

**Major Market Indicators**

	3 Jun	31 May	30 May
Mkt. Turn.(mn)	132,300	191,800	125,500
Stock Advances	904	745	562
Stock Declines	756	913	1,033
HSI	18,403	18,080	18,230
Change	+323	-151	-247

**HSI Technical Indicators**

10-days MA	18,673
50-days MA	17,662
250-days MA	17,617
14-days RSI	65.38
Primary resistance	18,600
Primary support	18,200

**HSCEI Technical Indicators**

10-days MA	6,626
50-days MA	6,236
250-days MA	6,057
14-days RSI	55.94
Primary resistance	6,800
Primary support	6,400

**Stock Pick**
**Trip.com (9961)**
**Target: \$480**
**Stop loss: \$394**

At the beginning of the year, a survey was conducted to gather data on when Chinese residents plan to travel this year. The results showed that the majority of residents chose the summer vacation as their preferred travel period. To recap, Trip.com's 1Q24 revenue and profit both beat expectations. Net revenue was RMB 11.9bn, a yoy increase of 29%. Adjusted EBITDA was RMB4bn, compared with RMB2.8bn in 1Q23, and compared with RMB2.9bn in 4Q23. Adjusted EBITDA margin was 33%, compared with 31% in 1Q23, and compared with 28% in 4Q23. As the summer vacation is approaching, tourism sector may outperform the market.

**BOC (3988)**
**Target: \$4.2**
**Stop loss: \$3.3**

The group's fundamentals are superior to those of its peers. Net interest income in 2023 was Rmb466.5bn, a YoY increase of 1.58%. The group's net interest margin was 1.59%, a YoY decrease of 16bps, but the decline in interest margin was smaller than that of its peers; PPOP reached Rmb401.2bn, an annual increase of 3.7%; net profit was Rmb231.9bn, exceeding market expectations and higher than the same period last year. Growth of 2.4% was higher than the 1.8% average annual growth for large banks in 2023. Overall, Bank of China's fundamentals are better than those of its peers. In 2023, its revenue growth rank first among the six major state-owned banks. In addition, the dividend rate is above 6%, which is attractive for long term investment.

**HKEX (388)**
**Target: \$310**
**Stop loss: \$260**

Recent initiatives announced by the China Securities Regulatory Commission, such as the expansion of eligible ETFs and the inclusion of Real Estate Investment Trusts in Stock Connect, the addition of RMB-denominated stocks in Southbound Stock Connect, as well as supporting leading Mainland companies to list in Hong Kong. Although these measures may not have a great impact in the short term, there maybe stimulating effect on the average daily trading volume when the market sentiment further improves.

**Market Overview**

The Institute for Supply Management (ISM) announced that the May PMI was 48.7, lower than 49.2 last month, falling for the second consecutive month. It was also lower than the expected 49.6. Most of the components fell. Among them, the new orders index fell from 49.1 to 45.4, a decrease of 3.7 percentage points MoM. This was also the largest single-month decrease since June 2022. The orders index is now at its lowest level in a year. The employment index was 51.1, compared with 48.6 last month, reflecting that manufacturers have made greater progress in obtaining labor and labor market tensions have eased.

Hong Kong Stock Connect recorded a net inflow of HK\$3.4bn on Monday. Among them, China Mobile (0941) had the largest net inflow, reaching HK\$1.79bn; followed by China Hongqiao (1378). ICBC (1398) recorded the largest net outflow of HK\$320mn; followed by China Telecom (0728).

## Daily Focus

### Hua Hong (1347): recovery of downstream demand

- Recently, the National Integrated Circuit Industry Investment Fund Phase III Co., Ltd. was registered and established with a registered capital of RMB344bn, which is larger than the previous two phases.
- Hua Hong is a leading pure-play foundry in China with specialty technologies which offers a diverse array of wafer foundry and supporting services to its customers, implementing “8-inch + 12-inch” and advanced “Specialty IC + Power Discrete” development strategies. The Company focuses on continuous innovation of “8-inch + 12-inch” specialty technologies, including embedded/standalone non-volatile memory (NVM), power discrete, analog & power management, and logic & RF, supporting applications in emerging areas, such as new energy vehicles, green energy, and the Internet of Things.
- Huahong's 1Q24 revenue was US\$460 million, which fell 27.1% year-on-year but increased 1% quarter-on-quarter. This was mainly due to a quarter-on-quarter increase in shipments, which was in line with the company's previous performance guidance (US\$450 million-500 million). Gross profit margin was 6.4%, compared with 32.1% in the same period last year and 4.0% in the previous quarter. The gross profit margin improved sequentially mainly due to higher capacity utilization, partially offset by lower average selling price.
- Huahong expects second-quarter revenue to be in the range of US\$470-500 million, with a gross profit margin of 6%-10%, driven by the gradually stabilizing average sales price. Overall, Huahong expects operations in 2024 to be better than 2023, and overall demand is expected to fully recover in 2H24. The recovery of the smartphone market and the rise of large AI models will favor the recovery of downstream demand.
- With the implementation of the third phase of the national large fund and the recovery of downstream demand, the investment value of Hua Hong improves.

Hua Hong (1347): Info	
Closed price	20.25
FY24 P/E (X)	34.53
FY24 Dividend yield (%)	0.15
52 week high	28.25
52 week low	13.80
14 RSI	20.7

Analyst: Cynthia Tam

## Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
<b>Balance (RMB bn)</b>	70.52	66.13	78.22
<b>Balance as % of Quota Amount</b>	19.2	14.3	93.1

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CNOOC	883	1,024,537,700	1,131,366,500	2,155,904,200
TENCENT	700	1,008,004,440	890,016,760	1,898,021,200
CHINA MOBILE	941	1,271,075,475	343,644,325	1,614,719,800
CCB	939	409,338,310	582,027,080	991,365,390
ICBC	1398	284,148,390	600,291,740	884,440,130
CHINA TELECOM	728	252,029,700	545,436,920	797,466,620
XIAOMI-W	1810	311,949,472	414,342,964	726,292,436
SMIC	981	261,738,940	289,597,330	551,336,270
MEITUAN-W	3690	258,883,040	269,899,691	528,782,731
CHINAHONGQIAO	1378	368,375,090	125,000,180	493,375,270

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	673,364,060	990,097,335	1,663,461,395
CHINA MOBILE	941	1,056,596,800	189,781,043	1,246,377,843
CNOOC	883	518,132,050	400,047,290	918,179,340
MEITUAN-W	3690	229,000,680	268,206,870	497,207,550
XIAOMI-W	1810	294,209,964	165,714,176	459,924,140
GENSCRIPT BIO	1548	194,337,120	254,922,075	449,259,195
LI AUTO-W	2015	190,022,685	172,585,937	362,608,622
SMIC	981	177,215,890	176,795,231	354,011,121
AKESO	9926	162,178,300	163,448,300	325,626,600
CHINA SHENHUA	1088	263,888,650	51,181,600	315,070,250

Sources: HKEx

## Other Statistics

### Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	4.23%	375.00	10.465
TRACKER FUND	2800	1.75%	18.62	8.447
BABA-SW	9988	2.34%	76.65	5.634
HSCEI ETF	2828	2.10%	66.20	4.606
MEITUAN-W	3690	3.71%	109.00	3.498
BYD COMPANY	1211	5.01%	230.60	3.247
CHINA MOBILE	941	1.47%	76.20	3.167
CNOOC	883	0.72%	21.05	2.657
CSOP HS TECH	3033	3.49%	3.73	2.656
CCB	939	1.44%	5.62	2.256

## Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
TENCENT	00700.HK	1.77B	10.47B	16.96%
TRACKER FUND	02800.HK	801.22M	8.45B	9.49%
ICBC	01398.HK	691.66M	2.07B	33.49%
BYD COMPANY	01211.HK	570.60M	3.25B	17.57%
CCB	00939.HK	551.63M	2.26B	24.45%
BANK OF CHINA	03988.HK	399.85M	1.30B	30.84%
MEITUAN-W	03690.HK	399.33M	3.50B	11.42%
HSCEI ETF	02828.HK	370.06M	4.61B	8.03%
CSOP HS TECH	03033.HK	359.92M	2.66B	13.55%
JD-SW	09618.HK	309.16M	1.20B	25.74%

Source: AA Stocks

## Economic Calendars

Date	Country	Event	Survey	Prior
Mon	US	May. ISM Manufacturing	49.7	49.2
	China	May. Caixin Manufacturing PMI	51.6	51.4
Tue	US	Apr. JOLTS Job Openings	8,300k	8,488k
		Apr. Factory Orders	0.7%	0.8%
		Apr. Durable Goods Orders	0.7%	0.7%
Wed	US	May. ADP Employment Change	175k	192k
		May. ISM Services Index	51.0	49.4
Thu	China	May. Caixin Services PMI	52.6	52.5
		US	Initial Jobless Claims (Till Jun 1)	
Fri	US	Continuing Jobless Claims (Till May 25)		1,791k
		Apr. Trade Balance	-\$69.8b	-\$69.4b
		Euro Zone	ECB Monetary Policy Meeting	
	Hong Kong	Meituan (3690), NIO Inc (9866) Results		
	US	May. Change in Nonfarm Payrolls	180k	175k
Fri	US	May. Unemployment Rate	3.9%	3.9%
		May. Average Hourly Earnings (MoM)	0.3%	0.2%
		Euro Zone	1Q. GDP SA (YoY) Final	0.4%
	China	May. Trade Balance		\$72.35b
Fri	China	May. Exports (YoY)		1.5%
		May. Imports (YoY)		8.4%

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