

Hot on the plate – China Connect

❖ **Market Hotspot Quantitative Analysis Report Series Issue No.21: A quantitative recap of IPOs on the STAR Market**

Quantitative Allocation | As of 2 Sep 2019, a total of 29 stocks had completed their IPOs on the STAR Market, raising a total fund of Rmn42065mn. Based on the public information of the 29 sample stocks, this report summarizes the issuance, inquiry and placement of socks on the STAR Market, and makes auxiliary reference suggestions for investors who indirectly take part in making new subscriptions in the STAR Market through asset management products and those who directly participate in making new subscriptions in the STAR Market through off-line subscriptions.

❖ **Computer Sector Technology Independence Thematic Report No.2: As Huawei makes a flying start, homemade solutions brace an inflection point**

Computer | Tech independence has been elevated to the height of national strategy, and 2019 is expected to be the year when the inflection point of the industry will go upward. Huawei, the leading enterprise, has started to establish a new ecosystem of its own to accelerate the integration and overall implementation of local production plans, which will bring new opportunities for industrial investment. From the two dimensions of technology and market, we have selected five core fields, namely CPU, OS, office software, ERP, and information security. We are optimistic about core partners on the Huawei ecosystem, and call for continuous attention to key domestic security and controllability players.

❖ **Tracking Comments on the Big Three Operators in the Telecommunications Sector: From price war to quality and efficiency improvement, operators head for industry-wide reversal**

Telecom | In the first half of 2019, telecom operators experienced negative growth in revenue and profit, while market expectations of them also reached the worst moment in history. Among the Hong Kong stocks, China United Network Communications (600050) had a PB of 0.68, while China Telecom (00728.HK) was at 0.72 and China Mobile (00941.HK) at 1.1. For international mainstream operators, however, AT&T has a PB of 1.42, Verizon 4.27, NTT Docomo 1.82, and KDDI 1.6. We believe that as the Big 3 Chinese operators stop price wars and turn to improve quality and efficiency, their profits are expected to be soon in line with the international levels. China Unicom, China Telecom and China Mobile are all expected to be approaching the PB valuations of their mainstream international counterparts.

❖ **Daimay Automotive Interior (603730) Investment Value Analysis Report: A global automotive interior leader with promising product category expansion**

Automobile | The Company is the worlds largest supplier of automotive sunshade. Following its acquisition of Motus, the Company has consolidated its leading position and started in-depth global integration. By becoming a key supplier for GM, it has grown into a sunshade leader. The Company is expected to replicate this model for seat headrests, ceiling central controllers and other new products. We forecast the Company's 2019/20E/21E EPS to be Rmb1.47/1.77/2.16, with a reasonable valuation of 20x PE for 2020 and a target price of Rmb35.4.

❖ **Credit Risk and Strategy Tracking Report: The investment value of AA+, state-owned enterprises, infrastructure construction and perpetual bonds**

Bond | Currently, credit divergence has intensified, while trading sentiment is rising. High-level durability strategies are only applicable to some investors, while falling qualifications also face internal evaluation, risk control and debt-side constraints. On the premise that the LPR reform reduces the financing cost of

enterprises and counter-cyclical adjustment and finance-backed infrastructure construction expansion are on active strengthening, we believe that AA+, state-owned attributes and principal perpetual bonds which have a right exercise duration of c. 2 years and are highly related with infrastructure construction all show an emerging value.

❖ **Media Sector Online Video Sep 2019 Tracking Report: What is really behind the falling share of content cost?**

Media | We continue to maintain our “OUTPERFORM” rating for the sector, and recommend platform companies which have the potential to build up their own content brands.

Other recommendations

- ❖ **Real Estate Sector 1H19 Results Review:** Capital cost and land acquisition enthusiasm peak, with decline in settlement peak hedging profitability
- ❖ **Defence Sector 1H19 Results Review:** Prosperity continues to rise, with greater elasticity for upstream enterprises

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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%

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