

## Hot on the plate – China Connect

---

- ❖ **Jun 2019 Financial Data Commentary: Social financing growth steadily enters a “flattening zone”, while bank credit structure still needs optimization**  
**Macroeconomic** | In the whole month of Jun, credit increased by Rmb1.66trn, social financing rose by Rmb2.26trn, up at 10.9%, and M2 grew at 8.5% YoY, which were fully in line with our expectations (CITIC Securities predicted the growth rates at 10.9% and 8.5% respectively), but slightly beat market expectations. We believe that the growth rate of social financing has entered a "flattening zone" and will continue to remain at c. 11% in the third quarter. However, as banks' risk appetite still needs to be improved, the credit structure has become a "weak link" under the shining financial data.
- ❖ **Jun 2019 Import and Export Data Commentary: Downward demand and disruptive trade frictions lead to falls in both imports and exports**  
**Macroeconomic** | Jun recorded a fall in the growth rate of both imports and exports, which we believe was mainly a result of sluggish demand and trade frictions. Following the recent resumption of China-US trade talks, the Chinese side has repeatedly reiterated its call for the abolition of all currently hiked tariffs. If these additional tariffs are abolished, China's imports and exports will improve to a certain extent. Because of the asymmetry of tax hikes between China and the United States and the spread of the negative impact of the increased tariffs across the global industrial chain, the abolition of the increased tariffs will boost imports more than exports, and China's trade surplus against the United States may also be narrowed. Subsequent attention needs to focus on the short-term disruptive impact of the progress in China-US trade talks.
- ❖ **A-Share Strategy Focus 20190714: Changing pace, but unchanged trend**  
**A-Share Strategy** | As far as the medium-term trend is concerned, there are actually no fundamental changes in the factors that have recently disrupted the market. Despite divergence in the pace of liquidity liberalization, its trend of marginal liberalization and correction of A share valuations remains unchanged, while policy support for the economy and finance will not change either, but only with heightened intensity. With short-term fluctuations but an unchanged long-term trend, A share are still on a slow upward track. We recommend continuous allocation to core assets, and call for enhanced layouts for names which report better-than-expected interim earnings.
- ❖ **Airport Duty-Free Thematic Report: Cash realization of non-aviation value opens up a new stage of business development for airports**  
**Social Services** | Compared with aviation revenue, non-aviation revenue presents a more efficient realization of airports' passenger flows, while the proportion and quality of international passenger flows determine the value of non-aviation businesses. With prominent resources value, hub airports have a big upside for non-aviation revenue, thus possessing high certainty and growth potential. We therefore recommend long-term allocation to them.
- ❖ **Overseas Weekly Strategy 20190714: As the half year review time arrives, tap into potential new members of “Hong Kong stock connects”**  
**Overseas Strategy** | In mid-Aug 2019, Hang Seng Indexes Co., Ltd. will announce the results of its second round of review of the HSCI component stocks this year, with formal adjustment expected to be effective Sep 9, by which time the stocks list of “Hong Kong stock connects” will change accordingly. Based on Hang Seng Indexes Co., Ltd.'s HSCI screening criteria and the requirements of the Shanghai and Shenzhen stock exchanges for individual stocks to join Hong Kong stock connects, we predict a list of stocks which are likely to be included in/removed out of the stocks list of “Hong Kong stock connects”.
- ❖ **Jun 2019 Financial Data Commentary in the Context of the Banking Sector: Special bond issuance gathers paces, while social financing slightly beats expectation**  
**Banking** | The People's Bank of China has stated that it will maintain reasonable and ample market liquidity, followed by pre-adjustment and fine-tuning. In addition, fiscal policy is expected to continue to play a role and positively impact social financing and the economy in the third quarter. Besides, banks' rising interim earnings growth rate is expected to continue at the level of the first quarter (c. 6%), and bank stocks are still one of the sectors with high investment certainty.

## Other recommendations

---

- ❖ **Express Delivery Sector Jun 2019 Data Tracking and Commentary:** With faster volume growth, the sector still deserves active allocation despite accelerating price decline
- ❖ **China Merchants Shekou Industrial Zone Holdings (001979) Jun 2019 Sales Data Commentary:** Tremendous credit advantages, and leads the whole sector in terms of sales volume
- ❖ **China Vanke (000002) Jun 2019 Sales Commentary:** Steady operations, and long-term growth prospects
- ❖ **Contemporary Amperex Technology (300750) 1H19E Earnings Preannouncement Commentary:** 1H earnings are in line with expectation, with consolidated leading advantages
- ❖ **Beijing Thunisoft (300271) 1H19E Earnings Preannouncement Commentary:** Earnings are in line with expectation, with high revenue growth
- ❖ **Qingdao Tgood Electric (300001) 1H19E Earnings Preannouncement Commentary:** 1H earnings are dragged down by PV business, but continuous business posts robust growth
- ❖ **Banking Sector Investment Watch 20190714:** The dictation of fundamentals returns
- ❖ **Healthcare Sector Weekly News Roundup (2019.7.14-2019.7.20):** Policy is fine-tuned, but the direction of stock selection remains unchanged
- ❖ **Fluorine Chemical Sector Update:** As Honeywell faces likely sanction, tightening foaming agent supply may get even tighter
- ❖ **Mango Excellent Media (300413) 1H19E Earnings Preannouncement Commentary:** Earnings beat expectation on growing platform advertising and payment income
- ❖ **Beijing Easpring Material Technology (300073) 1H19E Earnings Preannouncement Commentary:** Earnings grow against the odds, and capacity will continue to be released in the second half of the year
- ❖ **Songcheng Performance Development (300144) 1H19E Earnings Preannouncement Commentary:** Earnings are expected to grow 10%-25%, with a return to strong-growing prime business
- ❖ **Hand Enterprise Solutions (300170) 1H19E Earnings Preannouncement Commentary:** Earnings slightly miss expectation, and watch for progress in transformation cooperation
- ❖ **Wuhan Raycus Fiber Laser Technologies (300747) 1H19E Earnings Preannouncement Commentary:** Earnings are basically in line with expectation, and rising production capacity and gross profit are worthy watching in the second half of the year

**Analyst Certification:** The analysts primarily responsible for the preparation of all or part of the research report contained herein hereby certify that: (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

### Investment rating system

Rating standard for Investment Recommendations	Ratings	Description
Investment ratings are divided into stock rating and sector rating (unless stated otherwise). Rating standard is based on the relative performance with market in 6 to 12 months from the report issuance date, i.e. Performance of company stock price (or sector index) over the 6-to-12-month period from report issuance day is benchmarked against the change in market representative index in the same period. CSI 300 Index will be the benchmark index for A-share market; the NEEQ Component Index (stocks subject to negotiated transfer) or the NEEQ Market Making Index (stocks subject to market making) will be the benchmark index for the NNEQ board; MSCI-China Index will be the benchmark index for Hong Kong market; and NASDAQ Composite Index or Standard & Poor's 500 Index will be the benchmark indices for U.S. market.	BUY	Increase relative to market representative index over 20%
	OVERWEIGHT	Increase relative to market representative index between 5% and 20%
	HOLD	Increase relative to market representative index between -10% and 5%
	SELL	Decrease relative to market representative index over 10%
	OUTPERFORM	Increase relative to market representative index over 10%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

### Other Disclosures

This research report has been prepared by CITIC Securities Company Limited ("CS") or an affiliate thereof. CS, its subsidiaries, branches and affiliates are referred to herein as "CITIC Securities".

### Legal Entities Disclosures

**Hong Kong:** This material is issued and distributed in Hong Kong through CITIC Securities Brokerage (HK) Limited ("CSBHK", CE Number AAE879) which is regulated by the Securities and Futures Commission in Hong Kong.

**Singapore:** This material is distributed in Singapore through CLSA Singapore Pte Limited ("CLSA Singapore") and may only be provided to Institutional Investors, Accredited Investors and Expert Investors, as defined in s.4A(1) of the Securities and Futures Act. Any such investor wishing to discuss this material or effect transactions in any security discussed herein should do so with or through MAS licensed representatives of CLSA Singapore. If you are an accredited investor or expert investor, please be informed that in CLSA Singapore's dealings with you, it is relying on certain exemptions to the Financial Advisers Act ("FAA") - (1) the exemption in Regulation 33 of the Financial Advisers Regulations ("FAR"), which exempts it from complying with Section 25 of the FAA on disclosure of product information to clients; (2) the exemption set out in Regulation 34 of the FAR, which exempts it from complying with Section 27 of the FAA on recommendations; and (3) the exemption set out in Regulation 35 of the FAA, which exempts it from complying with Section 36 of the FAA on disclosure of certain interests in securities.

### Jurisdiction Specific Disclosures

**Hong Kong:** Subject to any applicable laws and regulations at any given time, CITIC Securities, their respective affiliates or companies or individuals connected with CITIC Securities may have used the information contained herein before publication and may have positions in, may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, investors should be aware that CITIC Securities, and/or their respective affiliates or companies or such individuals may have one or more conflicts of interest.

**Singapore:** Regulations or exchange rules prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details are available at <https://www.clsa.com/disclosures/>. Disclosures therein include the position of CLSA group, CLSA Americas and CA Taiwan only and do not reflect those of CITIC Securities, Credit Agricole Corporate & Investment Bank and/or their respective affiliates. If investors have any difficulty accessing this website or require disclosure information on previous dates, please contact [compliance\\_hk@clsa.com](mailto:compliance_hk@clsa.com).

**United States:** This research report has been produced in its entirety by CITIC Securities. This research report is distributed into the United States by CITIC Securities (excluding CITIC Securities International USA, LLC ("CSI-USA")) and CLSA group of companies (excluding CLSA Americas, LLC ("CLSA Americas")) solely to persons who qualify as "major U.S. institutional investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CSI-USA and CLSA Americas respectively. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research report from CITIC Securities and CLSA group of companies in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CSI-USA and CLSA Americas respectively.

**United Kingdom:** The disclosures contained in this part of "United Kingdom" shall be governed by and interpreted in accordance with British law. This research is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research as defined in the Financial Conduct Authority Handbook, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The research is disseminated in the EU by CLSA (UK), which is authorized and regulated by the Financial Conduct Authority. This document is directed at persons having professional experience in matters relating to investments as defined in Article 19 of the FSMA 2000 (Financial Promotion) Order 2005. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document.

### General

This research report is strictly confidential to the recipient and provided only for the use of the recipient and it is not intended for persons in places where the distribution or publication of this research report is not permitted under the applicable laws or regulations of such places. This research report is for information purposes only and should not be construed as an offer to buy or sell or the solicitation of an offer to buy or sell any securities or financial instruments in any jurisdiction. CITIC Securities will not deem the recipient as its clients by reason of their receiving this report. The opinions and recommendations herein do not take into account individual client circumstances, objectives or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make his own independent decisions regarding any securities or financial instruments mentioned herein.

Information has been obtained from sources believed to be reliable but CITIC Securities do not warrant its accuracy or completeness. CITIC Securities assumes no liability whatsoever for any direct or consequential loss arising from any use of material contained in this research report or otherwise arising in connection therewith. Any securities referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. The prices, values and income of the securities or financial instruments referred to herein may fluctuate and be affected by changes in exchange rates. Past performance is not indicative of future results.

Information, opinions and estimates contained herein reflect the judgment of analyst(s) of CITIC Securities at the date of its original publication and are subject to changes without notification. They also may be different from or contrary to the opinions presented by other business departments, units or affiliates of CITIC Securities, as different assumptions, standards, views and analytical methods may be adopted in the preparation of such other materials, and CITIC Securities has no obligation to bring such other materials to the attention of any recipient of this report. CITIC Securities relies on information barriers to control the flow of information contained in one or more areas within CITIC Securities, into other areas, units, groups or affiliates of CITIC Securities. The compensation of analysts who prepared this research report is determined solely by the management of Research Department and senior management of CITIC Securities. Analysts' compensation is not decided based on revenue of CITIC Securities' investment banking business but may be linked with overall revenue of its investment banking business as a whole, of which investment banking, sales and trading are a part.

If this research report is distributed by a financial institution other than CITIC Securities, that financial institution is solely responsible for its distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this research report or if they require further information. This research report does not constitute investment advice by CITIC Securities to the clients of the distributing financial institution, and neither CITIC Securities nor its respective officers, directors and employees will accept any liability whatsoever for any direct or consequential loss arising from their use of this research report or its content.

**This research report may not be reproduced, distributed or sold by any person for any purpose without the prior written consent of CITIC Securities.**

Copyright 2019. CITIC Securities. All rights reserved.