



KGI

CHINA
DEVELOPMENT
FINANCIAL

Investment Daily

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Major Market Indicators

	21 Jun	20 Jun	19 Jun
Mkt. Turn.(mn)	118,600	97,800	105,100
Stock Advances	773	1,129	1,214
Stock Declines	916	569	530
HSI	28,473	28,550	28,202
Change	-76	+384	+703
HSI Turn.(\$bn)	44.47	37.21	42.44
HSCEI	10,921	10,922	10,764
Change	0	+157	+257
HSCEI Turn.(\$bn)	38.08	32.80	32.97

HSI Technical Indicators

10-days MA	27,704
50-days MA	28,480
250-days MA	27,639
14-days RSI	60.98
Primary resistance	28,800
Primary support	28,000

HSCEI Technical Indicators

10-days MA	10,608
50-days MA	10,983
250-days MA	10,820
14-days RSI	61.62
Primary resistance	10,983
Primary support	10,820

HSI Futures

	21 Jun	20 Jun	19 Jun
Jun	28,422	28,515	28,146
Volume	179,438	182,239	186,360
Open interests	137,509	149,690	138,022
Jul	28,377	28,464	28,090
Volume	5,592	3,750	3,732
Open interests	13,047	8,804	6,668

HSCEI Futures

	21 Jun	20 Jun	19 Jun
Jun	10,868	10,873	10,696
Volume	101,911	112,216	120,198
Open interests	213,843	228,394	241,011
Jul	10,824	10,830	10,647
Volume	7,210	4,559	1,979
Open interests	25,054	20,608	17,994

Market Overview

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

Although the US stock market continued to rise overnight, Hong Kong stocks retreated at a high level after recording a significant gain in recent days. The Hang Seng Index fell 77 points to 28,474 points on Friday. The H-Share Index is still fell 1 points to 10,921 points. Market turnover was HK\$118.6 billion. Iran has shot down a US military drone. The market is worried that there will be a military conflict between the two parties. Oil prices soared, CNOOC (0883.HK) shares rose 2.6%. On the other hand, CLP Holdings (0002) issued a profit warning to predict the HK\$6 to 7 billion impairment of goodwill for the Australian business. It is estimated that this year's interim results will record a loss while the share price fell by 3.9%.

Several Fed members released more dovish view on US economy outlook last Friday, US stock market continued its rally on early session, the Dow once rose 150 points. However, heightened tensions between Iran and the U.S triggered profit taking pressure, US stock retreated. The Dow and the Nasdaq fell 34 points (to 26,719) and 20 points (to 8,032) respectively. Looking ahead this week, President Xi Jinping and President Trump meeting at Osaka will be the major focus. Besides, investors will also eye on a series of US economy data to be released.

Hong Kong stock market accumulated significant gain recently. However, investors might prefer to switch to stay sideline ahead of G20 meeting. Hang Seng Index initial support at 28,000. Looking ahead, investors focus will eye on President Xi Jinping and President Trump meeting, to see whether it could enhance China and US relationship.

Technical Analysis

The Hang Seng Index opened higher again last Friday, and finally retreated with a black candlestick, closing below the 50 Day SMA (28,480) and 100 Day SMA(28,521). On the other hand, MACD remained in the positive territory, its positive trend has been accelerated again. Hang Seng Index remained firmed. Hang Seng Index first support is at 28,000 while second support is 250 Day SMA (27,639). On the other hand, first resistance is 28,800, while second resistance is at 29,000.

HSI Chart



Sources : Google

Daily Focus

HK and China Gas(0003.HK): HK Operatin Gas Tariff Increased

- Hong Kong and China Gas (0003.HK) suggested to adjust HK business standard gas tariff upward by 4.4%, effective from August 2019. It is equivalent to 3.8% of actual gas tariff (including fuel adjusted fees).
- Hong Kong and China Gas pointed out inflation rate is 4.4% during May 2017 – Apr 2019. During 2017-2018, Hong Kong and China Gas capex is HK\$2.5bn and is committed to invest another HK\$8.5bn in 2019 and upcoming 5 years.
- HK & China Gas has signed a voluntary agreement with HK government, which will consult HK government for any tariff upward plan. In the recent years, HK & China Gas used to increase tariff by 4.4-4.6% every two years.
- Hong Kong and China Gas HK operation annual revenue is HK\$10bn. The tariff upward adjustment will bring additional annualized revenue of HK\$440mn. However, significant part of the gain will be offset by related cost increase. It is expected that Hong Kong operation will continue its low single digit profit growth in coming years. Since HK operation accounted for less than 50% of total profit, the boost to overall profit is not too significant.
- China operation profit maintained mid-teens growth which is the Group major earnings driver. However, HK and China Gas current valuation is 32x prospective P/E, it is not only near 5 year high, and is also much higher than its listed China business subsidiary Towngas China (1083) and other China gas peers' 12-17x prospective P/E. With such high valuation premium, it might limit HK and China Gas share price upside room. We suggest to wait for better buying opportunity.

HK & China Gas (3) Info	
Closed price	17.50
Expected P/E (X)	32
Dividend yield (%)	2.0
52 week high	17.83
52 week low	13.12
14RSI	58.6

Analyst: Samuel Chua Tit Hong, CFA

**Colorful life(1778): Value-added services will be the growth driver**

- According to China Property Management Institute research report, for the core evaluation indicators in 2018, the average operating income of listed property service companies increased 45.3% yearly to RMB2.078 billion, average of net profit grew 62.26% yearly to RMB275 million, while average gross margin added 0.17% to 29.61%.
- Color Life (1778) last year revenue increased by 122% YoY to RMB 3.57 billion, while net profit attributable to shareholders also increased by 51%YoY to RMB 485 million, and both outperformed the peers' average.
- During the reporting period, revenue from property management services up 149% to RMB\$3.06 billion and accounted for 85% of total revenue. It was mainly due to the acquisition of Wanxiangmei in the first quarter of 2018, and increased the revenue of lump sum basis to RMB\$2.6 billion, up 186% YoY.
- As Wanxiangmei is one of the largest property management companies in the Mainland which has a large number of high-end property management project with high-margin, with the acquisition, besides expanding the area under management, it also helped in enhancing future performance.
- As of Dec 2018, the company had an aggregated platform service area of 1,122.3 mm sq.m., which included 553.7 million sq. m. for Contracted GFA, 318.6 million sq. m. for cooperated area and 250.0 million sq.m. for allied area, and also has established cooperative partnerships with 95 property management companies.
- In addition, the company's reserve area reached 190 million square meters, coupled with its new contracted management area of 74.3 million square meters in 2018, are all conducive to support future scale growth.
- The company's value-added services was another growth driver, the related revenue increased by 47.5% year-on-year to RMB\$408.4 million, while gross profit margin increased by 13.7 percentage points to 95.7%, and contributed RMB 309.2 million or 33.6% of total revenue. And as at 31 December 2018, registered users of Colour Life's ecosystem increased to approximately 26.4 million, of which 14.0 million were ecosystem active users. For the twelve months ended 31 December 2018, the accumulated Gross Merchandise Volume ("GMV") of Caizhiyun platform reached approximately RMB9,448.0 million, representing a year-on-year increase of 24.1%.
- The company hopes to expand its platform to total management area of 150 million to 200 million square meters, also strive to achieve the goal of achieving an overall management area of 2 billion in 2020 with revenue growth at 20%, which will help in supporting future performance.
- The stock expected P/E is about 9.37X, P/B is about 1.58X, and the dividend yield is about 4.4%, recommend investors to accumulate when consolidate.

Colorful life(1778)Info	
Closed price	4.98
Expected P/E (X)	9.37
Dividend yield (%)	4.4
52 week high	8.92
52 week low	3.64
14RSI	56.2

Analyst: Ken Li Kam Ming, CFA, FRM



Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
Balance (RMB bn)	47.68	47.94	82.93
Balance as % of Quota Amount	91.7	92.2	98.7

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
GEELY AUTO	175	24,593,260	227,220,820	251,814,080
TENCENT	700	82,439,360	169,201,300	251,640,660
SUNNY OPTICAL	2382	26,561,605	123,754,675	150,316,280
HKEX	388	43,222,800	78,930,763	122,153,563
CHINA TAIPING	966	75,395,770	41,190,730	116,586,500
HTSC	6886	84,435,984	28,316,832	112,752,816
PING AN	2318	66,607,075	40,510,400	107,117,475
GAC GROUP	2238	77,211,380	26,307,896	103,519,276
ZIJIN MINING	2899	39,345,320	63,555,120	102,900,440
CHINA MOBILE	941	98,742,725	3,039,125	101,781,850

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
SD GOLD	1787	105,247,200	32,708,425	137,955,625
GF SEC	1776	78,464,814	47,061,934	125,526,748
CSC	6066	24,976,265	95,028,715	120,004,980
TENCENT	700	57,157,420	58,874,160	116,031,580
ZTE	763	74,893,670	32,057,380	106,951,050
CHINA VANKE	2202	75,774,945	10,208,315	85,983,260
CNOOC	883	74,878,020	3,170,140	78,048,160
CLP HOLDINGS	2	23,192,250	50,079,575	73,271,825
SUNAC	1918	13,131,700	52,789,650	65,921,350
CHINA RES LAND	1109	47,285,200	1,953,200	49,238,400

Sources: HKEx

Other Statistics

Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Million)
MEITUAN-W	3690	2.55%	64.30	9769.7
TENCENT	700	0.11%	354.40	7094.8
PING AN	2318	-0.42%	93.95	4973.2
CHINA TOWER	788	1.94%	2.10	2747.2
CCB	939	-0.46%	6.57	2689.4
HENDERSON LAND	12	-0.94%	42.25	2044.1
CHINA MOBILE	941	1.07%	71.00	2002.4
AIA	1299	0.79%	82.70	2001.1
HKEX	388	-0.50%	276.80	1805.0
ICBC	1398	0.00%	5.93	1777.8

Ten Short Sell Stocks

Stock Name	Code	Short Sell	Turnover	Short Sell Ratio
MEITUAN-W	03690.HK	3.98B	9.77B	40.73%
TENCENT	00700.HK	1.38B	7.09B	19.43%
PING AN	02318.HK	1.12B	4.97B	22.51%
TRACKER FUND	02800.HK	966.00M	1.58B	61.24%
CHINA TOWER	00788.HK	860.02M	2.75B	31.31%
CAM CSI300	03188.HK	656.36M	1.01B	64.88%
CCB	00939.HK	581.09M	2.69B	21.61%
ICBC	01398.HK	571.36M	1.78B	32.14%
CSOP A50 ETF	02822.HK	545.36M	978.13M	55.76%
AIA	01299.HK	483.62M	2.00B	24.17%

Source: AASTocks

Economic Calendars

Date	Country	Event	Survey	Prior
Tue	US	May. New Home Sales	685k	673k
Wed	US	May. Durable Goods Orders	0.0%	-2.1%
		May. Retail Inventories MoM		0.5%
		May. Wholesale Inventories MoM		0.8%
	Hong Kong	BOSIDENG (3998) Result		
Thur	US	May. Pending Home Sales MoM	1.0%	-1.5%
		Initial Jobless Claim (Till Jun 22)		
		Continuing Jobless Claim (Till Jun 15)		
	China	May. Industrial Profits YoY		-3.7%
	Hong Kong	LUK FOOK HOLD(590), CHINA WATER(855) Result		
Fri	Japan	G20 Summit (28-29 June, US President Trump and China President Xi will have a meeting)		
	US	May. Real Personal Spending		0.0%
		May. PCE Core DeflatorYoY	1.6%	1.6%
	Euro Zone	Jun. CPI Core YoY	0.8%	0.8%

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