

## Hot on the plate – China Connect

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- ❖ **Hospitality Sector Thematic Report: Look for growth despite weakening cyclicality**  
**Social Services** | Despite short-term weak climate, the hospitality industry has reached a low level of valuation and offers visible value for allocation. Against a general backdrop of consumption upgrade, China's hospitality industry has a significant space for structural upgrade. We recommend active allocation to three limited service hotel leaders, and industry space, clear landscape and low valuation give rise to an upside for market cap.
- ❖ **New Tobacco Sector In-Depth Report: Sparks can start a prairie fire**  
**Light Manufacturing** | In 2019, the industry has shown explosive growth, with rich profits across the industrial chain and booming upstream, mid-stream and downstream development. At the same time, supervision is gradually on the strengthening. We reckon that the new national standard and regulatory measures may be rolled out as early as Oct 2019 or around the Spring Festival time. Profit space in the industry is expected to be squeezed after the new regulation is in place. With an optimized industry landscape, however, long-term growth is clear.
- ❖ **Media Sector Climate Recap Thematic Report: As online advertising war is about to start, which leading platforms will emerge as winners?**  
**Media** | Despite a growth slowdown in recent years, the online advertising market is nevertheless expected to maintain double-digit growth in the next three years and remain one of the sectors with investment potential. Online advertising is expected to show structural differentiation. We are optimistic about the growth space of e-commerce and short videos. Against a background of user time saturation, competition between leading platforms is gradually intensifying. Through a comprehensive comparison of market segment climate, competitiveness, product matrix, content ecosystem, cost effectiveness and business service capabilities, we believe that Alibaba, Bytedance and Tencent have dominant advantages in competition in the online market. We recommend closely follow Alibaba (BABA.NYSE) and Tencent Holdings (00700.HK) as investment targets.
- ❖ **17WMZ Repurchase Event Commentary: A Chinese specimen of Distressed Exchange?**  
**Fixed Income** | On 28 Aug, 2019, Shandong Sinobioway Biomedicine (002581) repurchased no more than Rmb100mn of bonds at a unit price of not more than Rmb80, becoming the first issuer to make public repurchase of bonds in the secondary market in mainland China. There are no similar open cases for comparison in the Chinese mainland, though there are precedents of subscriptions by shareholders in China's Hong Kong. Overseas, discounted repurchase is considered as distressed exchange. Whether enterprises' discounted repurchase of their own corporate bonds from the open market in mainland China will aggravate the risk aversion sentiment towards private enterprises' debenture bonds, we will expound on our understanding of the event from multiple perspectives.

## Other recommendations

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- ❖ **Inner Mongolia Yili Industrial Group (600887) 1H19 Results Commentary:** Short-term operations are under pressure, but core value remains unchanged
- ❖ **SAIC Motor (600104) 1H19 Results Commentary:** Short-term earnings pressure in 2Q does not conceal competitiveness
- ❖ **Weichai Power (000338) 1H19 Results Commentary:** Market shares continue to increase, and leading position consolidates
- ❖ **Yunda Holding (002120) 1H19 Results Commentary:** Gross margin growth rate tops the SYZBY, and split of express delivery business is expected to reduce follow-up expenses

- ❖ **Haier Smart Home (600690) 1H19 Results Commentary:** Overseas business bears fruit, and takes the high-end lead at home
- ❖ **Inspur Electronic Information Industry (000977) 1H19 Results Commentary:** The inflection point may have to wait until industry recovery
- ❖ **Bank of Ningbo (002142) 1H19 Results Commentary:** Business volume and price both perform well, with continuous leadership in earnings
- ❖ **Winning Health Technology Group (300253) 1H19 Results Commentary:** Closely follow up with policy developments and ramp up medial consortium and connectivity construction
- ❖ **Hand Enterprise Solutions (300170) 1H19 Results Commentary:** New IT transformation continues to strengthen, and cooperation with Baidu progresses steadily
- ❖ **Huatai Securities (601688) 1H19 Results Commentary:** Wealth management and institutional services are becoming new growth points

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	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%
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