

2018

4 Jun 2018

China A-Share Market Weekly

Market Strategy

Pick those with the least headwind

Macroeconomics

Continuously steady growth

Stock Recommendations

SDIC Power ● Yifeng Pharmacy ● Dashenlin ● Huadian Power



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Market Strategy

Pick those with the least headwind

In view of macro uncertainties, funds are likely to flow into sectors and themes with the least resistance.

Macroeconomics

Continuously steady growth

We are not pessimistic about China's growth in 2H18E as fixed-asset investment growth has slipped to the trough. Recovering capital spending in cyclical sectors and rebounding external demand are expected to keep growth steady and prevent continuous decline.



Weekly Top Pick

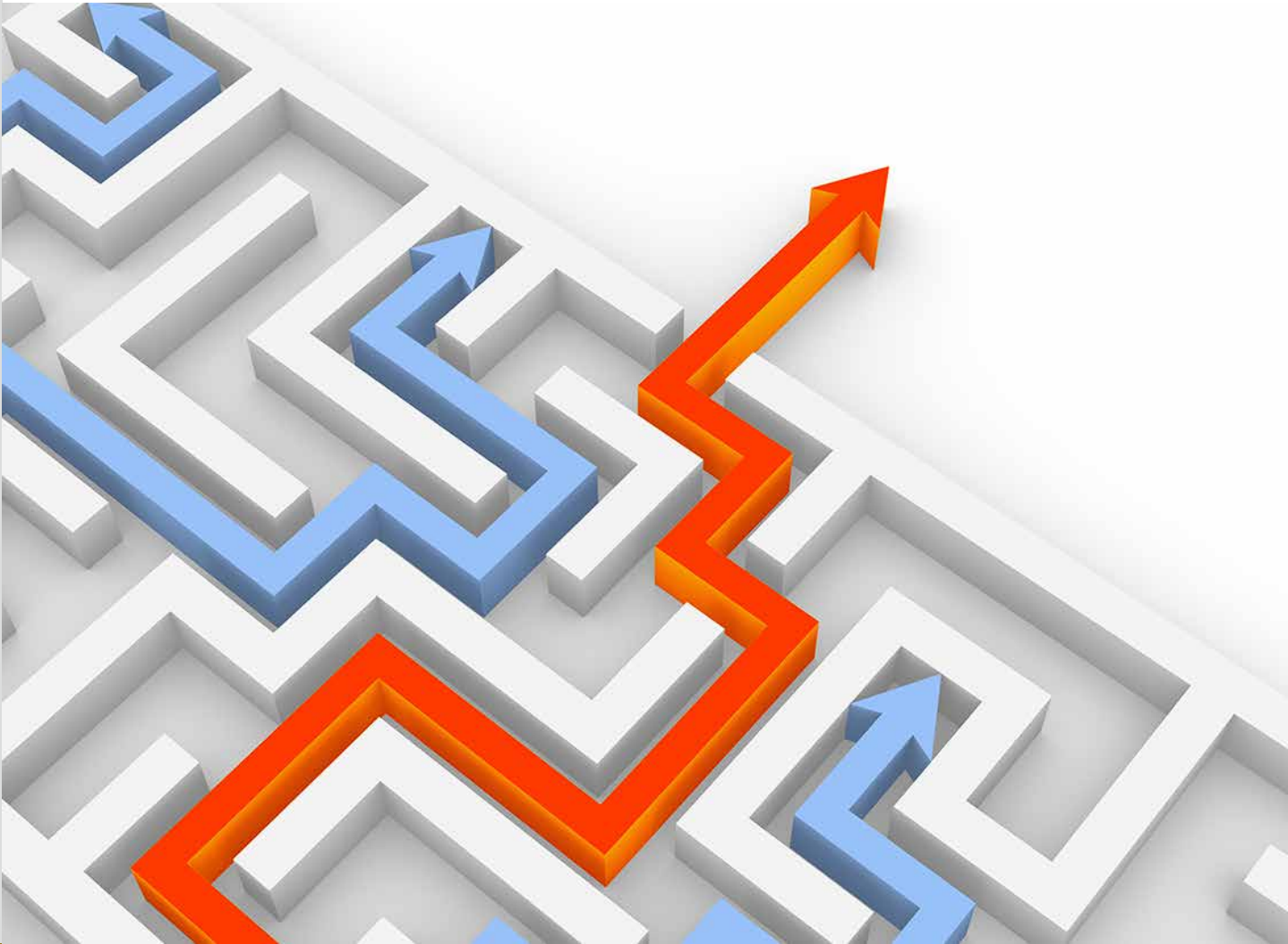


SDIC Power

Company	Price (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)
SDIC Power (600886 CH)	7.46	13.20	7.1	77
Yifeng Pharmacy (603939 CH)	60.02	70.65	57.0	18
Dashenlin (603233 CH)	70.25	75.00	66.7	7
Huadian Power (600027 CH)	4.14	4.30	3.9	4

China A-Share Market Weekly:
Pick those with the least headwind

Pick those with the least headwind



Given the plethora of macro uncertainties at present, we expect the market to move towards themes with relatively high visibility. Consumer plays enjoying solid fundamentals may pull back in the short run, but they should retain allocation value after the potentially imminent correction as their longer-term investment logic (i.e. increasing per capita income, further channel penetration on

improving infrastructure in lower-tier cities) remains intact and the market environment continues to match their growth. In Jun 2018, we suggest investors hold onto consumer names, adding positions in innovative drug, medical instrument/device, thermal power, livestock farming and oilfield services sectors. Meanwhile, keep an eye on cyclical leaders with attractive absolute valuation.

Continuously steady growth



In May 2018, China's manufacturing PMI came to 51.9, picking up 0.5 from the previous month. The manufacturing sector as a whole expanded at a quicker pace. The non-manufacturing business activity index added 0.1 MoM to 54.9, showing a steadily rising trend. With May 2018 economic data tipped to significantly surpass consensus forecast, 2Q18E implies to start well. Most of the PMI sub-indices gained in May, among

which the industrial product price index rebounded meaningfully and foreign trade-related indices recovered. We are not pessimistic about the 2H18E macro outlook, given that the growth rate of fixed-asset investment has fallen to the trough. Going forward, capex expansion in cyclical sectors and warming external demand should help maintain growth at a steady pace and keep at bay any continuous slowdown.

MARKET REVIEW & TECHNICAL:

CITIC S&P 50

(Index)



CITIC S&P 300

(Index)



Market Review: On Monday, the Shanghai Composite Index (SCI) moved within a narrow band in the morning and jolted south in the afternoon, shedding 0.2% at day-end. On Tuesday, the benchmark index opened low and fluctuated moderately. The decline widened after lunch, leading to a 0.47% loss at the close. On Wednesday, the SCI started low and slipped further on reignited China-US trade friction. Share prices took a beating in the afternoon, slashing 2.53% off the SCI at finish. On Thursday, both Shanghai and Shenzhen bourses pounced back vigorously, allowing the Shanghai gauge to add 1.78%. Affected by external negatives, Friday saw the two mainland markets open low in tandem and hover at subdued levels throughout the day. The SCI retreated 0.66%. In the week, CITIC/S&P 50 and CITIC/S&P 300 fell 0.1% and 1.2%, respectively.

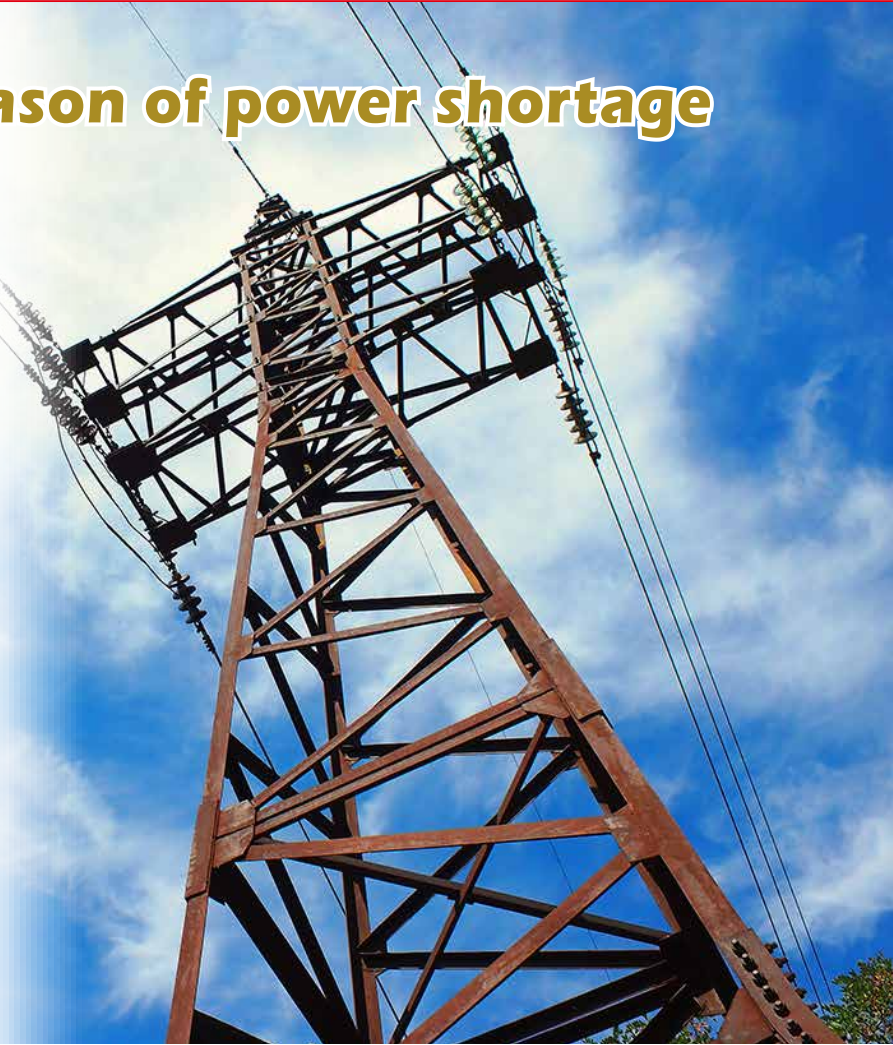
Technical analysis: CITIC/S&P 50 and CITIC/S&P 300 trended down further technically. Both stock indices are now in the weak zone. We expect them to swing persistently in the short run, consolidating at their 250-day moving averages of 3,247 and 3,406 points, respectively.

Source: Bloomberg, CS

STOCK RECOMMENDATIONS:

Approaching season of power shortage

According to media reports, the Guangzhou Power Grid recorded persistently hiking electricity consumption and a remarkable gap between supply and demand. The situation prompted the province to issue the year's first red signal for off-peak execution on 30 May 2018, whereby some industrial clients are informed to use electricity only during off-peak hours. China's southeastern coastal areas with robust electricity demand has taken the lead to experience seasonal power shortage. Given the pressure to secure sufficient supply to households, local thermal power generators may gain a louder voice in pricing and subsequently improve their profitability. We recommend thermal power names in high-demand areas. Our top picks are national players SDIC Power (600886 CH) and Huadian Power (600027 CH).



(A Shanghai-HK Stock
Connect Northbound Stock)

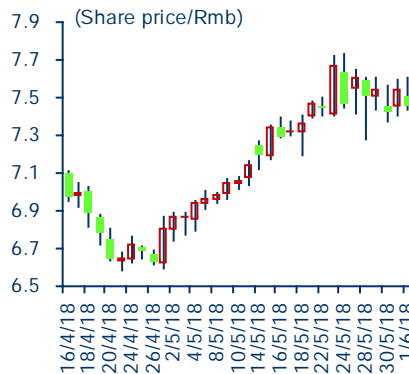
Risk rating: **3**

SDIC Power

Target Price: Rmb13.2

Upside: 77%

Share Price Performance



Price/Target/Stop Loss 7.46/13.20/7.10

52 Weeks High/Low 8.32/6.63

50/100/200D MA 7.10/7.13/7.33

RSI (14D) 57.4

MACD (12/26D)/Signal 0.14/0.14

2018E PER (x) 12.6

Company: SDIC Power operates power generation and investment businesses. Through subsidiaries, the Company provides thermal power, hydropower and new-energy power generation services. It also conducts chemicals distribution and coal trading.

(A Shanghai-HK Stock
Connect Northbound Stock)

Risk rating: **3**

Huadian Power

Target Price: Rmb4.3

Upside: 4%

Share Price Performance



Price/Target/Stop Loss 4.14/4.30/3.90

52 Weeks High/Low 5.1/3.4

50/100/200D MA 3.72/3.71/4.00

RSI (14D) 65.9

MACD (12/26D)/Signal 0.13/0.12

2018E PER (x) 18.8

Company: Huadian Power operates electricity businesses. The Company provides power plant construction, hydropower, wind power, and solar power generation services. It also conducts electricity transmission and distribution.

STOCK RECOMMENDATIONS:



Embracing swift growth

Data from the pharmacy chain store sector show that industry concentration and profitability have been steadily rising, while the cost of expanding a chain has been climbing year by year. We are sanguine about leading chain operators that excel in scale and management. Listed companies have maintained rapid growth on the basis of increasing new outlets in their store portfolio. The strong momentum for the drug retail sector should be sustained over the long term as we anticipate multiple policy tailwinds in 2H18E, such as new regulations for online prescription drug sales and the classification of pharmacies. We suggest keeping a close watch on Yifeng Pharmacy (603939 CH) and Dashenlin (603233 CH).

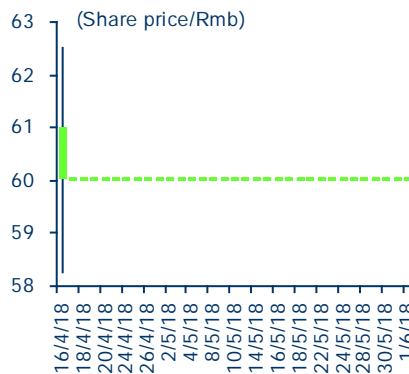
(A Shanghai-HK Stock
Connect Northbound Stock)

Risk rating: **3**

Yifeng Pharmacy

Target Price: Rmb70.65
Upside: 18%

Share Price Performance



Price/Target/Stop Loss 60.02/70.65/57.00

52 Weeks High/Low 62.75/29.70

50/100/200D MA 50.46/46.98/41.11

RSI (14D) 61.4

MACD (12/26D)/Signal 2.64/2.86

2018E PER (x) 51.3

Company: Yifeng Pharmacy operates retail chain stores specializing in pharmaceutical and OTC remedies as well as personal care products.

(A Shanghai-HK Stock
Connect Northbound Stock)

Risk rating: **3**

Dashenlin

Target Price: Rmb75
Upside: 7%

Share Price Performance



Price/Target/Stop Loss 70.25/75.00/66.70

52 Weeks High/Low 76.32/24.72

50/100/200D MA 63.50/55.27/49.92

RSI (14D) 53.0

MACD (12/26D)/Signal 2.22/2.78

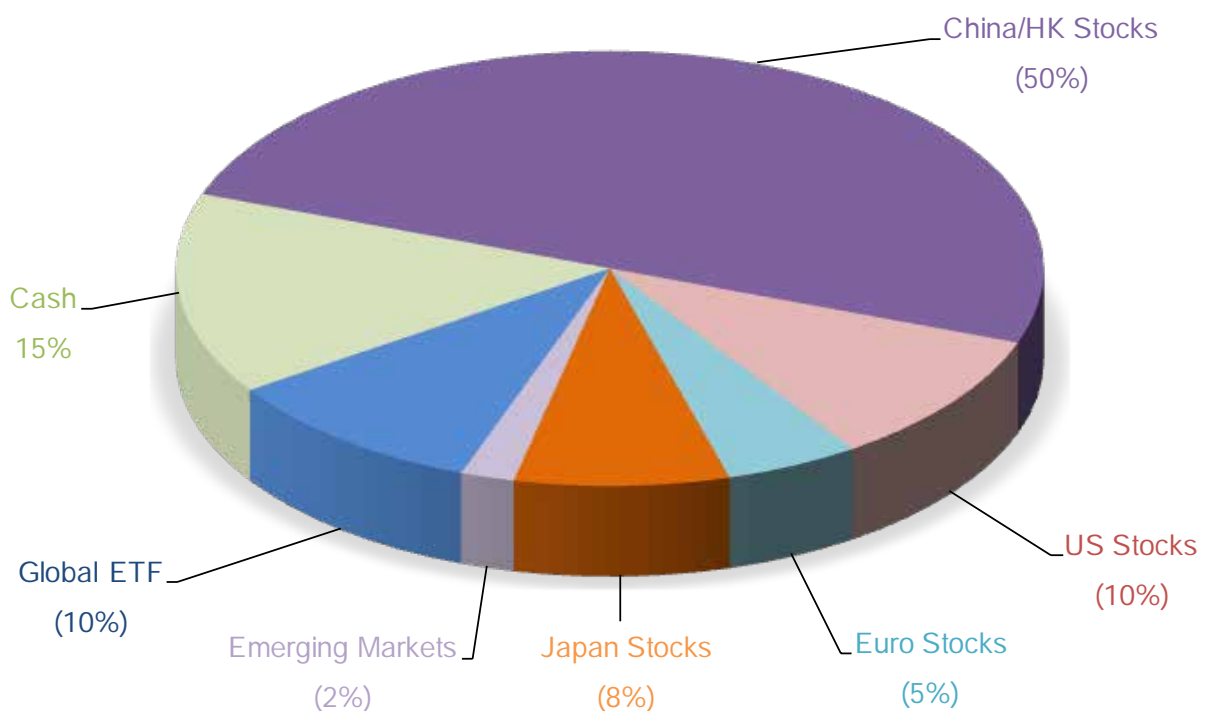
2018E PER (x) 46.8

Company: Dashenlin is a chain retailer of medicinal materials, antibiotics, biochemical, prescription and proprietary drugs, and other pharmaceutical products. It also provides cosmetic products.

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 2016E

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

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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Pick those with the least headwinds

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	48.76	86.62	46.3	78	3	Rationale for growth intact: Remarkable edge in products and upbeat business in and outside of China
Bank of Beijing (601169 CH)^	Banks	141	6.65	11.50	6.3	73	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	168	5.43	9.14	5.2	68	3	The approaching 5G era: transformation and profit rebound on SOE reform
Daqin Railway (601006 CH)^	Rail Transportation	125	8.44	12.00	8.0	42	3	Scarce and valuable assets: Operating a most precious railway of strategic importance
Great Wall Motors (601633 CH)^	Automobiles	66	10.98	15.00	10.4	37	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	22	8.36	10.99	7.9	31	3	Sales growth second to none: Far ahead of peers in housing sales.
Bank of Nanjing (601009 CH)^	Banking Services	69	8.12	10.10	7.7	24	3	Active expansion: A better-than-expected first half thanks to scale expansion; capital replenishment a positive response to business model.
SZ Expressway (600548 CH)^	Infrastructure Construction	13	8.77	10.80	8.3	23	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

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	13	48.01	147.30	45.6	207	3	Exciting prospects of a major deal: Targeting an industry leader with solid orders in hand
Xinjiang Tianye (600075 CH)^	Basic & Diversified Chemicals	7	6.92	19.49	6.6	182	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	10.40	24.80	9.9	138	3	Riding on new powder metallurgical technology: High value-added products securing profitability
Giga Device Semiconductor (603986 CH)	Semiconductor Devices	30	104.18	233.25	99.0	124	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
Yibai Pharmaceutical (600594 CH)^	Generic Pharma	8	10.28	22.40	9.8	118	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	9.71	20.70	9.2	113	3	One-stop service provider for new drug R&D: Joining Frontage and making steady progress in CDMO strategy.
COFCO Biochemical (000930 CH)*	Biofuels	10	10.36	21.00	9.8	103	3	Cementing leadership in corn deep-processing: Rising oil prices to boost revenue of fuel ethanol business
SDIC Power (600886 CH)^	Power Generation	51	7.46	13.20	7.1	77	3	Approaching season of power shortage: Pick thermal power companies in high-demand regions
Xiamen Tungsten (600549 CH)^	Base Metals	23	20.94	36.00	19.9	72	3	Lasting strength: Core business to power growth going forward
Zijin Mining (601899 CH)^	Precious Metal Mining	64	3.68	6.30	3.5	71	3	A mining giant: Riding on non-ferrous metal up-cycle and own capacity expansion
Hengtong Optic Electric (600487 CH)^	Optical fiber and cables	44	32.60	55.75	31.0	71	3	Anticipating more pleasant surprises ahead: All lines of businesses set to ride on the upbeat industry climate.
Greenland (600606 CH)^	Real Estate Services	81	6.69	11.40	6.4	70	3	Gross margin upturn as expected: Moderate increase in real estate income, coupled with significantly wider margins
Grandland (002482 CH)*	Non-Residential Bldg Const	11	7.05	12.00	6.7	70	3	Launching employee stock ownership plan: ESOP to fuel endogenous growth
Jianghuai Automobile (600418 CH)^	Automobile	14	7.19	12.00	6.8	67	3	Volkswagen JV approved: A win-win deal for both parties

Source: Bloomberg, CS † Closing prices as of 1 Jun 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
Yunnan Germanium (002428 CH)*	Base Metals	7	9.97	16.50	9.5	65	3	Explosive demand spells opportunity: Upgrading products and investing in high-end manufacturing
China Meheco (600056 CH)^	Healthcare Supply Chain	23	21.90	35.98	20.8	64	4	An emerging integrated platform: One of the few Chinese companies that have already established diversified operations including manufacturing, sales and international trade.
Chilong Zinc & Germanium (600497 CH)^	Base Metals	30	5.82	9.50	5.5	63	3	Benefiting from price hike potentials: Entering an up-cycle for explosive earnings growth
Weichai Power (000338 CH)*	Commercial Vehicles	52	8.67	14.10	8.2	63	3	Market cap tipped to exceed Rmb100bn: Favorable industry climate lifting results and guidance beyond expectations.
Sanan Optoelectronics (600703 CH)^	Semiconductor Devices	84	20.62	33.30	19.6	61	3	On track to lead global compound semi-conductor manufacturing: Erecting a series of facilities in seven years
CCB (601939 CH)^	Banks	68	7.08	11.20	6.7	58	3	Banks tipped to become more attractive: Growing appeal of domestic lenders with undemanding share prices, abundant liquidity and high dividend
Grand Auto (600297 CH)^	Agricultural Chemicals	54	6.66	10.50	6.3	58	3	Driven by auto financing and second-hand car sales: China's largest car dealer aiming at top-of-the-world rank
Survim Group (002083 CH)*	Textile & Textile Products	5	5.42	8.50	5.1	57	3	Riding the online business: domestic sales business is on good track to drive a fast earnings growth.
Truchum Advanced Materials (002171 CH)*	Base Metals	7	6.52	10.10	6.2	55	3	Skewing towards new materials: Developing new materials a part of national strategy
Sunway Communication (300136 CH)*	Electronics Components	33	33.42	51.00	31.7	53	3	Swift growth in RF separator and structural part: Fueled by acoustic/RF integration and front-end RF device in the mid/long term
ICBC (601398 CH)^	Banking Services	1,521	5.64	8.60	5.4	52	3	Greater advantage in deposit: Progressing from being large to being strong as well
Baolong Automotive (603197 CH)	Auto Parts	5	42.67	64.80	40.5	52	3	Focusing on auto electronics: Huge upside for this auto electronic investment vehicle
Xinhua Pharmaceutical (000756 CH)*	Specialty Pharma	4	11.99	18.13	11.4	51	3	Multi-dimensional re-rating: Accelerating growth in preparation and hiking price for preparation
CMB (600036 CH)^	Banking Services	590	28.60	43.00	27.2	50	3	Banks tipped to become more attractive: Growing appeal of domestic lenders with undemanding share prices, abundant liquidity and high dividend
Gemdale (600383 CH)^	Real Estate Owners & Developers	48	10.69	15.99	10.2	50	3	Embracing peak season for project launch: Rolling out more projects than previously planned
Rainbow Department Store (002419 CH)*	Department Stores	19	16.11	24.00	15.3	49	3	Looking to accelerate new retail: Potential liaison with internet giants for faster growth
Vanke (000002 CH)*	Real Estate Owners & Developers	253	26.00	38.51	24.7	48	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
Future Land (601155 CH)^	Real Estate Owners & Developers	66	29.21	42.56	27.7	46	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
Huangshan Tourism (600054 CH)^	Real Estate Owners & Developers	7	13.23	19.20	12.6	45	3	Better-than-expected IQ16 results: Strong tourist flow sustainable, cost reduction effective and profitability enhanced.
Industrial Bank (601166 CH)^	Banking Services	329	15.86	23.00	15.1	45	3	Freeing up excess reserve to smooth volatility: Moderate improvement in financial data and accommodating new rules for reserves.
Yang Quan Coal (600348 CH)^	Coal Operations	17	6.94	10.05	6.6	45	3	Hitting the sweet spot: Warmer-than-expected industry climate and increasingly clear earnings visibility
Financial Street (000402 CH)*	Real Estates	28	9.29	13.44	8.8	45	3	Beijing Real Estate Sector: Buying investment properties in core districts while staying away from so-called "king plots".
Guangshen Railway (601333 CH)^	Transit Services	25	4.44	6.40	4.2	44	3	Picking up steam on reform: Faster railway reform expected to boost earnings
Shaanxi Coal (601225 CH)^	Steel Raw Material Suppliers	84	8.35	12.00	7.9	44	3	A leading play in thermal coal: Steady growth with new mines, long-term expansion and strong cost control

Source: Bloomberg, CS † Closing prices as of 1 Jun 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
Sinoma International (600970 CH) [^]	Industrial Distribution & Rental	13	7.35	10.35	7.0	41	3	Across-the-board synergy on M&A deal to widen margins and lead to a profit upturn
Gree Electric (000651 CH) [*]	Air-con	280	46.58	64.50	44.3	38	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Linglong Tyre (601966 CH) [^] #	Auto Parts	22	18.12	25.00	17.2	38	3	Pumping up: Potential to become a tier-2 international brand and one of the global top 10 tire makers
Xingrong Environment (000598 CH) [*]	Utility Networks	14	4.66	6.30	4.4	35	3	Anticipating faster growth on mixed-ownership reform: Progress in reform to exert impact far and wide
Bank of China (601988 CH) [^]	Banking Services	792	3.76	5.08	3.6	35	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".
CMSK (001979 CH) [*]	Investment Companies	168	21.27	28.35	20.2	33	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
CYTS Tours (600138 CH) [^]	Tourism Services	16	22.47	29.80	21.3	33	3	Earnings poised to pick up next year: Price hike for Wuzhen and strong income from Gubei
Dongjiang Environmental (002672 CH) [*]	Waste Management	11	15.47	20.50	14.7	33	3	Stronger capital on share placement: Clearly positive climate for waste treatment and detoxification likely to speed up earnings
Shanghai Mech & Elect (600835 CH) [^]	Elevator	16	19.80	26.16	18.8	32	3	Smart equipment platform established: The Company may serve as platform for parent to float more quality assets going forward.
Ninestar (002180 CH) [*]	Power Generation	34	32.10	41.42	30.5	29	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
Tasly Pharma (600535 CH) [^]	Specialty Pharma	44	40.51	52.15	38.5	29	3	Top-tier drug R&D: Core biological drug Pro-UK looking to be a new blockbuster
O-film Tech (002456 CH) [*]	Electronics Components	47	17.44	22.36	16.6	28	3	Sensing the future: To be driven by market expansion on dual camera and OLED technology advancement and increasing number of major clients
Hengli Petrochemical (600346 CH) [^]	Rubber & Plastic	78	15.50	19.80	14.7	28	3	Investing on ethylene and polyester filament projects: Cementing leadership in the sub-sectors of the petrochemical industry
Fosun Pharma (600196 CH) [^]	Pharmaceutical	87	43.46	55.48	41.3	28	3	Pocketing a rare gem: Adding a Shenzhen hospital to form a strong healthcare network in the Pearl River Delta
China South Publishing & Media (601098 CH) [^]	Media	25	13.92	17.72	13.2	27	3	Deserving richer valuation: A much undervalued stock seeing catalysts emerging on the upside
Midea (000333 CH) [*]	Home Improvement	344	52.15	65.60	49.5	26	3	In-line quarterly results: Industry leader poised to gain from smartization of the whole value chain
Three-Circle (300408 CH) [*]	Advanced Ceramics	40	23.20	29.12	22.0	26	3	Expert electro ceramics maker upgrading business structure and looking to promising future with new products
Chint Electronics (601877 CH) [^]	Electrical Power Equipment	56	26.02	32.60	24.7	25	3	Exploring the household photovoltaic power generation market: Favorable policy to boost growth
Satellite Petrochemical (002648 CH) [*]	Chemicals	14	13.61	16.90	12.9	24	3	Rebounding climate: Recovering demand for acrylic acid and ester, sanguine prospects in SAP.
Qingdao Haier (600690 CH) [^]	Home Improvement	120	19.65	24.30	18.7	24	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Huayou Cobalt (603799 CH) [^]	Base Metals	62	103.98	127.00	98.8	22	3	Earnings elasticity from cobalt price hike: Leading cobalt supplier, rising output and sales, optimizing product mix
Yili (600887 CH) [^]	Dairy products	184	30.21	36.70	28.7	21	3	Beginning of a beautiful story: Faster growth ahead on recovering demand in lower-tier cities, regulatory approval and channel restocking
Shenzhen Gas (601139 CH) [^]	Utility Networks	17	7.78	9.40	7.4	21	3	Selling low-efficient assets to improve earnings of projects outside of Shenzhen
Zhongnan Construction (000961 CH) [*]	Non-Residential Bldg Const	28	7.45	8.92	7.1	20	3	Impressive potential from a low start: Potential to rise as a blue-chip developer
Qingdao Kingking (002094 CH) [*]	Basic & Diversified Chemicals	10	13.85	16.60	13.2	20	3	New retail a key growth driver in 2018E: Planning to erect 10,000 pilot stores practicing new retail

Source: Bloomberg, CS † Closing prices as of 1 Jun 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
Wuliangye (000858 CH)*	Beverages	305	78.62	93.80	74.7	19	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.
Luzhou Laojiao (000568 CH)*	Beverages	99	67.68	80.50	64.3	19	3	Four-pronged reform: Long-term outlook improving on dynamic execution with product, channel, brand and management reforms
BTG Hotels (600258 CH)^	Leisure & Travel Services	26	26.59	31.57	25.3	19	3	New incentive scheme to unleash potential: Expecting strong earnings rebound in the short run
Sunlord Electronics (002138 CH)*	Electrical Components	13	16.50	19.47	15.7	18	3	Likely breakthrough in application of ceramic components: Use of ceramic parts to differentiate mobile phones.
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
Yifeng Pharmacy (603939 CH)^	Food & Drug Stores	22	60.02	70.65	57.0	18	3	Renowned for pharmaceutical retail management, with superior presence in eastern China
Guiguan Electric (600236 CH)^	Power Generation	36	5.91	6.90	5.6	17	3	Optimizing asset mix: Selling an aluminum firm to improve resource allocation
SAIC Motor (600104 CH)^	Automobiles	417	35.67	41.00	33.9	15	3	Joining hands with TTTech for intelligent driving control technology: Own brands ready to rise
Spring Airlines (601021 CH)^	Airlines	35	37.67	43.00	35.8	14	3	Returning to positive growth: Greater earnings upside in high-end markets
Focus Media (002027 CH)*	Advertising & Marketing	150	12.28	13.80	11.7	12	3	Dominating the out-of-home advertising scene: Building advertising to expand steadily and cinema advertising to surge
Shanghai Jahwa (600315 CH)^#	Household Products	29	43.35	48.00	41.2	11	3	New incentive scheme to help boost performance: Expect new stock option plan to lend support to growth
Ping An Bank (000001 CH)*	Banking Services	175	10.19	11.16	9.7	10	3	Freeing up excess reserve to smooth volatility: Moderate improvement in financial data and accommodating new rules for reserves.
Double Medical (002901 CH)	Medical Devices	15	38.40	41.74	36.5	9	3	Exploring high-value medical consumables: Rapidly growing market for spine products
Jiangshan Agrochemi (600389 CH)^#	Agricultural Chemicals	7	23.14	25.00	22.0	8	3	Clear and strong prospects: Earnings to accelerate on sustainably strong market
Dashenlin^ (603233 CH)	Food & Drug Stores	28	70.25	75.00	66.7	7	3	Major beneficiary of medical insurance and pharmacy reforms in Guangdong and national expansion on home advantages in southern China
Huadian Power (600027 CH)^	Power Generation	34	4.14	4.30	3.9	4	3	Approaching season of power shortage: Pick thermal power companies in high-demand regions

VERY AGGRESSIVE 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	3.54	27.60	3.4	680	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.
Chant Group (002616 CH)*	Household Cooking Appliances	5	6.38	27.70	6.1	334	3	Chant Group: An operationally stable counter in a high-growth sub-sector, with visible and sustainable growth ahead
Unifull Industrial Fibre (002427 CH)*#	Textile & Textile Products	4	9.62	37.20	9.1	287	3	Venturing into the EV sector: Power battery to ride on the high-growth EV market.
EVE Energy (300014 CH)*	Renewable Energy Equipment	15	17.02	50.00	16.2	194	3	Policy guidance to beef up industry leaders: Large-scale manufacturers of car batteries to ride on favorable policy and first-mover advantages
Zaisheng Tech (603601 CH)	Specialty Chemicals	5	9.31	26.00	8.8	179	3	Higher investment: A bigger stake in VIP manufacturer to buoy up future earnings
Taihai Manoir Nuclear (002366 CH)*	Flow Control Equipment	15	17.11	47.70	16.3	179	3	New business deals in offshore nuclear power equipment: Improving fundamentals to support further growth

Source: Bloomberg, CS † Closing prices as of 1 Jun 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
Sanqi Interactive Entertainment (002555 CH)*	Application Software	29	13.29	30.60	12.6	130	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	18	16.01	36.00	15.2	125	3	Policy guidance to beef up industry leaders: Large-scale manufacturers of car batteries to ride on favorable policy and first-mover advantages
Kehua Hengsheng (002335 CH)*	Electrical Power Equipment	6	21.12	47.40	20.1	124	3	Emerging in top-tier markets: Cloud computing project in Shanghai received go-ahead
Shida Shenghua Chemical (603026 CH)	Basic & Diversified Chemicals	4	21.04	44.20	20.0	110	3	A green leader in electrolyte production: Upcoming full line of electrolyte products to tap into the swelling lithium battery market
Shouhang Resources Saving (002665 CH)*	Comm'l & Res Bldg Equip & Sys	15	5.81	11.70	5.5	101	3	Killing two birds with one mixed-ownership stone: Faster advance on reform and business upturn
Hytera Communications (002583 CH)*	Communications Equipment	18	9.91	19.70	9.4	99	3	Seeking global dominance in private communication networks: Core technology and rich products pointing way to industry leader worldwide
Zhiyun Automation (300097 CH)*	Automation Equipment	5	18.05	34.68	17.1	92	3	On way to lead home-grown equipment makers: Acquisition to pave way into a new market segment.
AVIC Electromechanical (002013 CH)*	Aircraft Parts	26	7.31	14.00	6.9	92	3	Asset injection on the door steps: Private placement of shares approved by regulator.
Denghai Seeds (002041 CH)*	Crop Seeds	7	8.15	15.60	7.7	91	3	Anticipating new concept in management and upgrading products: Buying quality seed companies and bringing in strategic investors to raise valuation.
CIMC (000039 CH)*	Fabricated Metal & Hardware	20	15.61	29.00	14.8	86	3	Framework pact signed for Qianhai plot: Land conversion to commercial use tipped to boost valuation and balance sheet
SPC Environment Protection Tech (002573 CH)*	Pollution Control Equipment	14	13.19	24.30	12.5	84	3	ESOP reflects strong confidence: Tipped to solidify its lead in air pollution treatment
Huayi Brothers (300027 CH)*	Movie/TV drama	23	8.18	14.97	7.8	83	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.
Zhengzhou Coal Mining Machinery (601717 CH)^	Flow Control Equipment	9	6.15	10.90	5.8	77	3	To leapfrog via Bosch SG acquisition: Premium target expected to boost profitability in the long run.
Eastone Century Technology (300310 CH)*	IT Services	7	8.23	14.40	7.8	75	3	Beefing up prospective research in IoT: Joining hands with strong player in the field to reinforce R&D muscle
Changjiang Electronics (600584 CH)^	Semi Conductor	25	18.35	31.95	17.4	74	3	Leading the race: Intensifying M&As as the Moore's Law coming towards a bottleneck
Kangni Mechanical (603111 CH)^	Electronic Components	10	10.20	17.60	9.7	73	3	Acquisition target may surprise on the upside: Proposing merger to tap into the growing mobile casing market
Kingfa Tech (600143 CH)^	Specialty Chemicals	15	5.53	9.30	5.3	68	3	New materials forming multiple drivers for earnings turnaround in 2018E
Better Life (002251 CH)*	Food & Drug Stores	12	13.68	23.00	13.0	68	3	Global trade of growing scale: Upbeat about players with strong overseas supply chains and commodity flow.
Xuelang Environment (300385 CH)	Pollution Control Equipment	3	20.37	34.00	19.4	67	3	Share placement to raise HWT presence: Towards a model powered by manufacturing and waste treatment.
Dabeinong (002385 CH)*	Animal Feeds	23	5.47	9.00	5.2	65	3	Setting sails again: Concentrating on high-end feed to maintain strong margins
Tongwei (600438 CH)^	Agricultural Producers	41	10.48	17.00	10.0	62	3	A big deal: New order to account for 30% of capacity in the next three years, sustaining robust growth of the Company's PV power division
Vtron Tech (002308 CH)*	Consumer Electronics	10	11.15	18.00	10.6	61	3	Acquiring a controlling share in Keer Education: Leveraging on top-quality education resources and offline development in core cities.
Yinhe Electronics (002519 CH)*	Cable TV Equipment	6	5.68	9.00	5.4	58	3	Upbeat all around: Steady and smooth growth of STB, military electromechanical and new-energy auto parts businesses.

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China A-Share Market Weekly: Pick those with the least headwind

A-SHARE RECOMMENDED STOCKS:

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Newland (000997 CH)*	Infrastructure Software	17	17.30	26.50	16.4	53	3	Full speed ahead to payment business: Buying a national merchant acquiring license to boost profitability and transform into an integrated electronic payment operator.
Star-net Communication (002396 CH)*	Communication Equipment	12	20.97	32.00	19.9	53	3	Sustainable growth: Abundant business innovation
Global Top E-Commerce (002640 CH)*	Apparel, Footwear & Acc Design	27	17.67	26.50	16.8	50	3	Consolidating to stoke quality growth: Persistently strong electronics and recovering apparel trade
Jinyu Bio-technology (600201 CH)^	Animal Biopharmaceuticals	23	25.04	36.00	23.8	44	3	New product approval cements leadership: Another vaccine approved, expanding room for further market penetration.
StarNeto (002829 CH)	Measurement Instruments	4	24.18	34.40	23.0	42	3	Embracing opportunities from military-civilian convergence in marine technology: Main products in high demand, driving organic and inorganic growth.
Shanxi Coking (600740 CH)	Basic & Diversified Chemicals	16	10.98	15.60	10.4	42	3	A crucial point for earnings growth: A deal to contribute investment gains by Rmb1.6bn
Cha Cha Food (002557 CH)*	Packaged Food	9	17.60	25.00	16.7	42	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
Originwater (300070 CH)*	Waste Water Treatment	50	15.89	22.50	15.1	42	3	"River chiefs" assuming duty: Shanghai rolling out new system to clean polluted waters.
Emei Shan Tourism (000888 CH)*	Tourism Services	5	9.59	13.50	9.1	41	3	Strong 1H14E results boost confidence in tourist operators: Upbeat 1H14E results could lift confidence in scenic zone operators in general.
Kaiyuan Instruments (300338 CH)	Education	6	18.97	26.60	18.0	40	3	Renewed expectations for law to promote privately-run schools: Allocating in education ahead of legislation in support of privately-run schools.
Sunner Develop (002299 CH)*	Meat Type Chicken Products	19	15.29	21.40	14.5	40	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
Leysen Jewelry (603900 CH)	Jewelry & Watch Stores	9	25.97	36.00	24.7	39	3	Ramping up store openings: Faster scale expansion, better product mix and higher brand premium buoying up margins.
Sinnet (300383 CH)*	Network Integration Services	20	14.17	19.60	13.5	38	3	Acquiring a tech firm and land to build a cloud computation base: The new project, when completed and running at full steam, could add Rmb360mn net profit a year.
Xiangyu (600057 CH)	Logistics Services	13	8.73	11.90	8.3	36	3	Looking up: Faster growth via increasing presence along industry chain and southbound grain shipment
AECC Aviation Power (600893 CH)^	Aircraft & Parts	54	23.88	32.50	22.7	36	3	Promising target: A whole-engine platform with sustainable strong growth
Wangsu Science (300017 CH)*	IT Services	27	11.01	14.70	10.5	34	3	Informatization and internetization tasks outlined: Broad-stroke IT policy to be followed by concrete measures.
Tianyuan DIC (300047 CH)*#	Application Software	6	14.05	18.70	13.3	33	3	Expect big data to be re-rated: A rare big-data play in the A-share market looking to faster business growth
Offshore Oil Engineering (600583 CH)^	Oil & Gas Services & Equip.	26	5.93	7.85	5.6	32	3	Upside for re-rating: 2016E earnings likely to ease moderately, with overseas orders on the rise.
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
Accelink Technologies (002281 CH)*	Communications Equipment	15	23.98	31.50	22.8	31	3	Expecting breakthroughs in photonic chip manufacturing: Prospective exposure to VCSEL and photonic chip platform
Digiwin Software (300378 CH)*#	Application Software	4	13.33	17.20	12.7	29	3	Smart manufacturing scheme out: Looking to the start of a pilot phase, with leaders benefiting from friendly environment
Ningbo Shanshan (600884 CH)^	Apparel, Footwear & Acc Design	24	21.09	27.00	20.0	28	3	Leading supplier of lithium battery material: Favorable climate thanks to the NEV market boom
Lianchuang Electronic (002036 CH)*	Consumer Electronics	8	13.78	17.53	13.1	27	3	Investment prospects in science and technology: 2017E to see equipment market expansion and explosive content growth.

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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
CHJ Industry (002345 CH)*	Jewelries and Accessories	8	9.15	11.60	8.7	27	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.
Perfect World (002624 CH)*	Entertainment Content	43	32.47	41.10	30.8	27	3	Asset sales to consolidate core business: Selling cinema line assets in a bid to concentrate on core
NavInfo (002405 CH)*	Application Software	29	22.47	27.99	21.3	25	3	A launch pad to international track: Buying a stake into global mapping service provider to form strong alliance
Hikvision Digital (002415 CH)*	Consumer Electronics	357	38.71	48.10	36.8	24	3	Upbeat industrial climate: New products to generate fresh growth drivers
AVIC Helicopter (600038 CH)^	Aircraft & Parts	24	41.11	50.00	39.1	22	3	Promising target: The sole listed helicopter asset in parent group

TOP TWENTIES:

Top 20 Gainers

Company	Price (Rmb)	WoW Chg (%)
Ecovacs Robotics (603486 CH)	42.21	111
Hanjia Design (300746 CH)	13.04	61
Yaxia Automobile (002607 CH)	8.72	61
Fuda Alloy Materials (603045 CH)	39.67	61
Shinry Technologies (300745 CH)	32.7	61
HNAC Technology (300490 CH)	21.56	46
Taihe Health (000790 CH)	8.35	35
Sangfor Technologies (300454 CH)	110.9	31
Ledman Optoelectronic (300162 CH)	11.65	29
Banbao (603398 CH)	16.97	27
WuXi AppTec (603259 CH)	132.87	24
Ceepower (300062 CH)	7.31	23
Sanfo Outdoor (002780 CH)	23.6	23
Brilliance Technology (300542 CH)	24.97	21
Xintai Natural Gas (603393 CH)	38.59	19
Sinoer Men's Wear (002485 CH)	29.84	19
Shuixing Home Textile (603365 CH)	30.08	18
Changbai Mountain (603099 CH)	13.92	18
Northeast Pharmaceutical (000597 CH)	12.06	18
Jikai Equipment (002691 CH)	18.45	16

Top 20 Losers

Company	Price (Rmb)	WoW Chg (%)
SK Petroleum (002278 CH)	7.91	(33)
Mailyard (600107 CH)	7.7	(27)
Ji En Nickel (600432 CH)	4.91	(27)
Spearhead Integrated (300071 CH)	5.69	(27)
Taiyong-Changzheng (002927 CH)	43.71	(27)
Kunming Machine (600806 CH)	4.7	(27)
Haide Industry (000567 CH)	16.9	(27)
VT Industrial (300707 CH)	28.59	(27)
Shenzhen Hifuture (002168 CH)	10.13	(26)
Dynavolt Renewable Power (002684 CH)	9.61	(24)
Dewei Advanced Material (300325 CH)	3.86	(24)
Jiudian Pharmaceutical (300705 CH)	22.22	(24)
Kelin Environmental (002499 CH)	13.08	(24)
Yanjan New Material (300658 CH)	18.41	(23)
Zhuangyuan Pasture (002910 CH)	23.01	(23)
Beijing Beetch (300667 CH)	49.14	(23)
Xiandai Investment (000900 CH)	4.81	(23)
Taihai Nuclear Equipmen (002366 CH)	17.11	(23)
Tianma Bearing (002122 CH)	3.94	(23)
Tyan Home (600807 CH)	5.14	(22)

A/H PREMIUM TABLE

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
600876 CH	1108 HK	Luoyang Glass	16.07	424
002490 CH	568 HK	Shangdong Molong	5.07	322
002703 CH	1057 HK	Zhejiang Shibao	5.67	310
002910 CH	1533 HK	Zhuangyuan Pasture	23.01	235
600874 CH	1065 HK	Tianjin Capital Environmental	11.11	218
600806 CH	300 HK^	Kunming Machine	6.44	216
600860 CH	187 HK	Beijing Jingcheng	5.40	214
601326 CH	3369 HK	Qinhuangdao Port	5.04	191
603157 CH	6116 HK	La Chapelle Fashion	20.07	178
601038 CH	38 HK	First Tractor	6.60	174
000585 CH	42 HK	Northeast Electric Development	2.26	163
601727 CH	2727 HK	Shanghai Electric	6.33	159
601375 CH	1375 HK	Central China Securities	5.44	152
601238 CH	2238 HK	Guangzhou Automobile	18.56	144
601866 CH	2866 HK	CSCL	2.93	142
601881 CH	6881 HK	China Galaxy Securities	9.14	129
600685 CH	317 HK	COMEC	16.67	128
601811 CH	811 HK	Xinhua Winshare	11.27	127
600775 CH	553 HK	Nanjing Panda	6.50	112
601880 CH	2880 HK	Dalian Port	2.22	109
600958 CH	3958 HK	DFZO	10.71	102
600871 CH	1033 HK	Sinopec SSC	2.08	102
601588 CH	588 HK	Beijing North Star	4.52	93
601618 CH	1618 HK	Metallurgical Corporation	3.69	92
603993 CH	3993 HK	China Molybdenum	7.17	82
000756 CH	719 HK	Xinhua Pharmaceutical	11.99	82
601005 CH	1053 HK	Chongqing Iron & Steel	2.05	79
600875 CH	1072 HK	Dongfang Electrical	8.57	78
600362 CH	358 HK	Jiangxi Copper	16.44	78
601800 CH	1800 HK	China Comm. Construction	12.20	77
601898 CH	1898 HK	China Coal	4.94	76
601717 CH	564 HK	ZMJ	6.15	74
601633 CH	2333 HK	Great Wall Motor	10.98	74
600635 CH	1635 HK	DZUG	4.22	73
600012 CH	995 HK	Anhui Express	7.72	73
601107 CH	107 HK	Sichuan Expressway	3.78	71
601919 CH	1919 HK	COSCO	6.06	70
600999 CH	6099 HK	CMSC	15.56	64
002672 CH	895 HK	Dongjiang Environmenta	15.47	61
601788 CH	6178 HK	EB Securities	12.31	59
601991 CH	991 HK	Datang Int'l Power	3.30	59
000039 CH	2039 HK	CIMC	15.61	59
601766 CH	1766 HK	China South Locomotive	9.10	58
601808 CH	2883 HK	China Oilfield Services	10.44	57
002202 CH	2208 HK	Goldwind	15.57	56
600029 CH	1055 HK	China Southern Airlines	10.04	54
600188 CH	1171 HK	Yanzhou Coal	13.89	52
601857 CH	857 HK	PetroChina	8.00	51
600115 CH	670 HK	China Eastern Airlines	7.53	50

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
000063 CH^	763 HK^	ZTE	31.31	50
601336 CH	1336 HK	New China Life Insurance	42.56	48
000921 CH	921 HK	Kelon Electric	10.86	48
601111 CH	753 HK	Air China	10.94	46
600027 CH	1071 HK	Huadian Power	4.14	45
601998 CH	998 HK	CITIC Bank	6.34	45
601390 CH^	390 HK	China Railway Group	7.47	45
600011 CH	902 HK	Huaneng Power	6.97	45
000157 CH	1157 HK	Zoomlion	4.21	43
000488 CH	1812 HK	Chenming Paper	14.07	43
601992 CH	2009 HK	BBMG	3.95	42
000513 CH	1513 HK	Livzon Pharmaceutical	65.83	41
601899 CH	2899 HK	Zijin Mining Group	3.68	38
600026 CH	1138 HK	China Shipping Dev.	5.03	38
601628 CH	2628 HK	China Life	24.52	36
601688 CH	6886 HK	HTSC	16.87	34
601607 CH	2607 HK	Shanghai Pharmaceuticals	25.87	34
000776 CH	1776 HK	GF Securities	14.27	33
600837 CH	6837 HK	Haitong Securities	10.58	32
600548 CH	548 HK	Shenzhen Express	8.77	30
600600 CH	168 HK	Tsingtao Brewery	50.46	29
600332 CH	874 HK	Baiyunshan	40.64	28
600016 CH	1988 HK	Minsheng Bank	7.71	27
601186 CH	1186 HK	China Railway Construction	9.17	27
601600 CH	2600 HK	Aluminum of China	4.18	24
601818 CH	6818 HK	China Everbright Bank	3.97	24
002594 CH	1211 HK	Byd Co Ltd	50.91	23
600688 CH	338 HK	Shanghai Petrochemical	5.70	23
601088 CH	1088 HK	Shenhua Energy	20.67	20
601333 CH	525 HK	Guangshen Railway	4.44	20
601601 CH	2601 HK	Pacific Insurance	33.07	19
601211 CH	2611 HK	Guotai Junan Securities	16.67	18
601328 CH	3328 HK	BoComm	6.01	18
600030 CH	6030 HK	CITIC Securities	18.57	16
600808 CH	323 HK	Maanshan Iron & Steel	3.62	12
601988 CH	3988 HK	BOC	3.76	11
600028 CH	386 HK	Sinopec	7.00	11
000002 CH	2202 HK	Vanke	26.00	10
600196 CH	2196 HK	Fosun Pharmaceutical	43.46	10
601939 CH	939 HK	CCB	7.08	9
601288 CH	1288 HK	ABC	3.60	9
600036 CH	3968 HK	China Merchants Bank	28.60	9
601398 CH	1398 HK	ICBC	5.64	6
600660 CH	3606 HK	Fuyao Glass	25.09	4
000338 CH	2338 HK	Weichai Power	8.67	2
600377 CH	177 HK	Jiangsu Express	9.63	1
601318 CH	2318 HK	Ping An	61.64	(3)
000898 CH	347 HK	Angang Steel	6.18	(7)
600585 CH	914 HK	Anhui Conch Cement	34.26	(13)

Source: Bloomberg, CS

* Closing prices as of 1 Jun 2018

^ Suspended

China A-Share Market Weekly:
Pick those with the least headwinds

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	20	16	13	0.9	(0.1)	0.9	(3.7)	18.4	69,031	13,880
Energy	14	11	10	0.9	0.6	0.4	5.8	9.6	2,214	1,010
Materials	14	11	10	0.6	(2.4)	(6.8)	(1.3)	32.6	4,268	451
Capital Goods	25	19	15	0.9	(3.2)	(4.5)	(16.8)	(17.1)	3,764	816
Transportation	9	9	9	2.5	0.7	1.8	(6.9)	0.4	462	125
Automobiles & Components	12	11	10	1.3	3.0	11.7	11.3	16.9	768	417
Consumer Durables & Apparel	17	14	12	0.9	3.3	4.9	0.4	39.7	6,164	744
Media	20	18	15	1.3	(5.9)	3.1	4.1	(16.5)	118	46
Retailing	160	68	62	2.6	3.3	22.0	28.8	55.2	830	147
Food, Beverage & Tobacco	33	25	21	1.3	6.2	14.9	5.7	63.4	8,672	1,635
Pharmaceuticals, Biotechnology & Life Sciences	68	56	44	2.9	(2.8)	14.9	31.6	67.0	1,324	400
Banks	7	7	6	0.8	(1.7)	(4.8)	(7.8)	4.1	12,838	4,626
Diversified Financials	17	15	13	1.4	(3.6)	(5.0)	(6.4)	(3.6)	3,840	353
Insurance	17	14	11	0.8	(0.6)	1.3	(15.9)	12.2	8,336	1,386
Software & Services	171	123	83	3.9	3.4	7.0	(4.5)	89.6	2,050	78
Technology Hardware & Equipment	32	26	20	1.2	(0.3)	(1.2)	(9.8)	34.7	7,606	602
Telecommunication Services	NA	47	28	NA	(5.1)	(4.9)	(14.2)	(27.3)	1,118	168
Utilities	18	17	17	4.3	(0.8)	3.6	5.5	7.7	460	425
Real Estate	10	8	6	0.4	(1.3)	(6.6)	(14.4)	21.5	4,200	450

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	26	19	16	0.9	(1.1)	1.1	(3.4)	15.5	149,992	25,846
Energy	43	19	17	0.7	(0.9)	2.5	0.8	5.6	4,353	2,437
Materials	30	19	17	0.9	(2.9)	(3.1)	(7.8)	25.2	18,272	1,404
Capital Goods	24	18	16	1.0	(3.1)	(3.4)	(12.4)	(0.2)	17,954	2,422
Commercial & Professional Services	24	19	16	1.0	(3.5)	(1.3)	(14.8)	(22.3)	382	64
Transportation	18	17	14	1.5	(1.0)	(1.0)	(5.0)	7.0	4,347	749
Automobiles & Components	18	13	12	0.7	(0.4)	5.1	(6.8)	0.7	3,756	1,026
Consumer Durables & Apparel	23	17	14	0.9	3.1	5.0	0.4	31.3	8,928	1,021
Consumer Services	37	28	22	1.3	5.7	19.4	32.7	84.7	1,198	212
Media	35	20	17	0.9	(2.1)	(0.8)	(10.8)	(21.3)	1,171	241
Retailing	98	46	44	2.0	0.2	11.6	11.2	25.7	1,272	266
Food & Staples Retailing	41	39	30	2.4	0.5	5.7	(8.2)	24.8	949	120
Food, Beverage & Tobacco	36	27	23	1.4	5.4	14.2	8.0	60.2	11,501	2,244
Household & Personal Products	75	53	41	2.2	(4.3)	6.7	17.5	54.2	150	29
Health Care Equipment & Services	52	40	52	107.1	(4.1)	3.2	19.3	49.0	1,534	250
Pharmaceuticals, Biotechnology & Life Sciences	54	45	36	2.5	(4.7)	8.2	16.8	42.5	8,732	1,424
Banks	7	6	6	0.9	(1.8)	(4.0)	(6.9)	3.1	14,991	5,933
Diversified Financials	19	16	14	1.2	(3.4)	(4.1)	(9.5)	(10.9)	4,674	568
Insurance	17	14	11	0.8	(0.6)	1.3	(15.9)	12.2	8,336	1,386
Software & Services	91	66	49	2.6	0.2	0.6	15.1	56.9	6,035	299
Technology Hardware & Equipment	33	26	20	1.2	(1.5)	(0.3)	(9.8)	22.9	16,663	1,325
Semiconductors & Semiconductor Equipment	29	21	16	0.8	(6.0)	(3.1)	(16.4)	48.3	2,624	171
Telecommunication Services	3	45	28	NA	(4.6)	(2.8)	(13.5)	(24.5)	1,280	191
Utilities	27	17	15	0.8	(1.8)	3.0	(0.7)	(4.7)	1,927	1,003
Real Estate	14	9	7	0.3	(2.0)	(4.6)	(8.3)	8.1	8,963	1,057

Source: Bloomberg, CS

* Closing prices as of 1 Jun 2018

GICS (Global Industry Classification Standard)

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
06/05/2018 09:45	Caixin China PMI Composite	May	--	--	52.3	--
06/05/2018 09:45	Caixin China PMI Services	May	52.9	--	52.9	--
06/07/2018	Foreign Reserves	May	--	--	\$31,248.5b	--
06/08/2018	Trade Balance	May	--	--	\$28.78b	--
06/08/2018	Exports YoY	May	--	--	12.9%	--
06/08/2018	Trade Balance CNY	May	--	--	182.8b	--
06/08/2018	Exports YoY CNY	May	--	--	3.7%	--
06/08/2018	Imports YoY CNY	May	--	--	11.6%	--
06/08/2018	Imports YoY	May	--	--	21.5%	--
06/08 - 06/18/2018	Foreign Direct Investment YoY CNY	May	--	--	-1.1%	--
06/09/2018 09:30	PPI YoY	May	--	--	3.4%	--
06/09/2018 09:30	CPI YoY	May	--	--	1.8%	--
06/10 - 06/15/2018	Money Supply M2 YoY	May	--	--	8.3%	--
06/10 - 06/15/2018	Aggregate Financing CNY	May	--	--	1,560b	--
06/10 - 06/15/2018	New Yuan Loans CNY	May	--	--	1,180b	--
06/10 - 06/15/2018	Money Supply M1 YoY	May	--	--	7.2%	--
06/10 - 06/15/2018	Money Supply M0 YoY	May	--	--	4.5%	--

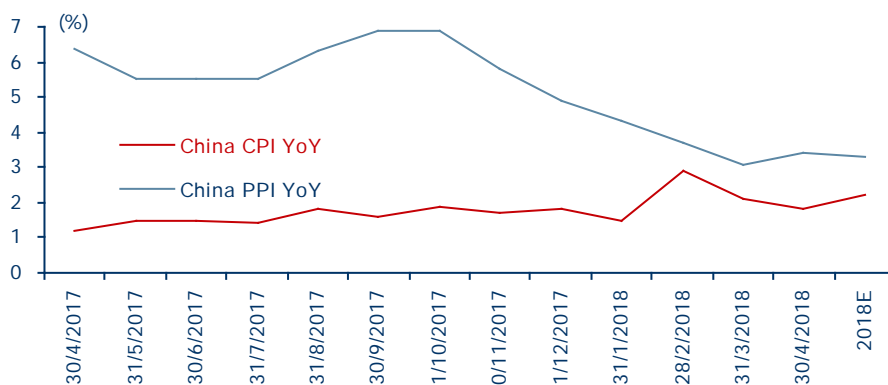
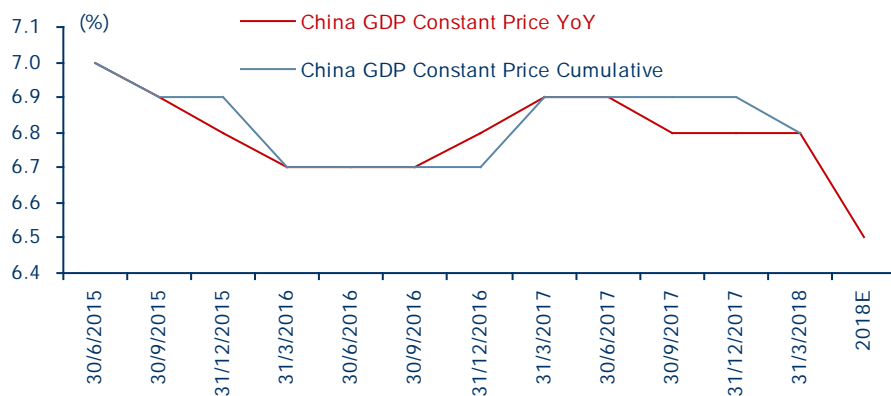
Source: Bloomberg, CS * MM/DD/YYYY

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.

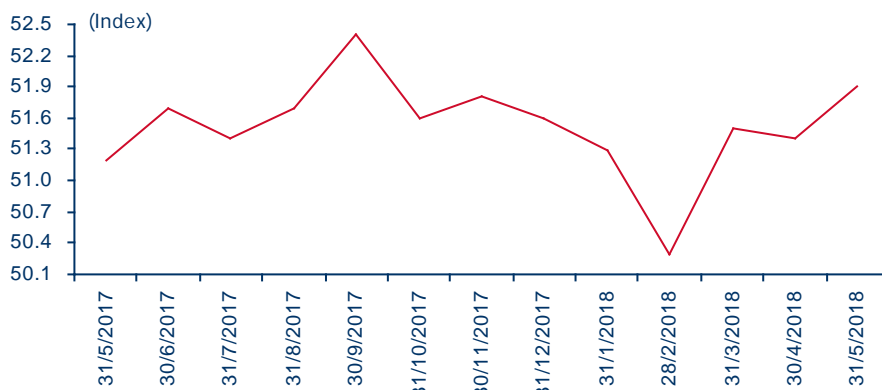


◀ CPI and PPI

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 2.2% and 3.3% YoY, respectively.

Import and Export ▶

In Apr 2018, China's exports increased 12.7% YoY. The growth was significantly higher than the consensus forecast of a 7.3% rise, but largely in line with our expectations. On the whole, we believe the growth of global demand will remain strong in 2H18E, lending support to Chinese exports. 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 8.3% and 11.1% YoY, respectively.



◀ Manufacturing PMI

China's manufacturing PMI came to 51.9 in May 2018, picking up 0.5 from the previous month. With the factory sector expanding at a faster pace, we believe macro growth will not decelerate through 2H18E.

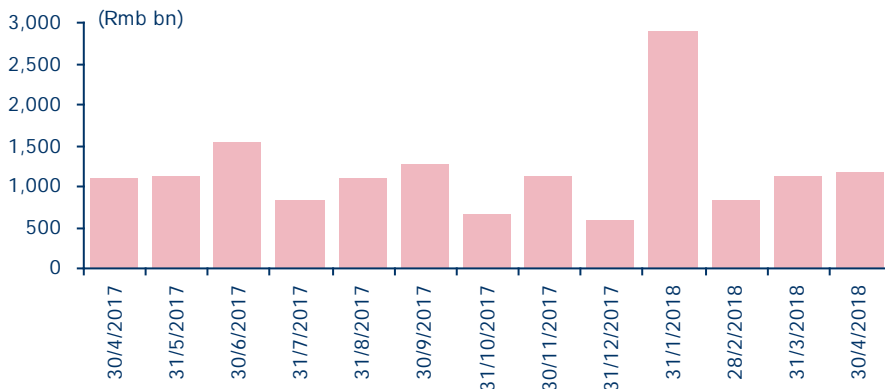
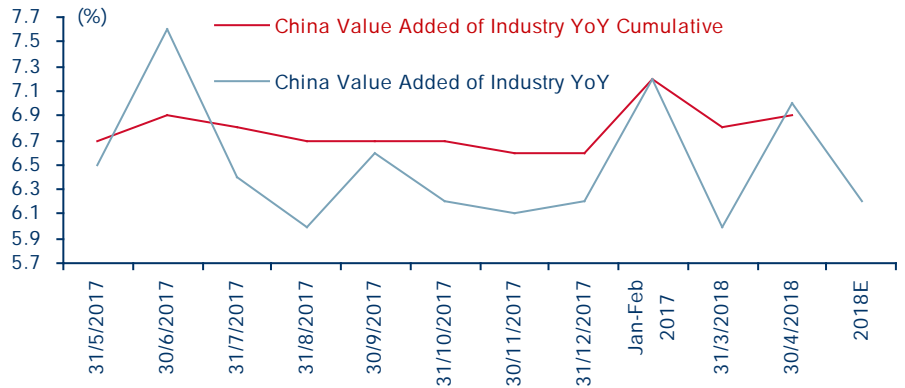
Source: Bloomberg, CS

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

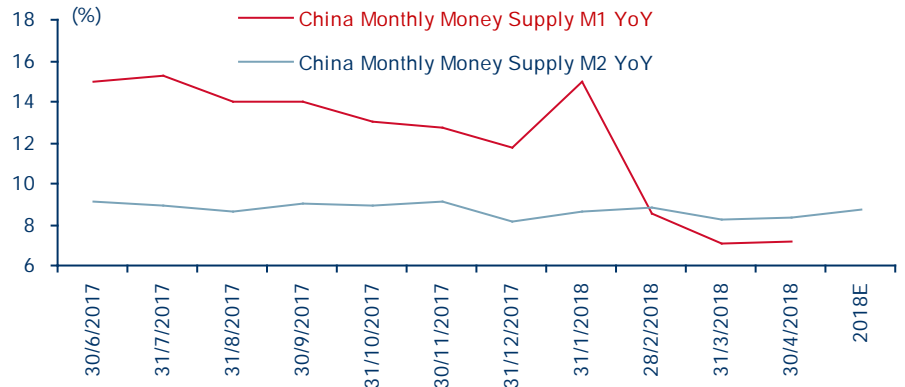


◀ CNY Monthly New Loan

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 8.7% 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 10.0% 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%
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