

**Major Market Indicators**

	18 Jun	17 Jun	14 Jun
Mkt. Turn.(mn)	92,300	96,300	116,200
Stock Advances	751	553	828
Stock Declines	833	1,091	790
HSI	17,916	17,936	17,942
Change	-21	-6	-171

**HSI Technical Indicators**

10-days MA	18,173
50-days MA	17,974
250-days MA	17,589
14-days RSI	48.20
Primary resistance	18,200
Primary support	17,800

**HSCEI Technical Indicators**

10-days MA	6,451
50-days MA	6,363
250-days MA	6,060
14-days RSI	40.69
Primary resistance	6,600
Primary support	6,200

**Stock Pick**
**CGN Power (1816)**
**Target: \$3.6**
**Stop loss: \$3**

According to historical data, the annual social electricity consumption peak is basically consistent with the occurrence of high temperature weather, both occurring in July-August. As industrial production improves this year, electricity consumption may further increase in hot weather. Driven by these two factors, the growth of electricity consumption this year may accelerate. President Xi Jinping hosted a meeting of business and industry experts in Shandong at the end of last month to discuss issues related to deepening the reform of the mainland's power industry. There may be further news at the Third Plenary Session of the CPC Central Committee.

**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.

**China Coal (1898)**
**Target: \$10.8**
**Stop loss: \$8.6**

China Coal has proposed a special dividend of RMB 0.113 per share. The market has reacted positively, as the company's dividend payout ratio has ranged between 20% to 35% since 2016. In comparison, its peer Shenhua had a 70% payout ratio last year. This proposed dividend by China Coal may indicate the possibility of increased dividends in the future. The State Council further study incorporating market value management into the performance evaluations of central enterprise leaders. State-owned enterprises have previously responded positively, stating that they will actively engage in value management and value delivery activities. They will regularly use market value management tools to maintain company value and enhance shareholder returns.

**Market Overview**

U.S. retail sales increased by 0.1% in May from the previous quarter. The growth rate was lower than expected and improved from the downwardly revised decrease of 0.2% in April. Economists had forecast retail sales, which mainly reflect the condition of goods and are not adjusted for inflation, to grow 0.3%. Weak retail sales data could affect the overall economic outlook and, in turn, the Fed's decision.

Hong Kong Stock Connect had a net inflow of HK\$5.86bn on Tuesday, of which CCB (939) had the largest net inflow, reaching HK\$0.54bn; followed by Zijin (2899). Tencent (700) recorded the largest net outflow at HK\$0.27bn, followed by Meituan (3690).

## 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	24.4
FY24 P/E (X)	41.67
FY24 Dividend yield (%)	0.00
52 week high	28.2
52 week low	13.8
14 RSI	75.45

Analyst: Cynthia Tam

## Shanghai/Shenzhen-Hong Kong Stock Connect Statistics

	SH Connect	SZ Connect	Combined Southbound
<b>Balance (RMB bn)</b>	56.78	55.91	76.02
<b>Balance as % of Quota Amount</b>	17.9	13.3	90.5

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
TENCENT	700	598,619,960	882,937,660	1,481,557,620
CNOOC	883	344,031,800	317,419,991	661,451,791
CHINA MOBILE	941	466,774,400	192,040,800	658,815,200
SMIC	981	269,785,140	280,326,460	550,111,600
ICBC	1398	216,077,560	238,232,990	454,310,550
MEITUAN-W	3690	276,931,500	174,934,930	451,866,430
KINGKEY FIN INT	1468	227,491,890	220,008,950	447,500,840
BANK OF CHINA	3988	374,298,400	11,148,360	385,446,760
ZIJIN MINING	2899	292,159,120	66,553,660	358,712,780
CCB	939	240,481,560	55,202,990	295,684,550

Sources: HKEx

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

Stock Name	Stock code	Buy Trades (HKD)	Sell Trades (HKD)	Turnover (HKD)
CHINA MOBILE	941	615,424,025	372,285,150	987,709,175
TENCENT	700	443,681,400	434,648,987	878,330,387
MEITUAN-W	3690	232,967,450	402,609,668	635,577,118
CNOOC	883	368,957,300	129,568,000	498,525,300
ZIJIN MINING	2899	390,496,520	76,714,120	467,210,640
CCB	939	393,896,210	29,444,810	423,341,020
SMIC	981	259,081,320	155,818,267	414,899,587
ICBC	1398	264,594,600	13,837,140	278,431,740
HUA HONG SEMI	1347	188,663,600	57,916,300	246,579,900
BANK OF CHINA	3988	170,435,050	43,483,380	213,918,430

Sources: HKEx

## Other Statistics

### Ten Most Actively Traded Stocks

Stock Name	Code	Change	Closed Price	Turnover(Billion)
TENCENT	700	-1.10%	377.00	5.422
TRACKER FUND	2800	-0.06%	18.29	4.428
ZIJIN MINING	2899	-1.47%	16.08	3.657
MEITUAN-W	3690	-1.54%	115.00	3.256
BABA-SW	9988	-0.55%	72.10	2.501
HSCEI ETF	2828	0.00%	65.16	2.469
AIA	1299	-0.54%	55.20	1.809
BYD COMPANY	1211	0.09%	233.60	1.801
CHINA MOBILE	941	0.69%	73.10	1.611
CCB	939	1.45%	5.61	1.606

## Ten Short Sell Stocks

Stock Name	Code	Short Sell Amount	Turnover	Short Sell Ratio
ZIJIN MINING	02899.HK	1.36B	3.66B	37.27%
TENCENT	00700.HK	692.64M	5.42B	12.78%
MEITUAN-W	03690.HK	625.00M	3.26B	19.20%
CCB	00939.HK	616.08M	1.61B	38.37%
ICBC	01398.HK	591.23M	1.41B	42.07%
BYD COMPANY	01211.HK	417.41M	1.80B	23.18%
BANK OF CHINA	03988.HK	344.72M	1.16B	29.73%
HSBC HOLDINGS	00005.HK	341.90M	836.74M	40.86%
BABA-SW	09988.HK	336.91M	2.50B	13.47%
SUNNY OPTICAL	02382.HK	320.56M	1.19B	26.92%

Source: AA Stocks

## Economic Calendars

Date	Country	Event	Survey	Prior
Mon	China	May. Industrial Production (YoY)	6.1%	6.7%
	Hong Kong	May. Retail Sales (YoY)	3.0%	2.3%
Tue		May. Fixed Assets Ex Rural YTD (YoY)	4.2%	4.2%
	US	May. Retail Sales Advance (MoM)	0.3%	0.0%
		May. Industrial Production (MoM)	0.4%	0.0%
	Euro Zone	May. CPI (YoY) Final		
		May. CPI (MoM) Final		0.2%
	China	May. Core CPI (YoY) Final		2.9%
Wed	US	Market will close (Juneteenth Day)		
Thu	US	Initial Jobless Claims (Till Jun 15)		242k
		Continuing Jobless Claims (Till Jun 8)		1,820k
		May. Housing Starts	1,375k	1,360k
		May. Building Permits	1,460k	1,440k
		Jun. Philadelphia Fed Business Outlook	4.5	4.5
	UK	BOE Monetary Policy Meeting		
	China	5-Year Loan Prime Rate	3.95%	3.95%
Fri		1-Year Loan Prime Rate	3.45%	3.45%
	US	Jun. S&P Global Manufacturing PMI	51.0	51.3
		Jun. S&P Global Services PMI	53.4	54.8
		May. Existing Home Sales	4.10m	4.14m
	Euro Zone	Jun. HCOB Manufacturing PMI		47.3
	Jun. HCOB Services PMI		53.2	

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