

2018

21 May 2018

China A-Share Market Weekly

Market Strategy

Alleviation of trade dispute marks a turning point for oil prices

Macroeconomics

Pork dragged down prices, but CPI up-trend unaffected

Stock Recommendations

Taihai Manoir Nuclear ● COFCO Biochemical ● Tongwei ● Zhongnan Construction



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Please refer to the attachment for detailed disclaimer and regulatory disclosures

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Market Strategy

Alleviation of trade dispute marks a turning point for oil prices

If China increase crude oil imports from the US, OPEC will be pressed to end its production cut earlier, making it hard for oil prices to stay high.

Macroeconomics

Pork dragged down prices, but CPI up-trend unaffected

The average CPI for full-year 2018E may still be about 0.9ppt higher than in 2017.



Weekly Top Pick

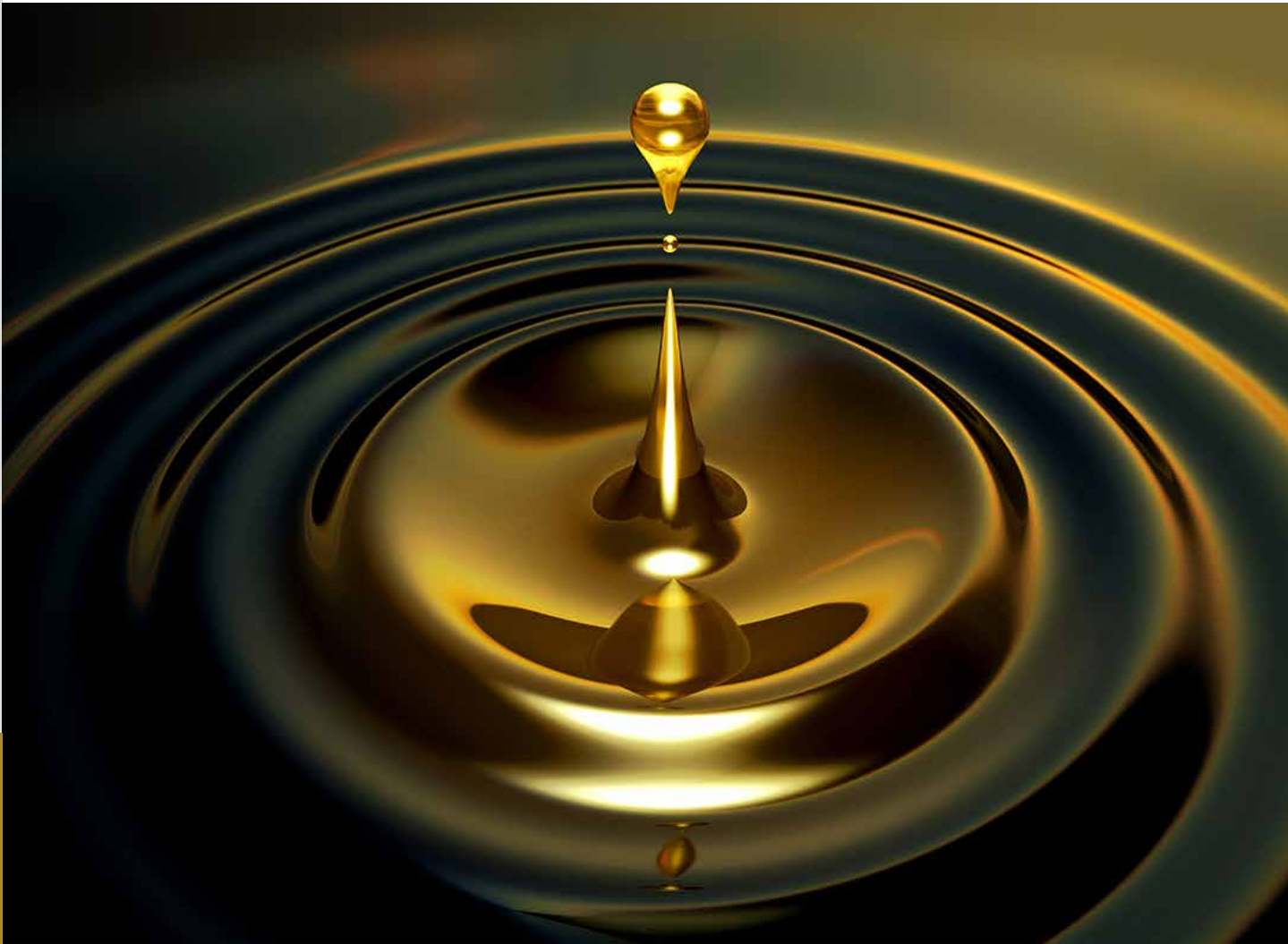


Taihai Manoir Nuclear

Company	Price (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)
Taihai Manoir Nuclear (002366 CH)	24.50	47.70	23.3	95
COFCO Biochemical (000930 CH)	12.29	21.00	11.7	71
Tongwei (600438 CH)	11.89	17.00	11.3	43
Zhongnan Construction (000961 CH)	7.92	8.92	7.5	13

China A-Share Market Weekly: Alleviation of trade dispute marks a turning point for oil prices

Alleviation of trade dispute marks a turning point for oil prices



China A-Share Market Weekly:
Alleviation of trade dispute marks a turning point for oil prices

Two factors are influencing crude oil supply, including: (i) marginal shale oil output from the US, and (ii) OPEC's production cut. When the US marginal shale oil output peaks, Saudi Arabia – the OPEC member with the most flexibility in oil production – will be able to maintain and influence oil prices. If this scenario happens, oil price will remain elevated for a long time to come. But in another scenario, should the China-US trade relations

turn around, China may increase crude oil imports from the US, which will raise the cost of production cut for Saudi Arabia (i.e. losing more market shares). This should urge OPEC to end the production cut earlier, and it would be difficult for oil prices to stay high. Judging from the joint statement on the China-US trade dispute issued on 20 May 2018, the probability is obviously higher for the second scenario to happen.

Pork dragged down prices, but CPI up-trend unaffected



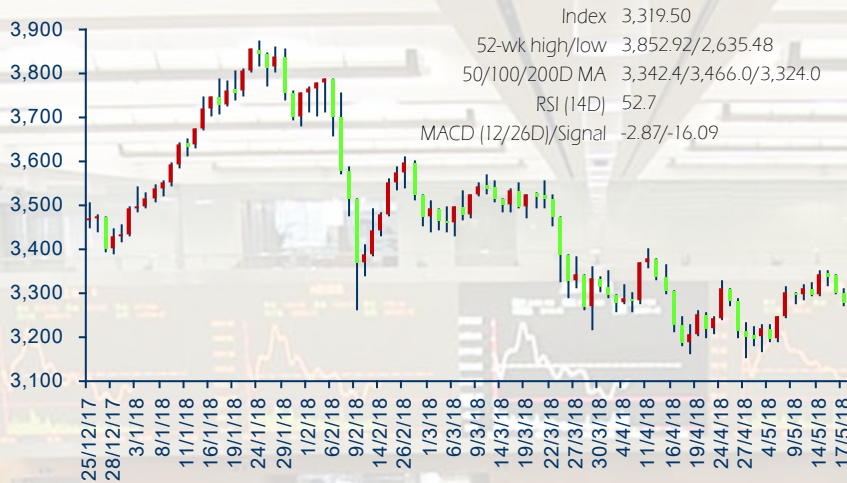
China posted CPI growth of 1.8% YoY for Apr 2018, weaker than the 2.1% YoY uptick in the previous month and significantly lower than consensus. The slowdown was mainly due to persistently subdued pork prices, which dragged food prices and inflation as a whole. Overall CPI growth in Apr 2018 retreated for the second straight month after hitting the YTD high of 2.9% YoY in Feb 2018. As growth decelerated to below 2%

YoY, market expectations that prices would gradually climb in 2018E has turned out to be less than accurate because of continued softness in pork price. However, we believe the impact of re-inflation on fundamentals and the capital market is not over yet. The average CPI for full-year 2018E may still be about 0.9ppt higher than in 2017.

MARKET REVIEW & TECHNICAL:

CITIC S&P 50

(Index)



CITIC S&P 300

(Index)



Market Review: On Monday, the Shanghai Composite Index (SCI) opened slightly high. Active trading in insurers and liquor distillers led a remarkable surge. The SCI slackened after lunch and gained 0.3% at close. On Tuesday morning, stimulated by the inclusion of 234 A-shares into the MSCI global index, the Shanghai gauge jolted up moderately but pulled back later towards noon break. It then moved largely sideways, but trading picked up late in the afternoon, with funds flowing mostly to the broad consumer sector, adding 0.6% to the SCI. On Wednesday, the SCI started a bit low and hovered there persistently. The market was weak in the afternoon and the index took a dive near the end, losing 0.7%. On Thursday, the SCI opened flat and lingered at low altitudes, dropping further after lunch with declining trading volume. The SCI shed 0.5%. On Friday, the benchmark index started low before fluctuating upwards. The oil sector advanced more in the second session, and environmental and natural gas plays gained grounds, boosting the SCI up 1.2% by day-end. In the week, CITIC/S&P 50 and CITIC/S&P 300 both increased 0.7%.

Technical analysis: The technical trends of CITIC/S&P 50 and CITIC/S&P 300 stabilized with their RSI returning to the proximity of 50, indicating stalemate between buyers and sellers. Looking to the near future, we foresee the two stock indices remain above their 250-day moving averages of 3,223 and 3,389 points, respectively.

Source: Bloomberg, CS

STOCK RECOMMENDATIONS:

(A Shenzhen-HK Stock Connect Northbound Stock)

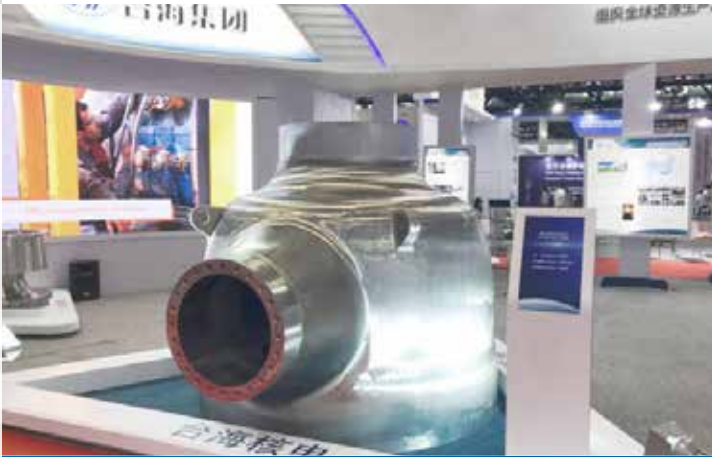


Risk rating: **3**

Taihai Manoir Nuclear

Target Price: Rmb47.7 Upside: 95%

NEW BUSINESS DEALS IN OFFSHORE NUCLEAR POWER EQUIPMENT

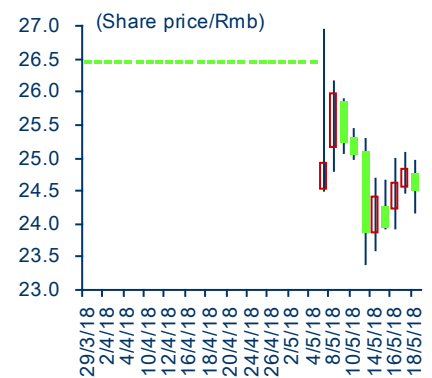


Taihai Manoir Nuclear (002366 CH) has been following a business model which, leveraging on its advantage in alloyed materials, seeks sustainable development via product/business/market expansion. The goal is to become a high-end equipment supplier with extensive presence in the power generation

industry. We expect the Company to remain on track in 2018E. Over the past half year or so, the Company has achieved new businesses in offshore nuclear power equipment. It has also stepped up production of new offerings such as pressure vessels. Considering recent improvement in industry fundamentals

and the Company's potential to further upgrade business, we recommend the counter with a target price of Rmb47.7.

Share Price Performance



Price/Target/Stop Loss	24.5/47.7/23.3
52 Weeks High/Low	32.800/19.395
50/100/200D MA	26.15/26.30/26.98
RSI (14D)	38.0
MACD (12/26D)/Signal	-0.53/-0.41
2017E PER (x)	18.0

Company: Taihai Manoir Nuclear Equipment manufactures and sells nuclear power generation equipment and provides relevant services.



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STOCK RECOMMENDATIONS:

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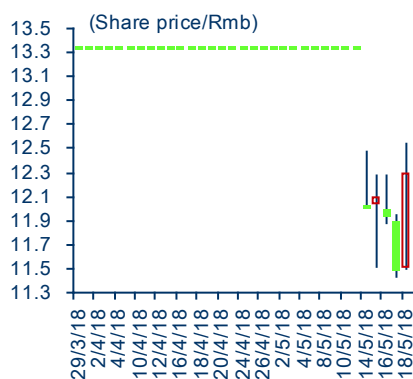
Risk rating: **3**

COFCO Biochemical

Target Price: Rmb21 Upside: 71%

CEMENTING LEADERSHIP IN CORN DEEP-PROCESSING

Share Price Performance



Price/Target/Stop Loss	12.29/21.00/11.70
52 Weeks High/Low	14.92/9.87
50/100/200D MA	13.22/13.28/13.12
RSI (14D)	36.2
MACD (12/26D)/Signal	-0.34/-0.18
2017E PER (x)	15.8

Company: COFCO Biochemical develops and manufactures citric acid, citrate products, related byproducts, and cooking oil.

COFCO Biochemical (000930 CH) proposed to acquire 100% stakes in three enterprises via private placement. Hiking oil prices may boost the Company's fuel ethanol business revenue, but faster-

than-expected corn price rebound will likely push up cost in 2019E. In view of the visible and favorable outlook for fuel ethanol producers and the scarcity of the three firms to be taken by the Company,

also considering asset injection and historic valuation of the stock, we apply 30x 2018E PE to the counter and retain our target price of Rmb21.



Tongwei



Risk rating: **3**

(A Shanghai-HK Stock Connect Northbound Stock)

Target Price: Rmb17 Upside: 43%

EMPLOYEE SHAREHOLDING SCHEME TO LIFT PERFORMANCE

Tongwei (600438 CH) announced the purchase of nearly 44.5mn of its shares for the employee shareholding scheme through the call auction mechanism of the Shanghai Stock Exchange. The total cost came to

Rmb526mn, averaging Rmb11.82/ share and accounting for 1.14% of the Company's total share capital. We believe that earnings of the PV business will continue to expand rapidly on constantly cost reduction and output growth. We

are upbeat about the Company's prospects and value the stock at projected 2018E PER of 24x. Our new target price is Rmb17.

Share Price Performance



Price/Target/Stop Loss	11.89/17.00/11.30
52 Weeks High/Low	14.21/5.25
50/100/200D MA	11.13/11.28/10.31
RSI (14D)	49.4
MACD (12/26D)/Signal	0.38/0.47
2017E PER (x)	16.7

Company: Tongwei produces and markets aquatic and animal feeds. The Company also sells animal medicines.



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STOCK RECOMMENDATIONS:

(A Shenzhen-HK Stock Connect Northbound Stock)



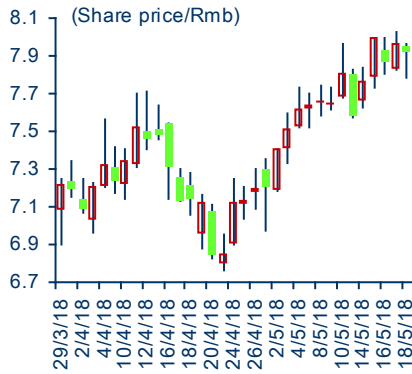
Risk rating: **3**

Zhongnan Construction

Target Price: Rmb8.92 Upside: 13%

IMPRESSIVE POTENTIAL FROM A LOW START

Share Price Performance



Price/Target/Stop Loss 7.92/8.92/7.50

52 Weeks High/Low 7.99/5.98

50/100/200D MA 7.27/7.11/6.65

RSI (14D) 63.6

MACD (12/26D)/Signal 0.20/0.16

2017E PER (x) 21.4

Company: Zhongnan Construction mainly engages in property development and sales of real estate properties. Other areas of business includes property management, construction, and property investment.

Zhongnan Construction (000961 CH) is slated to become one of the blue-chip real estate companies, given (i) sustainably steady property market in

its home base Jiangsu Province and the nearby areas, and (ii) limited increase in funding costs for developers. We forecast 2018/19/20E EPS of Rmb0.37/0.51/0.78,

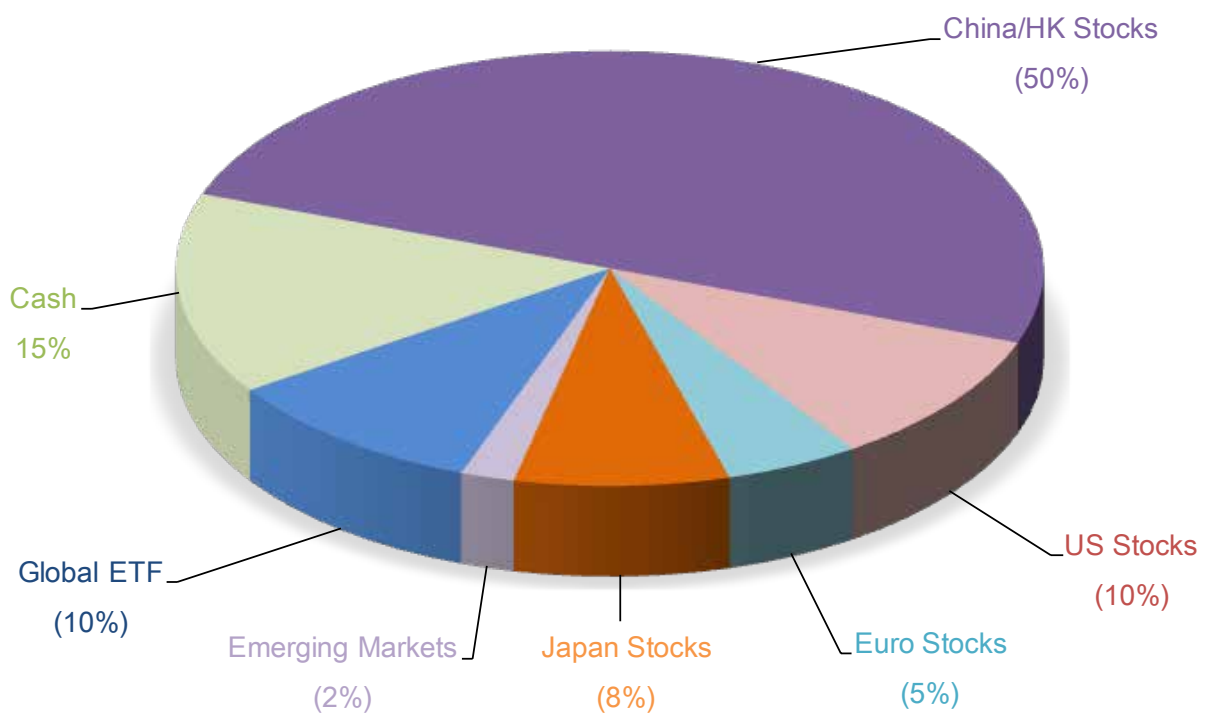


respectively. Our higher-than-consensus projection is based on the fact that the Company's revenue and earnings hit the trough in 2017, but it realized profits of Rmb380mn for 1Q18, a typically slow season for property firms. Taking into consideration its sales, net asset value and earnings, we set our target at Rmb8.92 and recommend the play.

Global Asset Allocation



Recommended global asset allocation (GAA)



Selected equity markets at a glance

Hong Kong: Relatively undemanding stock valuation; potential benefit of "Shenzhen-Hong Kong Stock Connect" to small caps

Mainland China: Government preference for a "slow bull market"; relaxed fiscal policy in favor of equities

Japan: Real estates, exports and tourism enjoying monetary easing and weak yen

US: Macro stability and recovery; short-term pressure stemming from rate rise and strong USD

Europe: Stock valuation falling due to weak euro and further quantitative ease

The Philippines: Positive current account balance for over a decade; projected GDP growth of 6.8% in 2016

India: Relatively strong growth versus other emerging markets; projected GDP growth of 8% in 2016

Top GAA picks

China/Hong Kong Stocks

Company	Remarks
Realcan Pharm (002589 CH)	Medical equipment distribution across the nation
Wellhope Agri-Tech (603609 CH)	Wider margins in animal feed and upbeat growth in slaughter and trade
Dabeinong (002385 CH)	Warming industry climate and growth-driving strategy
Huace Film & TV (300133 CH)	Continued progress in SIP operations and promising VR content investment
Alpha Animation (002292 CH)	Entering the baby/toddler market upon acquisition of BT and Jinwang
Kweichow Moutai (600519 CH)	Steady and superb
CR Land (1109 HK)	Benefiting from rate/RRR cuts + projects in top-tier cities
Fortune REIT (778 HK)	High-quality assets + Potential Asset Injection + dividend yield of 5%-plus
Link REIT (823 HK)	Asset enhancement initiative + buyback expectations
Haitong Sec. (6837 HK)	Gaining from IPO re-launch and rebounding A-share market turnover
Eastern Airlines (670 HK)	To ride on Shanghai Disney and Beijing Winter Olympics
Tencent (700 HK)	2016Q1: Games could surprise
CAR Inc. (699 HK)	Potential regulation on taxi industry + low market penetration
Pax Global (327 HK)	Strong overseas sales

Japan Stocks

Company	Remarks
Mizuho (8411 JP)	Expanding overseas portfolio remains the key driver
Nissan Motor (7201 JP)	Robust sales, favorable currency, further cost cutting
Sony (6758 JP)	Growth story continues...

US Stocks

Company	Remarks
Facebook (FB US)	Strong products
Citigroup (C US)	Economic growth and interest rate rise to support earnings
Alphabet (GOOG US)	Positive data on page view

Euro Stocks

Company	Remarks
Adidas (ADS GY)	Upbeat industry climate
Zurich Insurance (ZURN VX)	High dividend yield
LVMH (MC FP)	Gain from weak €

Global ETF / ETN

Name	Remarks
Tracker Fund of HK (2800 HK)	To track the performance of the Hang Seng Index
CSOP Hang Seng Index Daily (2x) Leveraged Product (7200 HK)	To track the daily performance of Hang Seng Index (2x leverage)
CSOP Hang Seng H-Shares Index Daily (2x) Leveraged Product (7288 HK)	To track the daily performance of Hang Seng H-Shares Index (2x leverage)
CSOP Hang Seng Index Daily (-1x) Inverse Product (7300 HK)	To track the daily performance of Hang Seng Index (inverse 1x leverage)
CSOP Hang Seng H-Shares Index Daily (-1x) Inverse Product (7388 HK)	To track the daily performance of Hang Seng H-Shares Index (inverse 1x leverage)
ChinaAMC Hang Seng SmallCap Index (3157 HK)	To track the performance of the Hang Seng SmallCap Index
ChinaAMC CSI 300 Index (3188 HK)	To track the performance of the CSI 300 Index
Powershares QQQ Trust Series 1 (QQQ US)	To track the performance of the Nasdaq 100 Index (Excluded Financial Sector)
Powershares DB Commodity Index Tracking ETF (DBC US)	To track the performance of the DBIQ Optimum Yield Diversified Commodity Index
XIE Shares FTSE Chimerica (3161 HK)	To track the performance of the FTSE China N Shares All Cap Capped Net Tax Index
Deutsche X-Trackers MSCI Eur (DBEU US)	To track the performance of the MSCI Europe USD Hedged Index
Deutsche X-Trackers MSCI Jap (DBJP US)	To track the performance of the MSCI Japan US Dollar Hedged Net Index
iShares MSCI Philippines (EPHE US)	To track the performance of the MSCI Philippines Investable Market Index
iShares MSCI India (INDA US)	To track the performance of the MSCI India Index
SPDR Gold ETF (2840 HK)	To track the performance of the price of gold bullion in COMEX
Value Gold ETF (3081 HK)	To track the performance of the London Gold Morning Fixing Price
CSOP WTI OIL ETF (3135 HK)	To track the performance of the Merrill Lynch Commodity index eXtra CLA Index ER

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A-SHARE RECOMMENDED STOCKS:

DEFENSIVE STOCKS

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Zhejiang Dingli Machinery (603338 CH)^	Construction & Mining Machinery	12	49.25	86.62	46.8	76	3	Rationale for growth intact: Remarkable edge in products and upbeat business in and outside of China
Bank of Beijing (601169 CH)^	Banks	145	6.88	11.50	6.5	67	3	Aggressive and resilient at the same time: Solid financials poised for growth, backed by safe assets and quality clients
China United Network (600050 CH)^	Telecom	181	5.82	9.14	5.5	57	3	The approaching 5G era: transformation and profit rebound on SOE reform
Daqin Railway (601006 CH)^	Rail Transportation	128	8.64	12.00	8.2	39	3	Scarce and valuable assets: Operating a most precious railway of strategic importance
Great Wall Motors (601633 CH)^	Automobiles	66	11.03	15.00	10.5	36	3	Beating market expectations: launching of new models and new powertrain will optimize its product mix and help improve profitability outlook.
Beijing Capital Development (600376 CH)^	Real Estate Owners & Developers	23	8.89	10.99	8.4	24	3	Sales growth second to none: Far ahead of peers in housing sales.
SZ Expressway (600548 CH)^	Infrastructure Construction	13	8.74	10.80	8.3	24	3	Strengthening core while seeking transformation: Net cash of Rmb3bn upon repurchase of three toll roads will be used to consolidate main business and facilitate transformation
Bank of Nanjing (601009 CH)^	Banking Services	74	8.70	10.10	8.3	16	3	Active expansion: A better-than-expected first half thanks to scale expansion; capital replenishment a positive response to business model.
Baiyun International Airport (600004 CH)^	Transport Support Services	33	16.00	16.00	15.2	-	3	More duty free operation tipped to ease T2 impact: Contribution from arrival duty free business revenue plus more departure duty free sales to offset new capacity cost

AGGRESSIVE STOCKS

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Chuangxin New Material (002812 CH)*	Containers & Packaging	15	54.40	147.30	51.7	171	3	Exciting prospects of a major deal: Targeting an industry leader with solid orders in hand
Xinjiang Tianye (600075 CH)^	Basic & Diversified Chemicals	8	8.11	19.49	7.7	140	3	Prices of chemicals tipped to remain elevated: Prices likely to hike further on re-stocking, providing drive to sector earnings growth
NBTM New Materials (600114 CH)	Auto Parts	7	10.99	24.80	10.4	126	3	Riding on new powder metallurgical technology: High value-added products securing profitability
Yibai Pharmaceutical (600594 CH)^	Generic Pharma	9	10.90	22.40	10.4	106	3	A new healthcare arm to integrate tumor treatment resources: Speeding up resource consolidation and looking to set up shops across the nation
Jiuzhou Pharma (603456 CH)	Specialty Pharma	8	10.39	20.70	9.9	99	3	One-stop service provider for new drug R&D: Joining Frontage and making steady progress in CDMO strategy.
COFCO Biochemical (000930 CH)*	Biofuels	12	12.29	21.00	11.7	71	3	Cementing leadership in corn deep-processing: Rising oil prices to boost revenue of fuel ethanol business
Weichai Power (000338 CH)*	Commercial Vehicles	52	8.59	14.10	8.2	64	3	Market cap tipped to exceed Rmb100bn: Favorable industry climate lifting results and guidance beyond expectations.
Hengtong Optic Electric (600487 CH)^	Optical fiber and cables	47	34.23	55.75	32.5	63	3	Anticipating more pleasant surprises ahead: All lines of businesses set to ride on the upbeat industry climate.
China Meheco (600056 CH)^	Healthcare Supply Chain	24	22.22	35.98	21.1	62	4	An emerging integrated platform: One of the few Chinese companies that have already established diversified operations including manufacturing, sales and international trade.
Xiamen Tungsten (600549 CH)^	Base Metals	24	22.41	36.00	21.3	61	3	Lasting strength: Core business to power growth going forward
Rainbow Department Store (002419 CH)*	Department Stores	18	14.95	24.00	14.2	61	3	Looking to accelerate new retail: Potential liaison with internet giants for faster growth
Grandland (002482 CH)*	Non-Residential Bldg Const	12	7.54	12.00	7.2	59	3	Launching employee stock ownership plan: ESOP to fuel endogenous growth

Source: Bloomberg, CS † Closing prices as of 18 May 2018 * Shenzhen-HK Stock Connect – Northbound Stocks (ChiNext Board for Professional Institutional Investors Only) ^ Shanghai-HK Stock Connect – Northbound Stocks # Sell Only Risk Rating: 1 to 5 in ascending order

A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price [†] (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Zijin Mining (601899 CH) [^]	Precious Metal Mining	69	3.97	6.30	3.8	59	3	A mining giant: Riding on non-ferrous metal up-cycle and own capacity expansion
Jianghuai Automobile (600418 CH) [^]	Automobile	14	7.59	12.00	7.2	58	3	Volkswagen JV approved: A win-win deal for both parties
Greenland (600606 CH) [^]	Real Estate Services	88	7.27	11.40	6.9	57	3	Gross margin upturn as expected: Moderate increase in real estate income, coupled with significantly wider margins
Sanan Optoelectronics (600703 CH) [^]	Semiconductor Devices	87	21.40	33.30	20.3	56	3	On track to lead global compound semi-conductor manufacturing: Erecting a series of facilities in seven years
Baolong Automotive (603197 CH)	Auto Parts	5	41.94	64.80	39.8	55	3	Focusing on auto electronics: Huge upside for this auto electronic investment vehicle
Sunvim Group (002083 CH) [*]	Textile & Textile Products	5	5.56	8.50	5.3	53	3	Riding the online business: domestic sales business is on good track to drive a fast earnings growth.
Huangshan Tourism (600054 CH) [^]	Real Estate Owners & Developers	6	12.62	19.20	12.0	52	3	Better-than-expected IQ16 results: Strong tourist flow sustainable, cost reduction effective and profitability enhanced.
Chilong Zinc & Germanium (600497 CH) [^]	Base Metals	32	6.31	9.50	6.0	51	3	Benefiting from price hike potentials: Entering an up-cycle for explosive earnings growth
Yunnan Germanium (002428 CH) [*]	Base Metals	7	11.10	16.50	10.5	49	3	Explosive demand spells opportunity: Upgrading products and investing in high-end manufacturing
Grand Auto (600297 CH) [^]	Agricultural Chemicals	58	7.08	10.50	6.7	48	3	Driven by auto financing and second-hand car sales: China's largest car dealer aiming at top-of-the-world rank
Linglong Tyre (601966 CH) [^] #	Auto Parts	20	17.07	25.00	16.2	46	3	A premium tyre supplier to leading auto brands: A promising player to rank among tier-2 global tyre makers
CCB (601939 CH) [^]	Banks	74	7.73	11.20	7.3	45	3	RRR cut in favor of banks' NIM and liquidity: Boosting sector earnings and improving market liquidity
Truchum Advanced Materials (002171 CH) [*]	Base Metals	7	7.01	10.10	6.7	44	3	Skewing towards new materials: Developing new materials a part of national strategy
Financial Street (000402 CH) [*]	Real Estates	28	9.33	13.44	8.9	44	3	Beijing Real Estate Sector: Buying investment properties in core districts while staying away from so-called "king plots".
ICBC (601398 CH) [^]	Banking Services	1,631	6.05	8.60	5.7	42	3	Greater advantage in deposit: Progressing from being large to being strong as well
Gemdale (600383 CH) [^]	Real Estate Owners & Developers	51	11.27	15.99	10.7	42	3	Embracing peak season for project launch: Rolling out more projects than previously planned
Vanke (000002 CH) [*]	Real Estate Owners & Developers	264	27.15	38.51	25.8	42	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
Sunway Communication (300136 CH) [*]	Electronics Components	35	36.03	51.00	34.2	42	3	Swift growth in RF separator and structural part: Fueled by acoustic/RF integration and front-end RF device in the mid/long term
CMB (600036 CH) [^]	Banking Services	628	30.46	43.00	28.9	41	3	RRR cut in favor of banks' NIM and liquidity: Boosting sector earnings and improving market liquidity
Industrial Bank (601166 CH) [^]	Banking Services	339	16.31	23.00	15.5	41	3	Freeing up excess reserve to smooth volatility: Moderate improvement in financial data and accommodating new rules for reserves.
Xinhua Pharmaceutical (000756 CH) [*]	Specialty Pharma	4	12.94	18.13	12.3	40	3	Multi-dimensional re-rating: Accelerating growth in preparation and hiking price for preparation
Giga Device Semiconductor (603986 CH)	Semiconductor Devices	34	167.56	233.25	159.2	39	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
Guangshen Railway (601333 CH) [^]	Transit Services	26	4.63	6.40	4.4	38	3	Picking up steam on reform: Faster railway reform expected to boost earnings
CYTS Tours (600138 CH) [^]	Tourism Services	16	21.62	29.80	20.5	38	3	Earnings poised to pick up next year: Price hike for Wuzhen and strong income from Gubei
Shaanxi Coal (601225 CH) [^]	Steel Raw Material Suppliers	88	8.84	12.00	8.4	36	3	A leading play in thermal coal: Steady growth with new mines, long-term expansion and strong cost control
Yang Qian Coal (600348 CH) [^]	Coal Operations	18	7.44	10.05	7.1	35	3	Hitting the sweet spot: Warmer-than-expected industry climate and increasingly clear earnings visibility

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A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price [†] (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
China South Publishing & Media (601098 CH) [^]	Media	24	13.13	17.72	12.5	35	3	Deserving richer valuation: A much undervalued stock seeing catalysts emerging on the upside
Ninestar (002180 CH) [*]	Power Generation	33	30.89	41.42	29.3	34	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
Gree Electric (000651 CH) [*]	Air-con	290	48.27	64.50	45.9	34	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Yili (600887 CH) [^]	Dairy products	167	27.48	36.70	26.1	34	3	Beginning of a beautiful story: Faster growth ahead on recovering demand in lower-tier cities, regulatory approval and channel restocking
Qingdao Haier (600690 CH) [^]	Home Improvement	112	18.38	24.30	17.5	32	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Bank of China (601988 CH) [^]	Banking Services	822	3.90	5.08	3.7	30	3	An elephant dancing to the national strategy tune: Well positioned in global financial operation and ready to gain from RMB internationalization and "One Belt One Road".
Xingrong Environment (000598 CH) [*]	Utility Networks	14	4.85	6.30	4.6	30	3	Anticipating faster growth on mixed-ownership reform: Progress in reform to exert impact far and wide
Fosun Pharma (600196 CH) [^]	Pharmaceutical	86	42.95	55.48	40.8	29	3	Pocketing a rare gem: Adding a Shenzhen hospital to form a strong healthcare network in the Pearl River Delta
Qingdao Kingking (002094 CH) [*]	Basic & Diversified Chemicals	9	21.33	27.00	20.3	27	3	New retail a key growth driver in 2018E: Planning to erect 10,000 pilot stores practicing new retail
Sinoma International (600970 CH) [^]	Industrial Distribution & Rental	14	8.22	10.35	7.8	26	3	Across-the-board synergy on M&A deal to widen margins and lead to a profit upturn
Satellite Petrochemical (002648 CH) [*]	Chemicals	14	13.45	16.90	12.8	26	3	Rebounding climate: Recovering demand for acrylic acid and ester, sanguine prospects in SAP.
Future Land (601155 CH) [^]	Real Estate Owners & Developers	77	33.96	42.56	32.3	25	3	Strategy skewing to lower-tier cities pays off: One of the best privately-owned developers in China, featuring high credibility and effective cost control
Dongjiang Environmental (002672 CH) [*]	Waste Management	11	16.49	20.50	15.7	24	3	Stronger capital on share placement: Clearly positive climate for waste treatment and detoxification likely to speed up earnings
Shenzhen Gas (601139 CH) [^]	Utility Networks	17	7.61	9.40	7.2	24	3	Selling low-efficient assets to improve earnings of projects outside of Shenzhen
CMSK (001979 CH) [*]	Investment Companies	182	23.07	28.35	21.9	23	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
Shanghai Mech & Elect (600835 CH) [^]	Elevator	17	21.31	26.16	20.2	23	3	Smart equipment platform established: The Company may serve as platform for parent to float more quality assets going forward.
Tasly Pharma (600535 CH) [^]	Specialty Pharma	46	42.70	52.15	40.6	22	3	Top-tier drug R&D: Core biological drug Pro-UK looking to be a new blockbuster
Luzhou Laojiao (000568 CH) [*]	Beverages	97	65.95	80.50	62.7	22	3	Four-pronged reform: Long-term outlook improving on dynamic execution with product, channel, brand and management reforms
Jiangshan Agrochemi (600389 CH) ^{^#}	Agricultural Chemicals	6	20.49	25.00	19.5	22	3	Clear and strong prospects: Earnings to accelerate on sustainably strong market
Midea (000333 CH) [*]	Home Improvement	355	53.89	65.60	51.2	22	3	In-line quarterly results: Industry leader poised to gain from smartization of the whole value chain
Spring Airlines (601021 CH) [^]	Airlines	33	35.49	43.00	33.7	21	3	Returning to positive growth: Greater earnings upside in high-end markets
Wuliangye (000858 CH) [*]	Beverages	301	77.59	93.80	73.7	21	3	Mixed-ownership reform to boost OP efficiency: The private placement will likely align the interests of the management and distributors with the Company, and thus improve the operational efficiency.
O-film Tech (002456 CH) [*]	Electronics Components	51	18.73	22.36	17.8	19	3	Sensing the future: To be driven by market expansion on dual camera and OLED technology advancement and increasing number of major clients
Guiguan Electric (600236 CH) [^]	Power Generation	35	5.82	6.90	5.5	19	3	Optimizing asset mix: Selling an aluminum firm to improve resource allocation

Source: Bloomberg, CS † Closing prices as of 18 May 2018 * Shenzhen-HK Stock Connect – Northbound Stocks (ChiNext Board for Professional Institutional Investors Only) ^ Shanghai-HK Stock Connect – Northbound Stocks # Sell Only Risk Rating: 1 to 5 in ascending order

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A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Three-Circle (300408 CH)*	Advanced Ceramics	43	24.60	29.12	23.4	18	3	Expert electro ceramics maker upgrading business structure and looking to promising future with new products
Yangtze Power (600900 CH)^	Power Generation	369	16.78	19.80	15.9	18	3	Cash dividend trumping estimates: Better-than-expected payout and positive impact from industrial investment
SAIC Motor (600104 CH)^	Automobiles	408	34.95	41.00	33.2	17	3	Joining hands with TTTech for intelligent driving control technology: Own brands ready to rise
Focus Media (002027 CH)*	Advertising & Marketing	144	11.79	13.80	11.2	17	3	Dominating the out-of-home advertising scene: Building advertising to expand steadily and cinema advertising to surge
Chint Electronics (601877 CH)^	Electrical Power Equipment	61	28.28	32.60	26.9	15	3	Exploring the household photovoltaic power generation market: Favorable policy to boost growth
Shanghai Jahwa (600315 CH)^#	Household Products	28	42.00	48.00	39.9	14	3	New incentive scheme to help boost performance: Expect new stock option plan to lend support to growth
Hengli Petrochemical (600346 CH)^	Rubber & Plastic	88	17.39	19.80	16.5	14	3	Investing on ethylene and polyester filament projects: Cementing leadership in the sub-sectors of the petrochemical industry
Zhongnan Construction (000961 CH)*	Non-Residential Bldg Const	29	7.92	8.92	7.5	13	3	Impressive potential from a low start: Potential to rise as a blue-chip developer

VERY AGRESSIVE STOCKS

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Chuying Agro-Pastoral (002477 CH)*	Pork and Poultry Products	11	3.64	27.60	3.5	658	3	Benefit from this round of up-cycle for hog price: Due to strained and broken capital chain for the livestock breeding industry, sow population may thus hit record lows repeatedly going forward and thus potentially pushing hog prices to new highs.
Unifull Industrial Fibre (002427 CH)*#	Textile & Textile Products	4	8.97	37.20	8.5	315	3	Venturing into the EV sector: Power battery to ride on the high-growth EV market.
Chant Group (002616 CH)*	Household Cooking Appliances	5	7.22	27.70	6.9	284	3	Chant Group: An operationally stable counter in a high-growth sub-sector, with visible and sustainable growth ahead
EVE Energy (300014 CH)*	Renewable Energy Equipment	17	19.63	50.00	18.6	155	3	Policy guidance to beef up industry leaders: Large-scale manufacturers of car batteries to ride on favorable policy and first-mover advantages
Sanqi Interactive Entertainment (002555 CH)*	Application Software	32	14.91	30.60	14.2	105	3	A traffic giant in the age of web-to-mobile conversion: Blockbuster games expected to lift 2018E earnings
Guoxuan High-Tech (002074 CH)*	Electrical Power Equipment	20	17.67	36.00	16.8	104	3	Policy guidance to beef up industry leaders: Large-scale manufacturers of car batteries to ride on favorable policy and first-mover advantages
Taihai Manoir Nuclear (002366 CH)*	Flow Control Equipment	21	24.50	47.70	23.3	95	3	New business deals in offshore nuclear power equipment: Improving fundamentals to support further growth
Kehua Hengsheng (002335 CH)*	Electrical Power Equipment	7	24.35	47.40	23.1	95	3	Emerging in top-tier markets: Cloud computing project in Shanghai received go-ahead
Hytera Communications (002583 CH)*	Communications Equipment	19	10.40	19.70	9.9	89	3	Seeking global dominance in private communication networks: Core technology and rich products pointing way to industry leader worldwide
Shouhang Resources Saving (002665 CH)*	Comm & Res Bldg Equip & Sys	16	6.41	11.70	6.1	83	3	Killing two birds with one mixed-ownership stone: Faster advance on reform and business upturn
Zaisheng Tech (603601 CH)	Specialty Chemicals	6	14.42	26.00	13.7	80	3	Higher investment: A bigger stake in VIP manufacturer to buoy up future earnings
CIMC (000039 CH)*	Fabricated Metal & Hardware	21	16.51	29.00	15.7	76	3	Framework pact signed for Qianhai plot: Land conversion to commercial use tipped to boost valuation and balance sheet
AVIC Electromechanical (002013 CH)*	Aircraft Parts	29	7.98	14.00	7.6	75	3	Asset injection on the door steps: Private placement of shares approved by regulator.

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A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Vtron Tech (002308 CH)*	Consumer Electronics	10	10.44	18.00	9.9	72	3	Acquiring a controlling share in Keer Education: Leveraging on top-quality education resources and offline development in core cities.
Shida Shenghua Chemical (603026 CH)	Basic & Diversified Chemicals	5	25.73	44.20	24.4	72	3	A green leader in electrolyte production: Upcoming full line of electrolyte products to tap into the swelling lithium battery market
Zhengzhou Coal Mining Machinery (601717 CH)^	Flow Control Equipment	9	6.35	10.90	6.0	72	3	To leapfrog via Bosch SG acquisition: Premium target expected to boost profitability in the long run.
Huayi Brothers (300027 CH)*	Movie/TV drama	24	8.76	14.97	8.3	71	3	Set sail for an exciting long journey with powerful partners onboard: Cooperate with Alibaba and Tencent in e-commerce, new media and movie production development.
Dabeinong (002385 CH)*	Animal Feeds	23	5.42	9.00	5.1	66	3	Setting sails again: Concentrating on high-end feed to maintain strong margins
Denghai Seeds (002041 CH)*	Crop Seeds	8	9.57	15.60	9.1	63	3	Anticipating new concept in management and upgrading products: Buying quality seed companies and bringing in strategic investors to raise valuation.
Zhiyun Automation (300097 CH)*	Automation Equipment	6	21.46	34.68	20.4	62	3	On way to lead home-grown equipment makers: Acquisition to pave way into a new market segment.
Changjiang Electronics (600584 CH)^	Semi Conductor	27	19.82	31.95	18.8	61	3	Leading the race: Intensifying M&As as the Moore's Law coming towards a bottleneck
Kingfa Tech (600143 CH)^	Specialty Chemicals	16	5.79	9.30	5.5	61	3	New materials forming multiple drivers for earnings turnaround in 2018E
Better Life (002251 CH)*	Food & Drug Stores	12	14.36	23.00	13.6	60	3	Global trade of growing scale: Upbeat about players with strong overseas supply chains and commodity flow.
SPC Environment Protection Tech (002573 CH)*	Pollution Control Equipment	16	15.18	24.30	14.4	60	3	ESOP reflects strong confidence: Tipped to solidify its lead in air pollution treatment
Eastone Century Technology (300310 CH)*	IT Services	8	9.08	14.40	8.6	59	3	Beefing up prospective research in IoT: Joining hands with strong player in the field to reinforce R&D muscle
Kangni Mechanical (603111 CH)^	Electronic Components	12	11.62	17.60	11.0	51	3	Acquisition target may surprise on the upside: Proposing merger to tap into the growing mobile casing market
Emei Shan Tourism (000888 CH)*	Tourism Services	5	9.12	13.50	8.7	48	3	Strong 1H14E results boost confidence in tourist operators: Upbeat 1H14E results could lift confidence in scenic zone operators in general.
Xuelang Environment (300385 CH)	Pollution Control Equipment	3	22.99	34.00	21.8	48	3	Share placement to raise HWT presence: Towards a model powered by manufacturing and waste treatment.
Newland (000997 CH)*	Infrastructure Software	19	18.36	26.50	17.4	44	3	Full speed ahead to payment business: Buying a national merchant acquiring license to boost profitability and transform into an integrated electronic payment operator.
Leysen Jewelry (603900 CH)	Jewelry & Watch Stores	9	25.02	36.00	23.8	44	3	Ramping up store openings: Faster scale expansion, better product mix and higher brand premium buoying up margins.
Jinyu Bio-technology (600201 CH)^	Animal Biopharmaceuticals	22	25.02	36.00	23.8	44	3	New product approval cements leadership: Another vaccine approved, expanding room for further market penetration.
Yinhe Electronics (002519 CH)*	Cable TV Equipment	7	6.27	9.00	6.0	44	3	Upbeat all around: Steady and smooth growth of STB, military electromechanical and new-energy auto parts businesses.
Cha Cha Food (002557 CH)*	Packaged Food	9	17.46	25.00	16.6	43	3	Nuts are core in online food sales: Nuts outrunning all other snacks in online food sales during the Chinese New Year holidays; online vendors with nuts as core products ready for a bumper harvest ahead
Tongwei (600438 CH)^	Agricultural Producers	46	11.89	17.00	11.3	43	3	Employee shareholding scheme to lift performance: Profit of the PV segment tipped to surge
Kaiyuan Instruments (300338 CH)	Education	6	18.86	26.60	17.9	41	3	Renewed expectations for law to promote privately-run schools: Allocating in education ahead of legislation in support of privately-run schools.
Global Top E-Commerce (002640 CH)*	Apparel, Footwear & Acc Design	30	19.09	26.50	18.1	39	3	Consolidating to stoke quality growth: Persistently strong electronics and recovering apparel trade

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A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Star-net Communication (002396 CH)*	Communication Equipment	14	23.39	32.00	22.2	37	3	Sustainable growth: Abundant business innovation
Xiangyu (600057 CH)	Logistics Services	13	8.86	11.90	8.4	34	3	Looking up: Faster growth via increasing presence along industry chain and southbound grain shipment
StarNeto (002829 CH)	Measurement Instruments	4	25.74	34.40	24.5	34	3	Embracing opportunities from military-civilian convergence in marine technology: Main products in high demand, driving organic and inorganic growth
Shanxi Coal Int'l (600546 CH)^#	Coal Operations	9	4.55	6.00	4.3	32	4	Even happier times ahead: Higher earnings in coal and loss-stopping in trade
Sunner Develop (002299 CH)*	Meat Type Chicken Products	20	16.28	21.40	15.5	31	3	Seize the opportunity from oversold poultry plays: Another round of broiler price hikes drawing near and upbeat industry climate tipped to last into 2018E on tight supply
AECC Aviation Power (600893 CH)^	Aircraft & Parts	58	25.75	32.50	24.5	26	3	Promising target: A whole-engine platform with sustainable strong growth
Accelink Technologies (002281 CH)*	Communications Equipment	16	25.09	31.50	23.8	26	3	Expecting breakthroughs in photonic chip manufacturing: Prospective exposure to VCSEL and photonic chip platform
Lianchuang Electronic (002036 CH)*	Consumer Electronics	8	14.28	17.53	13.6	23	3	Investment prospects in science and technology: 2017E to see equipment market expansion and explosive content growth.
Shanxi Coking (600740 CH)	Basic & Diversified Chemicals	18	12.74	15.60	12.1	22	3	A crucial point for earnings growth: A deal to contribute investment gains by Rmb1.6bn
Originwater (300070 CH)*	Waste Water Treatment	58	18.41	22.50	17.5	22	3	"River chiefs" assuming duty: Shanghai rolling out new system to clean polluted waters.
Tianyuan DIC (300047 CH)*#	Application Software	6	15.32	18.70	14.6	22	3	Expect big data to be re-rated: A rare big-data play in the A-share market looking to faster business growth
Wangsu Science (300017 CH)*	IT Services	30	12.24	14.70	11.6	20	3	Informatization and internetization tasks outlined: Broad-stroke IT policy to be followed by concrete measures.
Songcheng Performance (300144 CH)*	Theme Park & Cultural Arts	29	20.22	24.25	19.2	20	3	Hatching the first offshore project: Making headways on/off-line and on/offshore.
CHJ Industry (002345 CH)*	Jewelries and Accessories	9	9.69	11.60	9.2	20	3	All that glitters is gold: The Company appears ready to attract industry capital from China and abroad to facilitate future M&As and incubate new brands.

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TOP TWENTIES:

Top 20 Gainers

Company	Price (Rmb)	WoW Chg (%)
Yapp Automotive (603013 CH)	32.75	61
WuXi AppTec (603259 CH)	66.66	61
Todaytec Digital (300743 CH)	73.10	61
Yueboo Power System (300742 CH)	72.04	61
Yankershop Food (002847 CH)	37.75	47
TVZone Media (603721 CH)	33.72	38
Great River Smarter (002930 CH)	50.25	33
China Petroleum Engineering (600339 CH)	5.27	33
Rutong Petro-Machinery (603036 CH)	20.55	31
Hongyu Agricultural (002890 CH)	43.55	29
Huiyuan Communication (000586 CH)	14.70	29
Hunan Salt Industry (600929 CH)	20.25	25
Nanjing Julong (300644 CH)	53.96	25
Acryl Technology (603722 CH)	47.93	24
Jianxin Chemical (300107 CH)	17.20	22
Aoyang Technology (002172 CH)	6.03	22
Tianye (600075 CH)	8.11	21
Career International (300662 CH)	25.09	21
Huayi Group (600623 CH)	12.35	21
Douson Drilling (603800 CH)	16.52	21

Top 20 Losers

Company	Price (Rmb)	WoW Chg (%)
Jinlong Machinery (300032 CH)	9.12	(34)
Aurora Optoelectronics (600666 CH)	6.14	(34)
Shanghai Diesel Engine (600841 CH)	12.23	(27)
Northcom Group (002359 CH)	19.58	(23)
Jikai Equipment (002691 CH)	25.36	(23)
Tianma Bearing (002122 CH)	6.58	(22)
CEFC International (002018 CH)	2.24	(22)
Miteno Communication (300038 CH)	13.66	(21)
Impulse Health Tech (002899 CH)	25.96	(21)
Rongyu Group (002622 CH)	6.70	(21)
Zhongnan Culture (002445 CH)	9.53	(20)
Kingee Culture (002721 CH)	11.41	(19)
Fulin Transportation (002357 CH)	7.34	(19)
Fukong Interactive (600634 CH)	4.31	(18)
Zhongyin Cashmere (000982 CH)	2.35	(18)
Tengda Construction (600512 CH)	2.96	(17)
Zhongyuan Special Steel (002423 CH)	12.00	(17)
East Crystl Electronic (002199 CH)	10.29	(16)
Xinguang Pharmaceutic (300519 CH)	29.96	(15)
Swan Cotton (603029 CH)	18.71	(15)

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* Closing prices as of 18 May 2018

A/H PREMIUM TABLE

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
600876 CH	1108 HK	Luoyang Glass	17.30	451
002490 CH	568 HK	Shangdong Molong	5.80	347
002703 CH	1057 HK	Zhejiang Shibao	6.30	343
600874 CH	1065 HK	Tianjin Capital Environmental	12.92	273
002910 CH	1533 HK	Zhuangyuan Pasture	22.50	265
600860 CH	187 HK	Beijing Jingcheng	5.85	228
600806 CH^	300 HK^	Kunming Machine	6.44	219
601326 CH	3369 HK	Qinhuangdao Port	5.23	201
601038 CH	38 HK	First Tractor	6.41	178
603157 CH	6116 HK	La Chapelle Fashion	19.54	169
601727 CH	2727 HK	Shanghai Electric	6.20	158
000585 CH	42 HK	Northeast Electric Development	2.29	156
601375 CH	1375 HK	Central China Securities	5.94	151
601881 CH	6881 HK	China Galaxy Securities	10.20	150
601811 CH	811 HK	Xinhua Winshare	11.83	140
600685 CH	317 HK	COMEC	18.84	137
600775 CH	553 HK	Nanjing Panda	7.38	133
601866 CH	2866 HK	CSCL	2.98	131
601880 CH	2880 HK	Dalian Port	2.45	130
600958 CH	3958 HK	DFZO	11.85	113
000756 CH	719 HK	Xinhua Pharmaceutical	12.94	97
600871 CH	1033 HK	Sinopec SSC	2.19	97
600362 CH	358 HK	Jiangxi Copper	17.81	90
601618 CH	1618 HK	Metallurgical Corporation	3.85	88
600875 CH	1072 HK	Dongfang Electrical	9.06	88
601005 CH	1053 HK	Chongqing Iron & Steel	2.15	85
601800 CH	1800 HK	China Comm. Construction	12.97	85
601717 CH	564 HK	ZMJ	6.35	81
601107 CH	107 HK	Sichuan Expressway	3.91	80
600999 CH	6099 HK	CMSC	16.83	80
600635 CH	1635 HK	DZUG	4.27	78
601898 CH	1898 HK	China Coal	5.30	76
601588 CH	588 HK	Beijing North Star	4.13	76
601633 CH	2333 HK	Great Wall Motor	11.03	74
603993 CH	3993 HK	China Molybdenum	8.20	73
600012 CH	995 HK	Anhui Express	8.07	72
601808 CH	2883 HK	China Oilfield Services	12.00	71
601788 CH	6178 HK	EB Securities	12.67	69
601766 CH	1766 HK	China South Locomotive	9.56	66
000921 CH	921 HK	Kelon Electric	11.25	66
601919 CH	1919 HK	COSCO	5.95	63
601238 CH	2238 HK	Guangzhou Automobile	18.50	63
002672 CH	895 HK	Dongjiang Environmenta	16.49	62
601857 CH	857 HK	PetroChina	8.49	61
601991 CH	991 HK	Datang Int'l Power	3.41	60
600188 CH	1171 HK	Yanzhou Coal	15.59	59
002202 CH	2208 HK	Goldwind	17.37	56
601336 CH	1336 HK	New China Life Insurance	46.25	53
600029 CH	1055 HK	China Southern Airlines	10.03	51

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
000063 CH^	763 HK^	ZTE	31.31	51
000039 CH	2039 HK	CIMC	16.51	50
601390 CH^	390 HK	China Railway Group	7.47	47
601111 CH	753 HK	Air China	11.34	47
000488 CH	1812 HK	Chenming Paper	15.31	46
600026 CH	1138 HK	China Shipping Dev.	4.94	46
000157 CH	1157 HK	Zoomlion	4.29	44
601688 CH	6886 HK	HTSC	18.26	44
000513 CH	1513 HK	Livzon Pharmaceutical	71.83	43
601998 CH	998 HK	CITIC Bank	6.74	43
600011 CH	902 HK	Huaneng Power	6.38	43
600115 CH	670 HK	China Eastern Airlines	7.33	42
601992 CH	2009 HK	BBMG	4.18	42
000776 CH	1776 HK	GF Securities	15.65	41
600332 CH	874 HK	Baiyunshan	42.51	41
601628 CH	2628 HK	China Life	25.38	40
600027 CH	1071 HK	Huadian Power	3.82	39
600688 CH	338 HK	Shanghai Petrochemical	6.16	39
601607 CH	2607 HK	Shanghai Pharmaceuticals	25.93	37
601899 CH	2899 HK	Zijin Mining Group	3.97	37
600548 CH	548 HK	Shenzhen Express	8.74	36
601186 CH	1186 HK	China Railway Construction	9.76	35
600600 CH	168 HK	Tsingtao Brewery	51.86	34
600837 CH	6837 HK	Haitong Securities	11.47	34
600016 CH	1988 HK	Minsheng Bank	7.92	31
601600 CH	2600 HK	Aluminum of China	4.48	26
002594 CH	1211 HK	Byd Co Ltd	54.00	25
601818 CH	6818 HK	China Everbright Bank	4.08	25
601333 CH	525 HK	Guangshen Railway	4.63	25
601088 CH	1088 HK	Shenhua Energy	22.32	25
600030 CH	6030 HK	CITIC Securities	19.73	23
601601 CH	2601 HK	Pacific Insurance	34.92	21
601328 CH	3328 HK	BoComm	6.18	20
600196 CH	2196 HK	Fosun Pharmaceutical	42.95	19
601939 CH	939 HK	CCB	7.73	17
600808 CH	323 HK	Maanshan Iron & Steel	3.76	16
601988 CH	3988 HK	BOC	3.90	14
601288 CH	1288 HK	ABC	3.90	14
601211 CH	2611 HK	Guotai Junan Securities	17.58	13
600028 CH	386 HK	Sinopec	7.43	11
601398 CH	1398 HK	ICBC	6.05	10
600036 CH	3968 HK	China Merchants Bank	30.46	10
000002 CH	2202 HK	Vanke	27.15	9
600660 CH	3606 HK	Fuyao Glass	25.24	7
600377 CH	177 HK	Jiangsu Express	9.54	4
000338 CH	2338 HK	Weichai Power	8.59	2
601318 CH	2318 HK	Ping An	63.04	(1)
000898 CH	347 HK	Angang Steel	6.23	(5)
600585 CH	914 HK	Anhui Conch Cement	35.67	(11)

Source: Bloomberg, CS

* Closing prices as of 18 May 2018

^ Suspended

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MAJOR INDEX PERFORMANCE:

CITIC S&P 50 Index

Sector	PER (x)			17-19E		Chg (%)			6M Avg Daily T/O (Rmb mn)	Mkt Cap (Rmb bn)
	17	18E	19E	PEG (x)	1-wk	1-mth	YTD	1-yr		
Market cap weighted average	19	16	13	1.0	0.8	5.1	(0.5)	29.2	74,280	14,395
Energy	15	11	11	0.9	3.1	9.9	12.7	27.6	2,297	1,078
Materials	16	12	10	0.7	(0.2)	3.8	4.4	44.7	4,512	482
Capital Goods	27	20	17	1.0	(0.8)	0.6	(13.1)	(9.9)	4,254	855
Transportation	10	9	9	2.6	(2.0)	9.6	(4.7)	3.0	498	128
Automobiles & Components	12	11	10	1.2	1.0	11.5	9.1	24.5	820	408
Consumer Durables & Apparel	17	14	12	0.9	1.1	8.9	2.3	50.6	6,430	757
Media	21	18	16	1.4	2.1	1.6	8.5	(16.1)	113	48
Retailing	141	94	61	2.7	4.3	6.6	13.8	34.0	760	130
Food, Beverage & Tobacco	32	25	20	1.2	2.5	12.9	3.0	66.9	8,993	1,592
Pharmaceuticals, Biotechnology & Life Sciences	65	53	42	2.7	4.7	16.0	28.9	67.6	1,325	394
Banks	7	7	6	0.9	(0.1)	2.4	(2.0)	18.3	13,722	4,914
Diversified Financials	18	16	14	1.4	0.2	2.3	0.4	7.9	4,146	380
Insurance	18	14	12	0.8	0.1	2.6	(13.3)	29.0	8,957	1,431
Software & Services	169	124	84	4.0	0.6	(2.6)	(5.7)	87.0	2,411	77
Technology Hardware & Equipment	33	27	21	1.3	1.4	3.5	(4.8)	45.9	8,796	635
Telecommunication Services	NA	52	31	NA	2.5	11.7	(8.1)	(22.1)	1,357	181
Utilities	18	17	17	4.8	3.6	4.2	5.7	13.7	503	426
Real Estate	10	8	7	0.4	(1.2)	(4.1)	(8.7)	40.9	4,387	479

CITIC S&P 300 Index

Sector	PER (x)			17-19E		Chg (%)			6M Avg Daily T/O (Rmb mn)	Mkt Cap (Rmb bn)
	17	18E	19E	PEG (x)	1-wk	1-mth	YTD	1-yr		
Market cap weighted average	27	19	16	1.0	1.1	5.0	(0.1)	23.6	158,054	26,833
Energy	46	20	18	0.8	5.0	10.4	7.4	18.6	4,409	2,602
Materials	32	21	18	1.0	(0.2)	3.4	(1.7)	31.9	19,052	1,498
Capital Goods	26	20	17	1.0	0.2	1.4	(7.4)	5.8	19,167	2,563
Commercial & Professional Services	26	21	17	1.1	3.9	4.1	(8.4)	(17.0)	379	70
Transportation	19	17	15	1.5	(1.4)	4.7	(3.3)	13.4	4,595	761
Automobiles & Components	19	14	12	0.8	1.0	6.0	(6.3)	5.0	4,062	1,042
Consumer Durables & Apparel	24	17	15	0.9	0.7	7.8	1.7	39.1	9,477	1,037
Consumer Services	33	25	20	1.2	0.4	12.5	23.7	74.5	1,223	203
Media	35	21	18	0.9	0.2	(1.8)	(9.5)	(22.1)	1,338	246
Retailing	83	60	41	2.0	3.8	4.5	3.7	15.2	1,217	255
Food & Staples Retailing	39	38	29	2.4	(2.5)	2.8	(12.1)	19.7	961	115
Food, Beverage & Tobacco	35	27	22	1.3	2.4	12.4	5.1	62.7	11,900	2,190
Household & Personal Products	72	51	40	2.1	1.5	0.0	13.9	46.8	152	28
Health Care Equipment & Services	53	40	58	NA	3.7	9.6	22.0	51.8	1,481	258
Pharmaceuticals, Biotechnology & Life Sciences	53	44	36	2.4	3.7	13.7	17.9	46.0	8,469	1,441
Banks	7	7	6	0.9	(0.0)	2.5	(1.5)	15.9	16,031	6,273
Diversified Financials	21	17	15	1.3	(0.1)	1.3	(3.4)	(1.6)	5,022	607
Insurance	18	14	12	0.8	0.1	2.6	(13.3)	29.0	8,957	1,431
Software & Services	93	69	51	2.6	(2.5)	(4.8)	16.8	53.6	6,337	301
Technology Hardware & Equipment	34	27	22	1.3	1.3	2.1	(5.7)	30.8	18,265	1,383
Semiconductors & Semiconductor Equipment	31	22	17	0.9	0.8	(0.2)	(7.9)	65.6	2,797	188
Telecommunication Services	3	49	30	NA	3.1	11.7	(8.0)	(20.9)	1,524	203
Utilities	26	17	15	0.8	2.2	2.8	(0.9)	(1.7)	2,003	1,006
Real Estate	15	9	7	0.4	(0.1)	(0.1)	(1.5)	23.8	9,236	1,131

Source: Bloomberg, CS

* Closing prices as of 18 May 2018

GICS (Global Industry Classification Standard)

China A-Share Market Weekly: Alleviation of trade dispute marks a turning point for oil prices

WHAT TO WATCH OUT FOR:

Major corporate results and economic data

Results Announcement

Code	Company	Estimated Date	Financial Year / Quarter^
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*Companies included in CITIC S&P 300 Index only ^ MM/YY QQ
Source: Bloomberg, CS

Publication of Economic Data

Date/Time*	Event	Period	Figures	Actual	Previous	Revision
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05/27/2018 09:30	Industrial Profits YoY	Apr	--	--	3.1%	--
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Source: Bloomberg, CS * MM/DD/YYYY

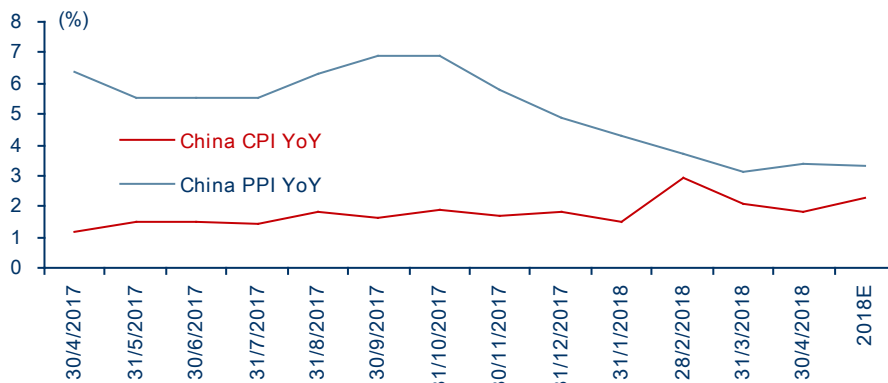
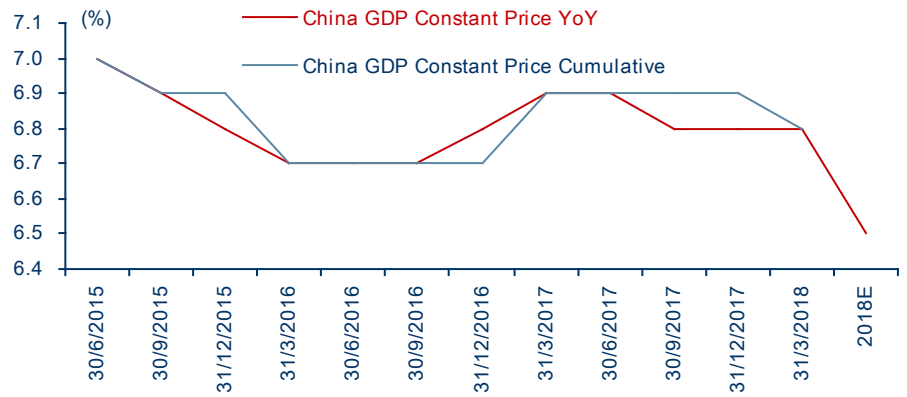
China A-Share Market Weekly:
Alleviation of trade dispute marks a turning point for oil prices

WHAT TO WATCH OUT FOR:

Major economic indicators

GDP ▶

In 1Q18, China's GDP increased 6.8% YoY, flat QoQ. The healthy start of 2018 in economic terms was mainly attributable to steady and rising industrial output, sustained brisk growth of the service sector and accelerating household consumption in the first quarter. The market forecasts full-year 2018E GDP growth of 6.5% YoY.

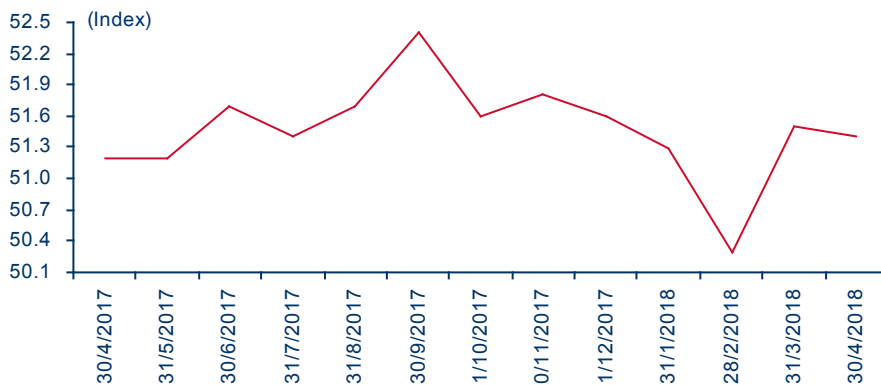


◀ CPI and PPI

China posted CPI growth of 1.8% YoY for Apr 2018, slower than the 2.1% pace in Mar and obviously lagged expectations. We are of the view that re-inflation is still curbing fundamentals and the capital market, but CPI in 2018E should still outrun that in 2017 by about 0.9ppt. PPI in Apr picked up 0.3ppt MoM to reach 3.4% YoY, halting the indicator's five-month straight decline. The market expects full-year 2018E CPI and PPI to increase 2.3% and 3.3% YoY, respectively.

Import and Export ▶

In Apr 2018, China's exports increased 12.9% YoY. The growth was largely in line with our expectations. Imports in Apr surged 21.5% YoY, jumping further up 7.1ppts from the 14.4% reading in the previous month. The market projects full-year 2018E exports and imports to advance 8.0% and 11.0% YoY, respectively.



◀ Manufacturing PMI

In Apr 2018, China's manufacturing PMI came to 51.4, off 0.1 from the previous month. The factory sector shows a steady and healthy growth trend.

Source: Bloomberg, CS

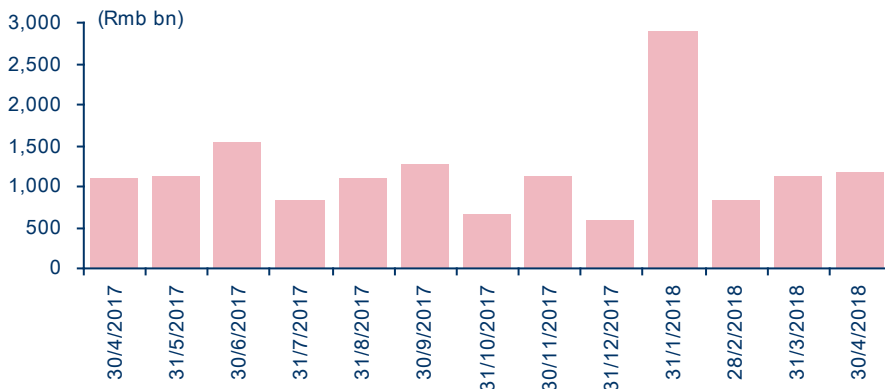
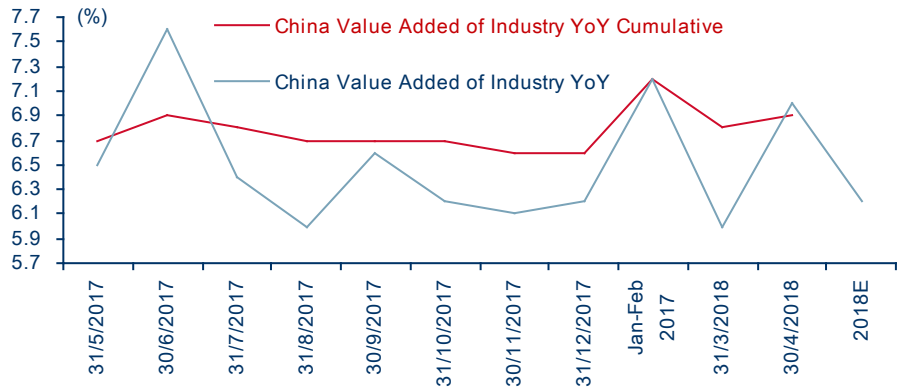
China A-Share Market Weekly: Alleviation of trade dispute marks a turning point for oil prices

WHAT TO WATCH OUT FOR:

Major economic indicators

Value Added of Industry ▶

In Apr 2018, total industrial value-added from scale enterprises in China advanced 7.0% YoY, up 1.0ppt from the previous month. The raw material sector and high-tech manufacturing segment joined to push growth well above forecast. The market projects full-year 2018E industrial value-added to increase 6.2% YoY

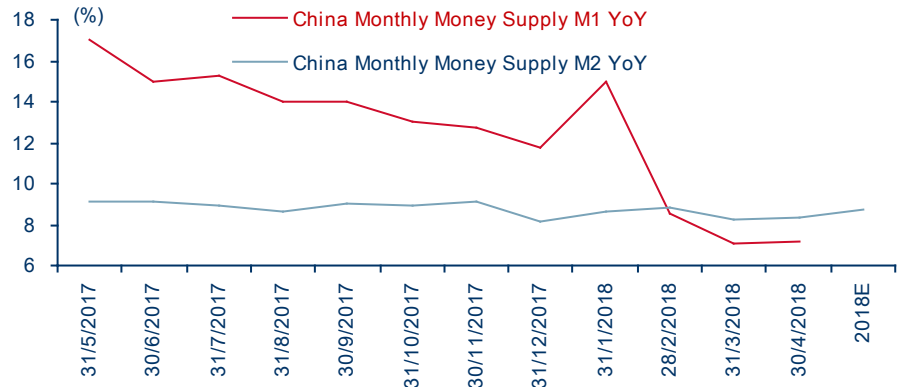


◀ CNY Monthly New Loan

China recorded Rmb1.18trn new loans in Apr 2018, compared to consensus forecast of Rmb1.1trn. The amount is Rmb79.7bn more than new loans in the year-ago period.

Monthly Supply M1 & M2 ▶

China's M2 and M1 supply in Apr 2018 expanded by 8.3% and 7.2% YoY, respectively, compared to 8.2% and 7.1% YoY in Mar. The market expects full-year 2018E M2 growth of 8.75% YoY.



◀ Retail Sales Value

Total retail sales in China tallied Rmb2,854bn, nominally up 9.4% YoY and falling short of consensus. The market forecasts retail growth of 10.1% YoY for 2018E.

Source: Bloomberg, CS

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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%
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.	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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