till Jan 20)		187k
		Continuing Jobless Claims (Till Jan 13)		1,806k
		4Q. GDP Annualized (QoQ)	1.9%	4.9%
		Dec. Retail Inventories (MoM)		-0.1%
		Dec. Durable Goods Orders (Ex Transportation)	0.2%	0.4%
		Dec. New Home Sales	650k	590k
	Euro Zone	Blackstone (BX), Comcast (CMCSA), Intel (INTC), Visa (V) Results		
		ECB Monetary Policy Meeting		
Fri	US	Dec. Personal Income	0.3%	0.4%
		Dec. Personal Spending	0.4%	0.2%
		Dec. PCE Deflator (MoM)	0.2%	-0.1%

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