

Markets at a Glance

Indices	Closing	DoD%
Hang Seng Index	26,681.4	(0.04)
HSCEI	10,417.4	(0.13)
Shanghai COMP	3,024.7	0.84
Shenzhen COMP	1,689.2	1.91
Gold	1,499.1	(0.50)
BDIY	2,462.0	(1.48)
Crude Oil, WTI (US\$/BBL)	57.85	2.35
Crude Oil, BRENT (US\$/BBL)	62.59	1.71
HIBOR, 3-M	2.27	0.91
SHIBOR, 3-M	2.71	(0.04)
RMB/USD	7.12	0.08

Source: Bloomberg

Upcoming Key Data Releases

Date	Key Data
10 th September	Inflation Rate YoY AUG
10 th September	Inflation Rate MoM AUG
10 th September	PPI YoY AUG
11 th September	Vehicle Sales YoY AUG
13 th September	FDI (YTD) YoY AUG
13 th September	New Yuan Loans AUG
13 th September	Outstanding Loan Growth YoY AUG
13 th September	Total Social Financing AUG
13 th September	M2 Money Supply YoY AUG

Source: Bloomberg

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RESEARCH NOTES

STRATEGY – We have seen more SOE privatization cases in the past 12 months though not all were delisted successfully. Some SOEs have been trading deeply below book value for a long time, so their listings have lost the fundraising function. We are more likely to see a proposed privatization if the listing vehicle is not very important strategically and if the controlling shareholder owns more than 50%. We believe investors should pay attention to Huadian Fuxin, Beijing Jingneng, Datang Renewable, COSCO Shipping International, APT Satellite, Tianjin Development and CRCC High-Tech. (Analyst: Wong Chi-man)

SNIPPETS

CHINA 5G CONSTRUCTION – China Telecom [0728.HK] and China Unicom [0762.HK] formally announced a 5G co-build and co-share agreement last night. Pursuant to the agreement, both Companies will jointly co-build one 5G access network nationwide and co-share 5G spectrum resources, and the 5G core network will be constructed by both parties. The co-build and co-share agreement is divided by city and province. Both Companies will delineate and designate districts in 15 cities for each party to build, mainly with reference to the total scale of the 4G base stations (including indoor distribution systems) of each party. In five cities, Beijing, Tianjin, Zhengzhou, Qingdao and Shijiazhuang, the construction district ratio of China Telecom to China Unicom will be 4:6. In 10 other cities, Shanghai, Chongqing, Guangzhou, Shenzhen, Hangzhou, Nanjing, Suzhou, Changsha, Wuhan and Chengdu, the construction district ratio of China Telecom to China Unicom will be 6:4. China Telecom will be independently responsible for 10 prefecture-level cities in Guangdong province, five prefecture-level cities in Zhejiang province, and 17 provinces (Anhui, Fujian, Gansu, Guangxi, Guizhou, Hainan, Hubei, Hunan, Jiangsu, Jiangxi, Ningxia, Qinghai, Shaanxi, Sichuan, Xizang, Xinjiang and Yunnan). China Unicom will be independently responsible for nine prefecture-level cities in Guangdong province, five prefecture-level cities in Zhejiang province, and eight provinces. China Telecom and China Unicom will be jointly responsible for ensuring the unification of network planning, construction, maintenance and service standards in the co-built and co-shared districts, guaranteeing the same level of service. The business and branding of each party will continue to operate independently, and the subscribers will belong to each respective party. Both parties will adhere to the principles of maximising the benefits of the co-build and co-share agreement, favouring sustainable cooperation, not profit.

As we discussed earlier, investors may have concerns about the outlook for China 5G-related names including China Tower [0788.HK], CCS [0552.HK], ZTE [0763.HK], Comba [2342.HK], O-Net [0877.HK], Shennan Circuit [002916.HK], WUS Printed Circuit Kunshan [002463.CH] and Shengyi Technology [600183.CH], given concerns about the smaller addressable market. Even without concrete CAPEX released by the two Companies, we believe that the concerns have been partly priced in. We maintain our view that the co-build and co-share agreement will ease concerns about China Unicom's financial position and that we might see a massive scale of 5G roll-out starting in 4Q 2019, which would be positive for China 5G names. As we discussed earlier, the messages from upstream names, including WUS Printed Circuit Kunshan, Shennan Circuit, WINS and VPEC, indicate that demand from 5G downstream remains solid, which supports our positive view of 5G names. We also believe that the CAPEX cycle of China Mobile [0941.HK] is unlikely to change, as we don't expect China Mobile to co-build a network. The total 5G investment amount depends on end demand. ZTE has performed well in past several days, which we believe is because the market has been digesting the news about co-building and co-sharing. ZTE announced that 100k base stations will be shipped by end of this year and that demand for 5G terminals is strong. For laggards, we suggest that investors consider China Tower [0788.HK], CCS [0552.HK], Comba [2342.HK] and Mobi [0947.HK]. (Analyst: Mark Po)

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We are transferring the rating mechanism from "BUY, SELL, HOLD" to "ADD, REDUCE, HOLD". Please refer to the definitions below.

Explanation on Equity Ratings (Existing mechanism (will be replaced by new mechanism by 01/09/19))

- BUY : share price will increase by >20% within 12 months in absolute terms
SELL : share price will decrease by >20% within 12 months in absolute terms
HOLD : no clear catalyst, and downgraded from BUY pending clearer signal to reinstate BUY or further downgrade to outright SELL

Explanation on Equity Ratings (New mechanism)

- ADD : The stock's total return is expected to exceed 10% over the next 12 months.
REDUCE : The stock's total return is expected to fall below 0% or more over the next 12 months.
HOLD : The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

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