



KGI

CHINA
DEVELOPMENT
FINANCIAL

Investment Daily

21 June 2019

Major Market Indicators

	20 Jun	19 Jun	18 Jun
Mkt. Turn.(mn)	97,800	105,100	71,000
Stock Advances	1,129	1,214	912
Stock Declines	569	530	714
HSI	28,550	28,202	27,498
Change	+384	+703	+271
HSI Turn.(\$bn)	37.21	42.44	28.22
HSCEI	10,922	10,764	10,507
Change	+157	+257	+79
HSCEI Turn.(\$bn)	32.80	32.97	20.43

HSI Technical Indicators

10-days MA	27,553
50-days MA	28,509
250-days MA	27,648
14-days RSI	62.44
Primary resistance	28,800
Primary support	28,000

HSCEI Technical Indicators

10-days MA	10,549
50-days MA	10,999
250-days MA	10,824
14-days RSI	61.67
Primary resistance	10,999
Primary support	10,824

HSI Futures

	20 Jun	19 Jun	18 Jun
Jun	28,515	28,146	27,444
Volume	182,239	186,360	186,470
Open interests	149,690	138,022	155,755
Jul	28,464	28,090	27,385
Volume	3,750	3,732	2,246
Open interests	8,804	6,668	5,739

HSCEI Futures

	20 Jun	19 Jun	18 Jun
Jun	10,873	10,696	10,454
Volume	112,216	120,198	79,723
Open interests	228,394	241,011	258,249
Jul	10,830	10,647	10,404
Volume	4,559	1,979	4,976
Open interests	20,608	17,994	15,591

Market Overview

The Hang Seng Index is expected to trade at 28,300-28,700 today

The Federal Reserve kept the federal funds rate target unchanged, while nearly half of the officials suggested the need to cut interest rates probably by up to 0.5% this year. Hong Kong stock market continued to rebound, Hang Seng Index rose 348 points to 28,550 points and regain 50 days SMA(28,509) and 100days SMA(28,508) level, while H-Share Index up 158 points to 10,922points. The market turnover was 97.8 billion. Ping An(2318) repurchased 13.0035 million A-shares on the Shanghai Stock Exchange, it up 3.7% China Mobile (0941) 4G net addition 4.99Million in May, the share price up 0.71%. Geely Auto(0175) up 4.9% and was the best performing blue chip.

Federal Reserve Chairman Powell signaled that the Fed might cut US interest rate, continue to provide support to the US stock market. Besides, Iran shot down a U.S. military drone, adding to fears of a deepening conflict and potential disruption to oil supplies, oil price rose 5.7% to US\$57.1 per barrel on Thursday, boost the energy stock. The Dow and the Nasdaq rose 249 points (to 26,753) and 64 points (to 8,051) on Thursday, while S&P 500 index closed at record high. On the other hand, funds continued flow into treasury market, 10 Year US Treasury yield fell 2 basis points to 2.01%.

Thanks to global Central bank monetary policy turned dovish, overall stock market sentiment has been improved. Together with the weakness of US dollar and interest rate, Hong Kong stock market will be benefit. However, Hang Seng Index has accumulated significant rebound in the past few trading days, further upside might be limited in the near term. Hang Seng Index resistance has been shift upward to 29,000.

Technical Analysis

The Hang Seng Index opened higher again on Thursday, and finally closed above the intersection of 50 Day SMA (28,509) and 100 Day SMA(28,508) with a white candlestick. On the other hand, MACD remained in the positive territory, its positive trend has been accelerated again. On the other hand, 9 Day RSI rose to 71.8. Hang Seng Index first support is at 28,000 while second support is 250 Day SMA (27,648). On the other hand, first resistance is 28,800, while second resistance is at 29,000.

HSI Chart



Sources : Google

Daily Focus

CLP Holdings (0002) issued a profit warning

- The Australian federal government plans to implement default market prices to re-regulate the regular prices of residential and small business customers in New South Wales, Queensland and South Australia; the Victorian Government also plans to introduce default prices for residential and small business customers. The above measures will take effect on July 1 this year and are expected to reduce the price paid by local customers.
- In response to the adjustment of the Australian electricity price policy, CLP Holdings (0002) issued a profit warning, estimated that the EnergyAustralia business would have a goodwill impairment provision of HK\$6 to 7 billion, and estimated that its overall interim results recorded a loss.
- CLP disclosed EnergyAustralia's first five months of operating profit, which was only about HK\$731 million during the period, far lower than HK\$2,257mn in the first half of 2018; but compared with the HK\$1,045mn in the second half of 2018, the difference is not too big. However, CLP said that EnergyAustralia is promoting a number of cheaper new energy solutions. It is expected that the pre-tax profit of Australia retail business will decrease by HK\$240 million to HK\$300 million in the second half of 2019, and it might continue to fall in the future.
- Owing to Hong Kong business impacted by lowered Scheme of Control return rate, together with anticipated earnings decline from the Australian operation, CLP recurring net profit is expected to fall 14% yoy in 2019.
- The weak earnings outlook might depress its share price in the near term. However, based on our assumed dividend per share of HK\$3.10 in 2019, its estimated payout ratio is 67% only. We expect CLP could maintain steady dividend payout policy. Given dividend yield of 3.4% (refer to share price at HK\$90.25), CLP share price should have support at low level. CLP share price is expected to range trade at HK\$85-92.

CLP Holdings (2) Info	
Closed price	90.25
Expected P/E (X)	17.1
Dividend yield (%)	3.4
52 week high	95.58
52 week low	76.91
14RSI	55.9

Analyst: Samuel Chua Tit Hong, CFA



Shimo Prop(0813): Non property development business will become revenue driver

- For the first 5 months in 2019, the company achieved contracted sales amounted to RMB71.9 billion, up 39.5% YoY, and achieved 34.27% of 2019 sales target, while the contracted sales for May reached RMB 16.04 billion, up 52.38% YoY.
- The company said that the amount of M&A announced this year is about RMB 20 billion, but there are still many projects under negotiation, so the actual scale will be higher. While the saleable value of acquisition reached about 70% of investment plan for the whole year, which helped in reducing the pressure on land purchase for the rest of the year and can increase the yield required for the investment, it is believed to support future sales performance.
- Furthermore, the company is listed in both Hong Kong and China, with multi financing channels. As the current financing situation is still tight for small and medium-sized developers, which creates opportunities for M&A. As at end of 2018, the company 's cash level was about RMB 49.58 billion, with net debt ratio below 60%, due to the high cash level and low financing costs, the company is well positioned to take place in M&A activities.
- As at 31 December 2018, the Group's land bank was approximately 55.38 million sq.m. with 264 projects cover 87 cities in China with saleable value of RMB 900 billion. In which Greater Bay Area reached RMB 200 billion, Yangtze River Delta region reached RMB225 billion and Fujian Province reached RMB 210 billion and accounted for 22%, 25% and 23% of total land bank.
- For the recurring income, Shimao Star Hotel Group currently operating 10 hotels, while 51 were in preparation for opening, the company also target to develop 100 hotels in four years. And for Commercial properties, it has more than 48 commercial projects.
- Months ago, China government announced to remove limits on household registration of key population groups, and the policy is expected to have positive impact on second-tier cities. The company acquired land cost of RMB 82.3 billion last year, in which 43% was located in 2nd tier cities and 50% located in 3rd and 4th tier cities, which is expected to benefited from the policy.
- The stock expected P/E is about 6.12X, P/B is about 0.97X, and the dividend yield is about 6.51%, recommend investors to accumulate when consolidate.

Shimo Prop(0813)Info	
Closed price	23.5
Expected P/E (X)	6.12
Dividend yield (%)	6.51
52 week high	26.25
52 week low	13.62
14RSI	63.4

Analyst: Ken Li Kam Ming, CFA, FRM

Sasa(178)FY19 Net Profit Rose 7% In Line With Expectation

- Sasa(178) announced annual result for the year ended 31 March 2019. Turnover for the continuing operations increased by 4.5% from HK\$8,017.6 million last year to HK\$8,375.9 million. Profit for the year was HK\$470.8 million, an increase of 7.0% over the HK\$440.1 million achieved in the last financial year. Both were in line with market expectation. Net profit growth was partially attributable to rent and frontline staff cost in relation to revenue dropped 0.6 ppt and 0.2 ppt. However, as weaker sole agent sales resulted into decline in house brand mix, gross profit margin dropped 1.3 ppt to 40.8%.
- Regarding key market Hong Kong and Macau, as weaker sole agent sales resulted into decline in house brand mix. Gross profit margin dropped 41.7% to 40.4%. In terms of sales value, mainland customers accounted for 71.4%. RMB weakened since the start of Sino-US trade war. And Daigou regulation tightened. Total number of transaction of PRC customers grew 21.8% YoY in 1HFY19 while it rose 1.0% only in 2HFY19. And decline in average sales per transaction of PRC customers widened from -0.4% to -5.9%. Therefore, 2H revenue dropped around 5% while profit for the year from continuing operations reduced 22%.
- For recent development, management stated that given turnover jumped 27.7% in Q1FY19, turnover dropped 12.7% YoY in Q1FY20(April-June). Among which, April was the weakest month recording 21% drop. It recorded 5.3% and 3.2% decline in May and first week of Jun. SSSG dropped 15% for this quarter. Management also said that decline in May and June has been narrowing. But under the impact of mass demonstration in Hong Kong, number of PRC tourists reduced. Turnover dropped 20% that week.
- On the other hand, Sasa said that local pharmacies expanded rapidly in Hong Kong. Undoubtedly, market competition was intensified. The company admitted that market share lost for the last few months. Therefore, the company expects gross profit margin may reduce 1-2 ppt in FY20. Priority will be given to turnover and traffic flow. In sight of the fact that competitors mainly sell low-price products, Sasa will expand its high end product line to differentiate. And health food and healthcare products will be new source of growth.
- Forward looking FY20, the group plans to increase more than 10 shops in Hong Kong and China. The group will open 7-8 stores in greater bay area and 3-4 stores in Hong Kong. Management expects to lower rent to sales ratio from current level 11.8%. We expect mid-single-digit growth in FY20 turnover. However, given that gross profit margin is under pressure, net profit may record mid-single-digit drop.
- In terms of valuation, FY20 projected P/E is 16.3X which is lower than last five year average (20.4x). Dividend yield is 6.7%. But, Sasa product competitiveness takes time to rebuild. We are not too positive towards its profit outlook. Investors are suggested to reduce during recent rebound.

SASA Int'l(178) Info	
Closed price	2.41
Expected P/E (X)	16.3
Dividend yield (%)	6.7
52 week high	5.54
52 week low	2.06
14RSI	63.4

Analyst: Tracy Chan Lok Yee



Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	49.87	48.21	82.18
Balance as % of Quota Amount	95.9	92.7	97.8

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
PING AN	2318	326,909,350	168,790,300	495,699,650
TENCENT	700	217,840,920	260,868,320	478,709,240
ICBC	1398	258,963,040	25,671,120	284,634,160
FOSUN INTL	656	142,234,290	86,692,170	228,926,460
SUNAC	1918	71,143,600	96,233,300	167,376,900
CCB	939	110,375,080	56,415,930	166,791,010
CPIC	2601	137,972,970	13,835,250	151,808,220
CITIC SEC	6030	105,363,950	43,207,360	148,571,310
PICC GROUP	1339	43,738,650	77,061,210	120,799,860
HTSC	6886	70,488,564	43,851,004	114,339,568

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	261,268,920	70,930,280	332,199,200
CCB	939	138,659,950	6,034,920	144,694,870
KINGDEE INT'L	268	67,178,290	48,162,110	115,340,400
ICBC	1398	85,984,510	7,050,739	93,035,249
CM BANK	3968	31,523,775	51,868,725	83,392,500
HEC PHARM	1558	31,117,460	50,482,810	81,600,270
NCI	1336	57,562,180	18,795,735	76,357,915
ZTE	763	46,830,990	28,300,240	75,131,230
CHINA TOWER	788	14,933,780	52,141,980	67,075,760
PING AN	2318	54,058,700	11,626,200	65,684,900

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
TENCENT	700	1.96%	354.00	6770.8
PING AN	2318	3.68%	94.35	5544.7
MEITUAN-W	3690	0.40%	62.70	2395.8
ICBC	1398	-0.50%	5.93	2060.4
AIA	1299	2.56%	82.05	1931.8
CCB	939	0.92%	6.60	1825.4
CHINA TOWER	788	4.04%	2.06	1429.3
HKEX	388	0.14%	278.20	1407.3
GEELY AUTO	175	4.87%	13.34	1186.2
CHINA LIFE	2628	3.31%	19.38	1113.6

Ten Short Sell Stocks

Stock Name	Code	Short Sell	Turnover	Short Sell Ratio
PING AN	02318.HK	1.49B	5.54B	26.95%
TRACKER FUND	02800.HK	1.22B	2.31B	53.01%
ICBC	01398.HK	837.70M	2.06B	40.66%
CAM CSI300	03188.HK	802.29M	1.50B	53.47%
CSOP A50 ETF	02822.HK	599.35M	1.63B	36.73%
ISHARES A50	02823.HK	556.37M	1.11B	50.01%
CCB	00939.HK	530.97M	1.83B	29.09%
TENCENT	00700.HK	481.63M	6.77B	7.11%
AIA	01299.HK	430.78M	1.93B	22.30%
MEITUAN-W	03690.HK	410.29M	2.40B	17.13%

Source: AASTocks

Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	May. Foreign Direct Investment YoY		6.3%
	Hong Kong	L'OCCITANE(973) Result		
Tue	US	May. Housing Starts	1240K	1235K
		May. Buiding Permits	1300K	1296K
	Euro Zone	Apr. Trade Balance		22.5B
		May CPI	1.2%	1.2%
	Australia	RBA Minutes of June Policy Meeting		
	Hong Kong	Want Want China(151) Result		
Wed	US	Fed Rate Decision(Announce on 20 Jun HKT 2AM)	2.25-2.50%	2.25-2.50%
Thur	US	Initial Jobless Claim (Till Jun 15)		
		Continuing Jobless Claim (Till Jun 8)		
		Jun Philadelphia Fed Manufacturing Index	12.0	16.6
	UK	BOE Rate Decision		
	Japan	BOJ Rate Decision		
	Hong Kong	Vitasoy(345) , SaSa (0178)Result		
Fri	US	Jun. Markit Manufacturing PMI		50.5
		May. Existing Home Sales	5.26M	5.19M
	Euro Zone	Jun. Markit Manufacturing PMI		47.7
	Hong Kong	China Gas(384) Result		

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