

What's Hot Today:

► China Public Cloud Market – Trends in IaaS sector

Corporate News Commentary / Reports Summary

► China Public Cloud Market – Trends in IaaS sector

China's public Cloud market reached RMB26.6b in 2017 and is expected to grow to RMB169.9b in 2022 at a 44.9% CAGR, according to Frost & Sullivan. Apart from rapid growth of e-commerce and Internet startups, government's vigorous promotion and investment has also been driving traditional business to the Cloud. **IaaS** (Infrastructure-as-a-Service) is the largest segment with >50% 5-year CAGR.

Market Growth of China Public Cloud Service, 2013-2022E

CAGR	Total	SaaS	PaaS	IaaS
2013-2017	53.40%	26.30%	56.50%	96.80%
2017-2022E	44.90%	24.90%	38.40%	52.60%

Source: Frost & Sullivan

Key observations:

Even IaaS global leader AWS has recorded 3 outages in 2018. For practical consideration, we believe many clients would choose at least 2 IaaS service providers in the future. Thus, the market will not become a monopoly.

Under data privacy concerns, large clients prefer hybrid cloud solution - Private cloud for the core business while non-core functions like HR, OA etc. run on the public cloud server.

We expect consolidation by industry leaders due to heavy investment and economy of scale. At last, 3-5 IaaS providers would survive this stage and then potential price increases after locking in of adequate clients.

Investment focus

1. Cloud business only represented 11.7%/2.6% revenue for the top 2 players **Alibaba (BABA US – US\$158.92)** and **Tencent (700 HK – HK\$341.60)** in 2018. With the recent restructuring in both companies putting emphasis on Cloud Business Units, we believe that they will keep the aggressive capex and grow the business at high double-digit. However, the Cloud business may need another 2-3 years to breakeven for these 2 giants.

2. **Kingsoft (3888 HK – HK\$14.52)** lost 2ppt market share to AWS and Tencent in 2018, which showed smaller companies' difficulty in the IaaS market. Though we believe that Kingsoft could be an alternative for clients in Online-Gaming and Videos industry (next to Tencent), the ~30% OPM in the Cloud segment could bring heavy short-term pressure. (Steven Nie)

China & HK Indices	CLOSE	1D	YTD
HSI	27,576	0.0%	3.5%
HSCBI	10,882	0.1%	3.8%
HSCCI	4,338	-0.5%	4.1%
CSI300	3,183	-0.0%	3.3%
Shanghai A	2,720	-0.2%	1.8%
Shanghai B	275	0.1%	1.8%
Shenzhen A	1,374	-0.4%	3.7%
Shenzhen B	870	0.4%	3.9%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	24,528	-0.8%	5.1%
S&P 500	2,643	-0.8%	5.5%
Nasdaq	7,085	-1.1%	6.8%
Nikkei Index	20,512	-0.7%	2.5%
FTSE Index	6,747	-0.9%	0.3%
CAC Index	4,888	-0.8%	3.3%
DAX Index	11,210	-0.6%	6.2%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	1,303	-0.1%	1.7%
STEEL (US\$/oz.)	1,093	-0.9%	8.0%
SILVER (US\$/oz.)	15	-0.1%	1.7%
CRUDE OIL (US\$/bbl)	51	-42.2%	14.4%
COPPER (US\$/oz.)	6,002	1.4%	0.6%
ALUMINUM (US\$/oz.)	1,867	-1.2%	1.1%
PLATINUM (US\$/oz.)	812	-0.7%	2.1%
ZINC (US\$/oz.)	2,680	1.5%	8.6%
WHEAT (US\$/bu)	518	-0.5%	3.1%
CORN (US\$/bu)	379	0.7%	1.3%
SUGAR (US\$/lb)	N/A	N/A	-2.7%
SOYBEAN (US\$/bu)	923	0.8%	3.2%
PVC (US\$/t.)	N/A	N/A	4.8%
CRB	177	-1.0%	3.0%
BDI			-28.8%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.846	0.875	109.350	0.992	6.776
HKD	0.127		0.112	13.937	12.643	0.860
EUR	1.139	8.967		124.950	0.882	7.711
JPY	0.009	7.175	0.800		0.907	0.062
CHF	1.008	7.909	0.882	110.257		6.799
RMB	0.148	1.158	0.130	16.201	0.147	

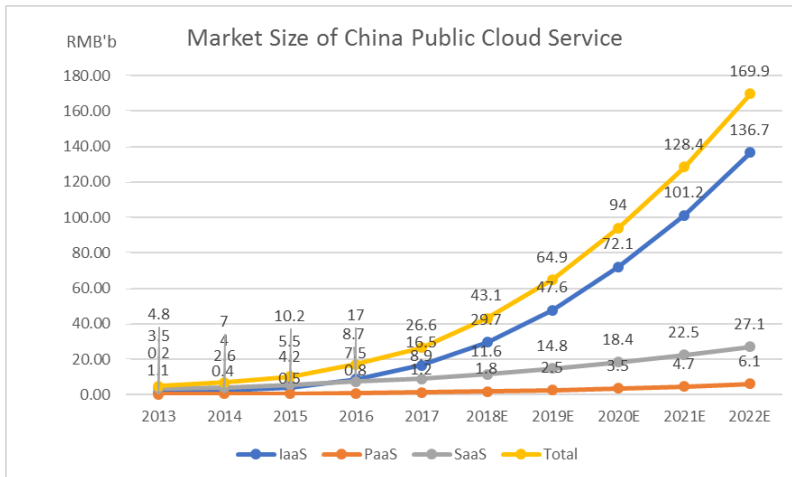
Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIK	18	6.0%

Source: Bloomberg

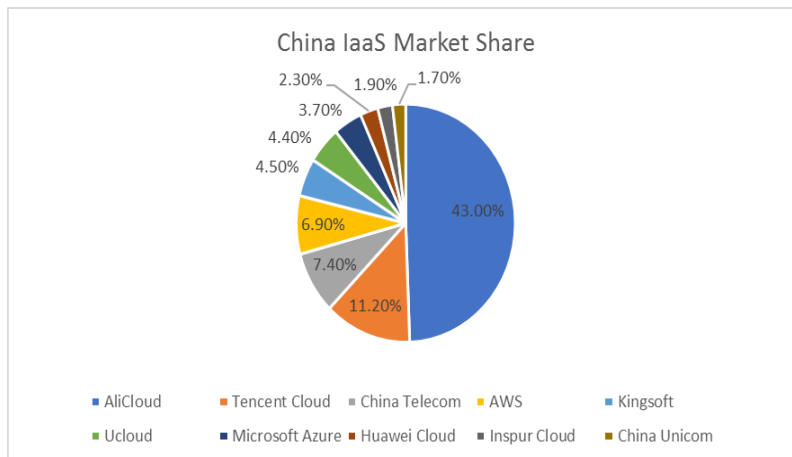
Date	Company	Analyst
25-Jan	IGG (799 HK)	Ingrid He
12-Nov	Sunny Optical (2382 HK)	Phelix Lee
10-Oct	Q Tech (1478 HK)	Phelix Lee
4-Sep	Tianheng Power (819 HK)	Phelix Lee
28-Aug	Q Tech (1478 HK)	Phelix Lee
27-Aug	Ju Teng INTL (3336 HK)	Phelix Lee
24-Aug	361 Degrees (1361 HK)	Hugo Suen
23-Aug	Tongda Group (698 HK)	Phelix Lee
23-Aug	XTEP INTL (1368 HK)	Hugo Suen

Date	Company	Event
14-Dec	NetDragon (777 HK)	Roadshow
11-Dec	Digital China Holdings (861 HK)	Company Visit
22-Nov	Sinosoft Tech (1297 HK)	Company Visit
2-Nov	IGG (799 HK)	Company Visit
9-Oct	INKE (3700 HK)	Company Visit
19-Sep	Evergreen PG (1962 HK)	Company Visit
11-Sep	Hopefluent Group (733 HK)	Analyst meeting
11-12 Jul	Huazhong In-vehicle (6830 HK)	Site Visit
24-May	China Education Group (839 HK)	Company Visit

Appendix



Source: Frost & Sullivan



Source: IDC

China Market News

- ▶ China shares dropped slightly yesterday, wiping early gains boosted by regulator reshuffle.
- ▶ The environmental protection and papermaking sectors suffered the heaviest losses.
- ▶ Pharmaceuticals and medicine names as well as fuel cell manufacturers also fell.

Kingsway coverage list

Name	Ticker	Market Cap (HK\$m)	Price (HK\$)	1D (%)	Rec.	TP (HK\$)	Upside (%)	PER (X)*			Dividend	Absolute performance			Latest report date
								Hist	FY1	FY2	FY2	5D%	1M%	3M%	
HANG SENG INDEX	HSI		27,576.96	2.5				10.5	10.2	9.6	4.1%	0.9	3.6	5.1	
HANG SENG CHINA ENT INDX	HSCEI		10,882.50	3.1				8.5	7.7	7.3	4.6%	1.1	2.8	3.7	
CSI 300 INDEX	SHSZ300		3,183.78	1.8				11.9	9.7	8.7	3.6%	1.3	(0.5)	2.2	
CHINA LILANG	1234 HK	7,999	6.68	0.6	NEUTRAL	9.66	44.6	10.1	9.0	7.7	8.0%	0.6	1.7	3.6	14-Aug-18
DAPHNE INTL	210 HK	404	0.25	2.1	NEUTRAL	0.82	234.7	N/A**	N/A**	N/A**	N/A**	(2.0)	6.5	(12.5)	31-Aug-17
IGG	799 HK	15,439	12.06	(1.0)	LONG	12.89	6.9	11.4	10.4	9.3	0.6%	3.3	17.1	54.0	25-Jan-19
JU TENG INTL	3336 HK	2,379	2.04	0.0	NEUTRAL	1.48	(27.5)	N/A**	85.0	8.2	2.6%	(0.5)	(2.9)	4.6	27-Aug-18
POU SHENG INTL	3813 HK	8,446	1.58	1.3	NEUTRAL	1.45	(8.2)	17.6	16.2	12.3	1.7%	5.3	4.6	4.6	13-Apr-18
Q TECH	1478 HK	4,980	4.40	1.9	SHORT	3.02	(31.4)	22.5	94.6	13.5	1.1%	5.0	0.0	15.8	10-Oct-18
SUNNY OPTICAL	2382 HK	83,964	76.55	0.0	LONG	82.60	7.9	24.6	24.0	17.4	1.3%	1.3	11.3	20.6	12-Nov-18
TIANNENG POWER	819 HK	8,079	7.17	(1.2)	LONG	11.36	58.4	5.5	5.5	4.8	5.7%	3.8	10.0	19.9	4-Sep-18
TONGDA GROUP	698 HK	4,989	0.77	(1.3)	LONG	1.62	110.4	4.1	4.6	4.0	7.5%	2.7	5.5	(22.2)	23-Aug-18
XINYI GLASS	868 HK	36,618	9.17	1.7	LONG	11.53	25.7	8.4	8.4	7.5	6.3%	1.0	8.1	16.2	1-Aug-18
XINYI SOLAR	968 HK	25,966	3.39	0.0	NEUTRAL	3.09	(8.8)	11.0	12.7	11.4	4.1%	2.4	25.1	46.8	31-Jul-18
XTEP INTL	1368 HK	11,150	4.97	4.4	LONG	5.85	17.7	19.5	14.9	12.8	3.9%	8.5	21.8	16.9	23-Aug-18
361 DEGREES	1361 HK	3,391	1.64	0.6	NEUTRAL	1.94	18.3	6.2	7.0	6.2	6.6%	1.9	1.9	(9.4)	24-Aug-18

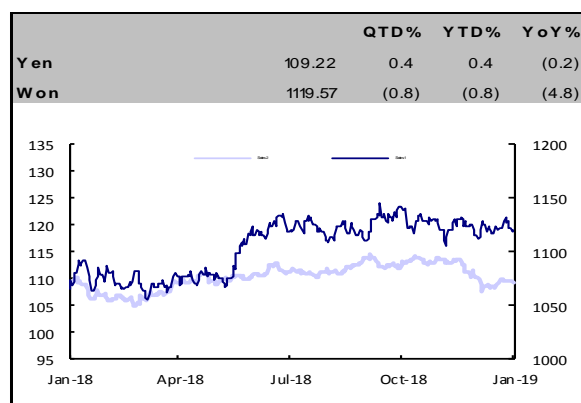
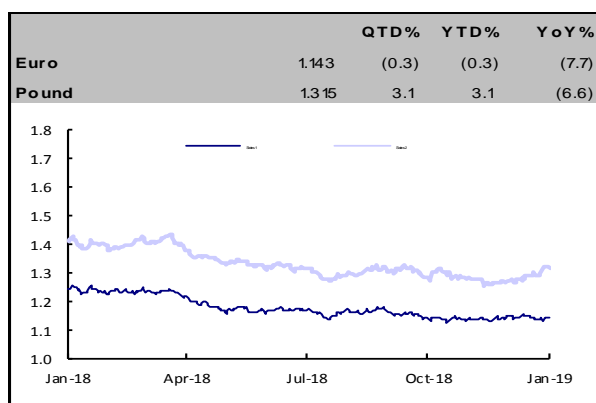
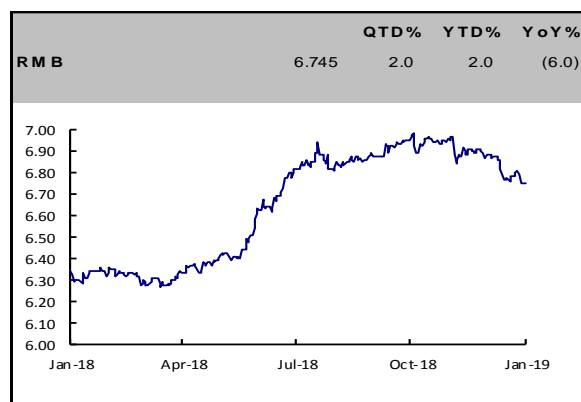
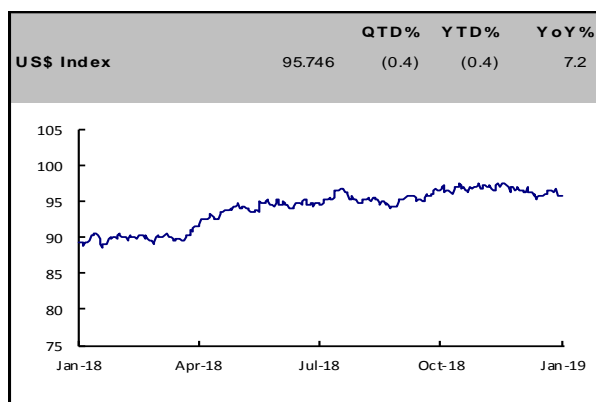
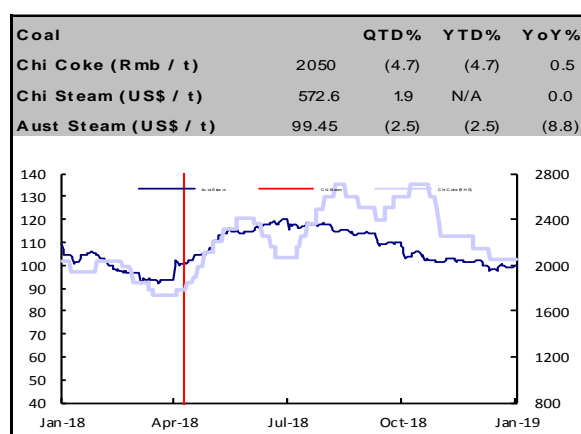
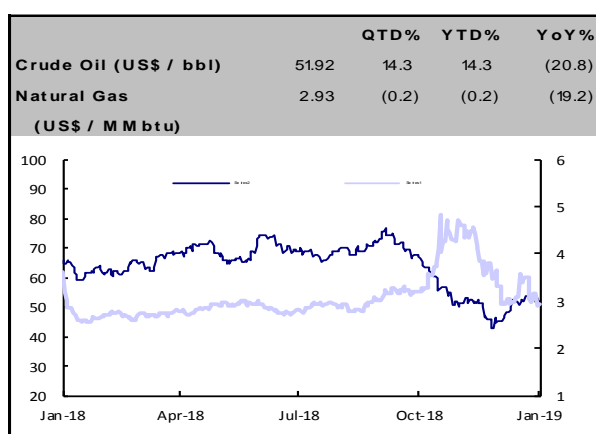
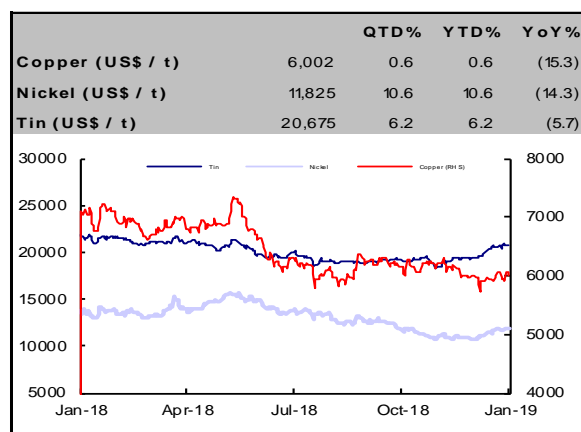
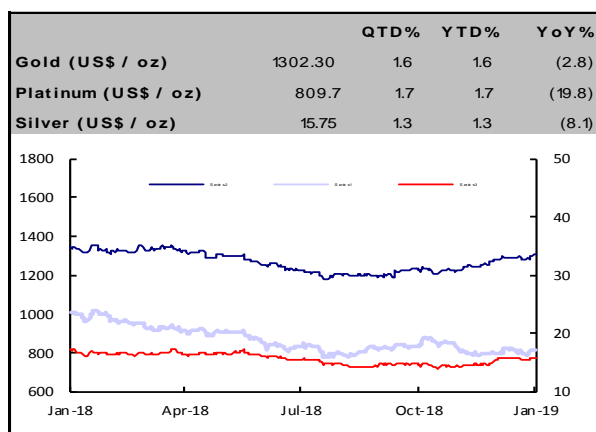
* Calculated by Sunwah Kingsway Research.
** PER is not available, due to : (1) the company went public only recently, or (2) no consensus earnings estimate, or (3) net loss, etc.

Radar Screen issued during past 12 months

Name	Ticker	Market Cap (HK\$m)	Price (HK\$)	1D (%)	Price on report issue date (HK\$)	Performance since report issued (%)	PER (X)*			Dividend	Absolute performance			Latest report date
							Hist	FY1	FY2	FY2	5D%	1M%	3M%	
MEITU	1357 HK	10,674	2.54	0.79	11.66	-78.22	N/A**	N/A**	N/A**	118.1%	(3.1)	21.5	(38.0)	24-Oct-17
DYNAM JAPAN	6889 HK	7,369	9.62	(1.74)	14.90	-35.44	7.4	6.6	9.2	N/A**	(1.0)	3.1	3.8	25-Apr-17
CROSSTEC	3893 HK	149	0.062	5.08	0.137	-54.74	N/A**	N/A**	N/A**	N/A**	(7.5)	(11.4)	(4.6)	3-Mar-17
YUEYUN TRANS	3399 HK	2,312	2.89	(0.3)	4.25	-32.00	4.9	N/A**	N/A**	5.5%	(1.4)	(4.0)	(3.7)	14-Jul-16
UNI MEDICAL	2666 HK	10,624	6.19	1.1	5.65	9.56	7.0	6.5	5.3	3.2%	2.7	6.0	7.5	8-Jan-16
SUMMI	756 HK	267	0.20	2.1	0.79	-74.94	21.9	N/A**	N/A**	0.0%	12.5	0.0	(12.4)	9-Feb-15
JIASHILI GP	1285 HK	751	1.81	0.0	3.30	-45.15	6.0	N/A**	N/A**	8.3%	0.0	0.6	4.0	10-Dec-14
GOLDPAC GROUP	3315 HK	1,692	2.03	0.0	7.18	-71.73	8.5	8.7	8.7	4.9%	0.5	6.3	6.8	31-Oct-14
UNI-BIO GROUP	690 HK	593	0.10	0.0	0.17	-43.53	N/A**	N/A**	N/A**	0.0%	1.1	10.3	2.1	28-Oct-14
TOWN HEALTH	3886 HK	5,193	0.69	0.0	1.36	-49.26	N/A**	N/A**	N/A**	N/A**	0.0	0.0	0.0	10-Sep-14
BAGUIO GREEN	1397 HK	282	0.68	(1.4)	1.43	-52.45	15.6	N/A**	N/A**	N/A**	7.9	0.0	N/A**	30-Jul-14
YUANDA CHINA	2789 HK	590	0.10	(1.0)	0.67	-85.82	7.4	N/A**	N/A**	N/A**	1.1	17.3	18.8	21-Jul-14
JUMEI	JMEI US	357	2.38	6.73	2.67	-10.86	20.0	N/A**	N/A**	N/A**	8.2	25.3	N/A**	15-Jul-14
FUGUINIAO	1819 HK	5,189	3.88	0.0	8.85	-56.16	11.3	N/A**	N/A**	N/A**	0.0	0.0	0.0	7-Jul-14

* Calculated by Sunwah Kingsway Research.
** PER is not available, due to : (1) the company went public only recently, or (2) no consensus earnings estimate, or (3) net loss, etc.

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Factory Orders	MoM		29-Jan-19
Trade Balance	MoM		29-Jan-19
Business Inventories	MoM		29-Jan-19
Retail Sales	MoM		29-Jan-19
Housing Starts / Building Permits	MoM		29-Jan-19
New home Sales	MoM		29-Jan-19
Durable Goods Orders	MoM		29-Jan-19
Wholesale Inventories	MoM		29-Jan-19
Consumer Confidence	MoM		29-Jan-19
GDP	QoQ		30-Jan-19
Initial Jobless Claims	WoW		31-Jan-19
Personal Income & Spending	MoM		31-Jan-19
ISM Manufacturing PMI	MoM		1-Feb-19
Employment Report	MoM		1-Feb-19
CPI	MoM		13-Feb-19
PPI	MoM		14-Feb-19
Industrial Production	MoM		15-Feb-19
Existing Home Sales	MoM		21-Feb-19
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-Jan-19
Foreign Exchange Reserves	QoQ		7-Feb-19
Money Supply - M2	MoM		10-Feb-19
Trade Balance	MoM		14-Feb-19
PPI	MoM		15-Feb-19
CPI	MoM		15-Feb-19
Industrial Production	MoM		14-Mar-19
Retail Sales	MoM		14-Mar-19
GDP	YoY		17-Apr-19

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Retail Sales	MoM		30-Jan-19
Money Supply - M2	MoM		31-Jan-19
PMI	MoM		8-Feb-19
Foreign Currency Reserve	MoM		11-Feb-19
Composite Interest Rate	MoM		19-Feb-19
Unemployment Rate	MoM		21-Feb-19
CPI	MoM		22-Feb-19
Trade Balance	MoM		26-Feb-19
GDP	QoQ		27-Feb-19
Industrial Production	QoQ		14-Mar-19
Producer Prices Index	QoQ		14-Mar-19

Source: HKEx

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