

2018

11 Jun 2018

China A-Share Market Weekly

Market Strategy

Going where the resistance is little

Macroeconomics

Why does PBoC expand the scope of MLF collaterals?

Stock Recommendations

Chuangxin New Material ● Yinlun Machinery ● Asymchem Laboratories ● Wanhua Chemical



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Please refer to the attachment for detailed disclaimer and regulatory disclosures

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Market Strategy

Going where the resistance is little

In view of current macro uncertainties by the dozen, the A-share market has little change to expand meaningfully. Investors will shun sectors with macro overhangs and move towards those with the least resistance.

Macroeconomics

Why does PBoC expand the scope of MLF collateral?

A wider scope of MLF collateral will add to the flexibility and operability of MLFs, improve the central bank's monetary policy framework and send out a signal of easing credit risk.



Weekly Top Pick



Company	Price (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)
Chuangxin New Material (002812 CH)	50.13	71.60	47.6	43
Yinlun Machinery (002126 CH)	9.85	12.50	9.4	27
Asymchem Laboratories (002821 CH)	90.15	106.80	85.6	18
Wanhua Chemical (600309 CH)	47.44	54.24	45.1	14

China A-Share Market Weekly: Going where the resistance is little



Going where the resistance is little

In the A-share market, a large number of overhangs – the Section 301 investigation starting this week, the FOMC meeting, the Trump-Kim meeting, release of China’s May 2018E economic data, issuance of the CDR fund products, giant IPOs and so forth – are slated to subdue short-term performance. We reiterate our view that the market will overlook sectors more likely to be affected by macro uncertainties and choose directions with the least resistance.

Why does PBoC expand the scope of MLF collaterals?

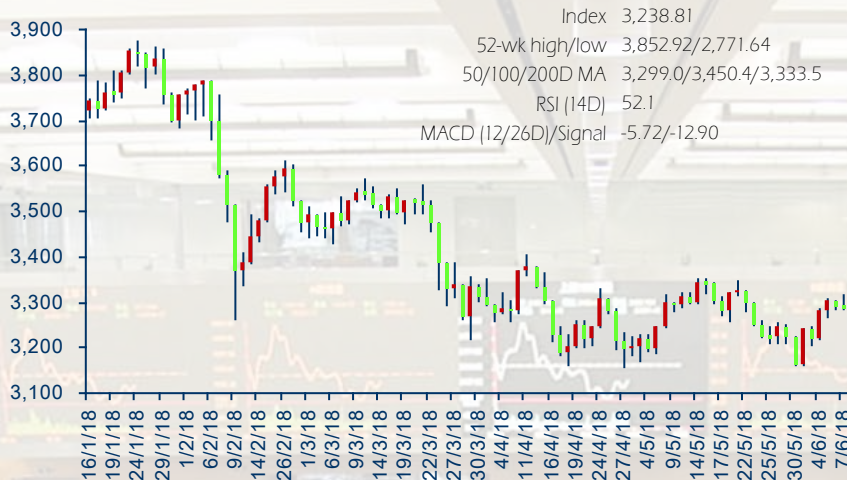


On 1 Jun 2018, the People's Bank of China (PBoC) announced to expand the scope of MLF collaterals as means to help increase the flexibility and operability of MLFs, improve the PBoC's monetary policy framework and ease the credit risk by issuing a signal of support. We are of the opinion that this does not equal to quantitative easing. Given the potential gap between operable and theoretical MLF operation in terms of size, we believe the move carries significance more as a symbol than actual quantitative easing.

MARKET REVIEW & TECHNICAL:

CITIC S&P 50

(Index)



CITIC S&P 300

(Index)



Market Review: On Monday, home appliances and liquor stocks rallied, leading the Shanghai Composite Index (SCI) up to hover at elevated levels throughout the day, closing with a 0.5% gain. On Tuesday, the SCI opened low and fluctuated within a narrow range before a rebound in steel and port names brought it back to the positive territory, allowing it to close approximately flat. On Wednesday, the Shanghai gauge started low and jolted downwards to almost 3,100 points. In the afternoon, Kweichow Moutai (600519 CH), surging to its record high, brought the benchmark index out of the red to finish largely flat. On Thursday, the SCI opened high. Cyclical stocks such as steel and coal counters and the financial sector put up a brisk performance. The SCI remained in the positive in the morning but retreated after lunch, shedding 0.2%. On Friday, a lower open of the SCI was followed by constant decline. Correction took place across financial and cyclical sectors and the SCI sank 1.4%. Over the week, CITIC/S&P 50 and CITIC/S&P 300 inched up 0.7% and 0.4%, respectively.

Technical analysis: The technical trends of CITIC/S&P 50 and CITIC/S&P 300 stabilized, with their RSI in the vicinity of 50, indicating a tug-of-war between bulls and bears. We expect the two stock indices to find support in the short term at 3,000 and 3,200 points, respectively.

Source: Bloomberg, CS

STOCK RECOMMENDATIONS:

(A Shenzhen-HK Stock Connect Northbound Stock)



Risk rating: **3**

Chuangxin New Material

Target Price: Rmb71.6 Upside: 43%

FIRST-MOVER ADVANTAGE



Chuangxin New Material (002812 CH) announced that its proposal to acquire wet membrane separator leader SEMCORP to explore the NEV industry chain has received regulatory approval. Upon completion of the deal, wet membrane separator will become

the Company's core business. Riding on a strong NEV market, the Company will make use of its technology and order advantages to maintain its leading status in the wet membrane separator market, sustaining rapid increases in both orders and earnings. Meanwhile, the Company

has already cut into the supply chain of overseas battery manufacturers and is poised to realize exponential growth in overseas orders in 2018-19E.

Share Price Performance



Price/Target/Stop Loss	50.13/71.60/47.60
52 Weeks High/Low	70.485/32.530
50/100/200D MA	56.22/53.16/54.36
RSI (14D)	41.5
MACD (12/26D)/Signal	-1.78/-1.60
2017E PER (x)	28.0

Company: Chuangxin New Material manufactures packaging materials. The Company produces and sells printing packages, plastic films, and special packaging papers around the world.



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STOCK RECOMMENDATIONS:

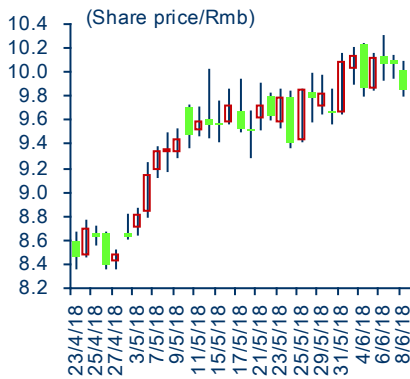
(A Shenzhen-HK Stock Connect Northbound Stock)

Risk rating: 3 **Yinlun Machinery**

Target Price: Rmb12.5 Upside: 27%

A FUTURE LEADER IN AUTO THERMAL MANAGEMENT

Share Price Performance



Price/Target/Stop Loss	9.85/12.50/9.40
52 Weeks High/Low	10.99/8.40
50/100/200D MA	9.31/9.24/9.57
RSI (14D)	53.9
MACD (12/26D)/Signal	0.20/0.20
2017E PER (x)	19.7

Company: Yinlun Machinery develops, manufactures and markets steel plate oil cooler, concentric oil cooler, shell and tube oil cooler.

Yinlun Machinery (002126 CH) sees its passenger vehicle division expanding swiftly while the NEV business grows persistently on orders

from future mainstream NEV platforms such as Geely PMA, which could help the counter advance from "valuation discount" to "undemanding valuation". In



view of the multiples of comparable plays and the pace of the Company's earnings recovery, we set target at Rmb12.5, implying 2018E PER of 25x. We recommend following the stock.

Asymchem Laboratories Risk rating: 3

(A Shenzhen-HK Stock Connect Northbound Stock)

Target Price: Rmb106.8 Upside: 18%

JOINING HANDS WITH DOMESTIC AND INTERNATIONAL LEADING NAMES

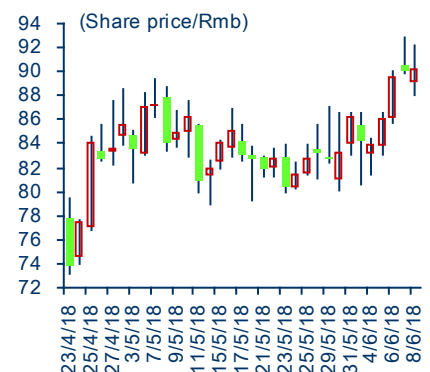
Asymchem Laboratories (002821 CH) announced that it inked strategy cooperation framework agreements with Covance Inc. and JOINN Laboratories for long-term cooperation to build a one-stop

new drug development service regime. The liaison with Covance, a global leader in CRO, is expected to enlarge the client resources for both parties. As a domestic leader in the CMO segment, Asymchem

Laboratories commends a remarkable edge in core technology and has a quality client base. The Company is looking to a high-growth period driven by businesses in and outside of China.



Share Price Performance



Price/Target/Stop Loss	90.15/106.80/85.60
52 Weeks High/Low	90.15/50.40
50/100/200D MA	81.31/70.34/65.41
RSI (14D)	65.3
MACD (12/26D)/Signal	2.12/1.59
2017E PER (x)	44.9

Company: Asymchem Laboratories operates as a pharmaceutical company. The Company is engaged in the R&D, production and sales of organic and inorganic chemicals, medicine and other related products. It serves clients worldwide.

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STOCK RECOMMENDATIONS:

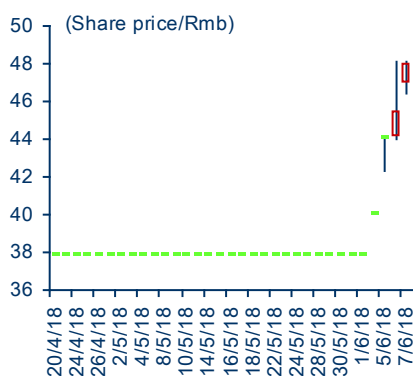
(A Shanghai-HK Stock Connect Northbound Stock)

 Risk rating: **3** **Wanhua Chemical**

Target Price: Rmb54.24 Upside: 14%

THE SECOND LEAP

Share Price Performance



Price/Target/Stop Loss	47.44/54.24/45.10
52 Weeks High/Low	47.97/24.57
50/100/200D MA	39.51/37.55/30.89
RSI (14D)	72.3
MACD (12/26D)/Signal	1.78/0.70
2017E PER (x)	10.5

Company: Wanhua Chemical develops, manufactures and markets pure isocyanate, polymeric isocyanate, polyurethane and other related chemical products.

Wanhua Chemical (600309 CH) operates three major businesses – MDI, petrochemicals and new materials. It leads the MDI industry both in China and abroad. The Company

will complete whole-group listing in the near term. Management plans to absorb its controlling shareholder Wanhua Chemical Industry through private placement to a number of institutional

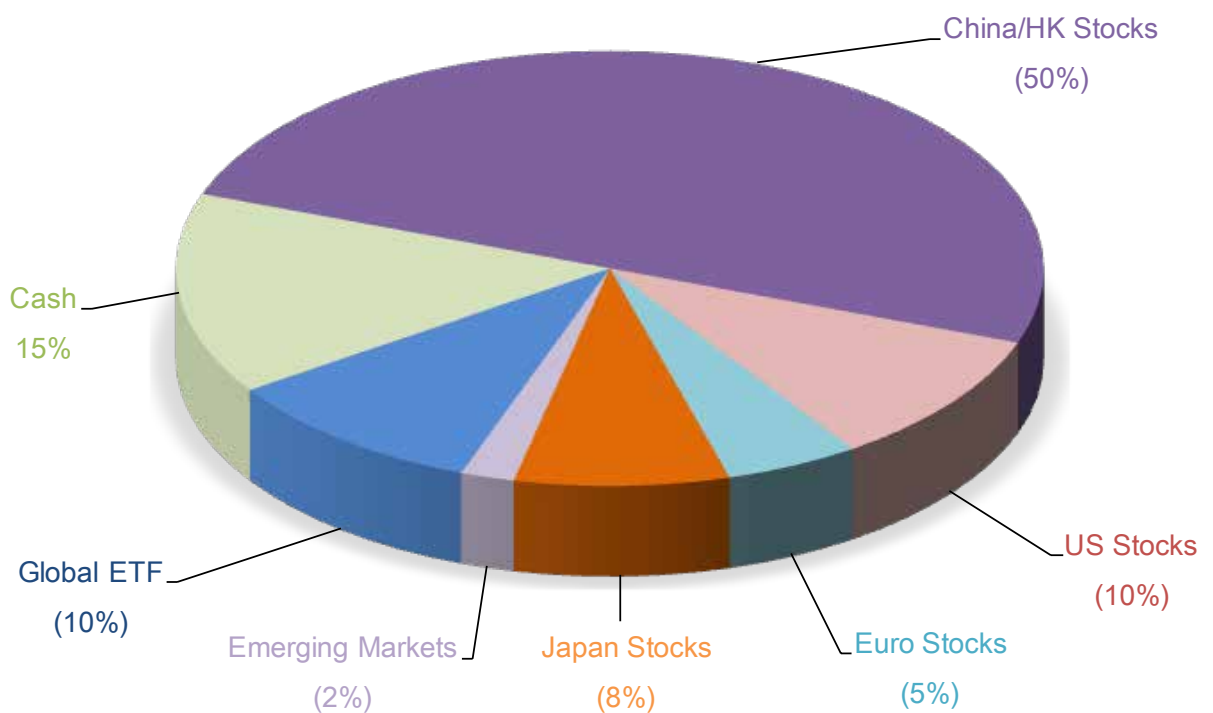


investors. The merger of BC, a Hungarian firm, and 25% of Ningbo Wanhua at quite reasonable prices will pad up the earnings significantly going forward.

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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A-SHARE RECOMMENDED STOCKS:

DEFENSIVE STOCKS

Company	Business	Mkt Cap (Rmb bn)	Price* (Rmb)	Target (Rmb)	Stop Loss (Rmb)	Upside (%)	Risk rating	Remarks
Bank of Beijing (601169 CH)^	Banks	133	6.31	11.50	6.0	82	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	166	5.34	9.14	5.1	71	3	The approaching 5G era: transformation and profit rebound on SOE reform
Zhejiang Dingli Machinery (603338 CH)^	Construction & Mining Machinery	13	51.70	86.62	49.1	68	3	Rationale for growth intact: Remarkable edge in products and upbeat business in and outside of China
Great Wall Motors (601633 CH)^	Automobiles	65	10.71	15.00	10.2	40	3	Beating market expectations: launching of new models and new powertrain will optimize its product mix and help improve profitability outlook.
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
Beijing Capital Development (600376 CH)^	Real Estate Owners & Developers	21	8.17	10.99	7.8	35	3	Sales growth second to none: Far ahead of peers in housing sales.
Bank of Nanjing (601009 CH)^	Banking Services	67	7.93	10.10	7.5	27	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	12	8.61	10.80	8.2	25	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
Xinjiang Tianye (600075 CH)^	Basic & Diversified Chemicals	7	7.27	19.49	6.9	168	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	10.17	24.80	9.7	144	3	Riding on new powder metallurgical technology: High value-added products securing profitability
Yibai Pharmaceutical (600594 CH)^	Generic Pharma	8	9.99	22.40	9.5	124	3	A new healthcare arm to integrate tumor treatment resources: Speeding up resource consolidation and looking to set up shops across the nation
Giga Device Semiconductor (603986 CH)	Semiconductor Devices	30	104.70	233.25	99.5	123	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
Jiuzhou Pharma (603456 CH)	Specialty Pharma	8	9.60	20.70	9.1	116	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	9.89	21.00	9.4	112	3	Cementing leadership in corn deep-processing: Rising oil prices to boost revenue of fuel ethanol business
Tasly Pharma (600535 CH)^	Specialty Pharma	43	28.15	52.15	26.7	85	3	Top-tier drug R&D: Core biological drug Pro-UK looking to be a new blockbuster
Yunnan Germanium (002428 CH)*	Base Metals	6	9.18	16.50	8.7	80	3	Explosive demand spells opportunity: Upgrading products and investing in high-end manufacturing
SDIC Power (600886 CH)^	Power Generation	51	7.45	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	22	20.65	36.00	19.6	74	3	Lasting strength: Core business to power growth going forward
China Meheco (600056 CH)^	Healthcare Supply Chain	22	20.76	35.98	19.7	73	4	An emerging integrated platform: One of the few Chinese companies that have already established diversified operations including manufacturing, sales and international trade.
Greenland (600606 CH)^	Real Estate Services	80	6.59	11.40	6.3	73	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	7.08	12.00	6.7	69	3	Launching employee stock ownership plan: ESOP to fuel endogenous growth

Source: Bloomberg, CS † Closing prices as of 8 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
Jianghuai Automobile (600418 CH) [^]	Automobile	14	7.24	12.00	6.9	66	3	Volkswagen JV approved: A win-win deal for both parties
Grand Auto (600297 CH) [^]	Agricultural Chemicals	52	6.41	10.50	6.1	64	3	Driven by auto financing and second-hand car sales: China's largest car dealer aiming at top-of-the-world rank
Chilong Zinc & Germanium (600497 CH) [^]	Base Metals	30	5.81	9.50	5.5	64	3	Benefiting from price hike potentials: Entering an up-cycle for explosive earnings growth
Hengtong Optic Electric (600487 CH) [^]	Optical fiber and cables	47	34.42	55.75	32.7	62	3	Anticipating more pleasant surprises ahead: All lines of businesses set to ride on the upbeat industry climate.
Zijin Mining (601899 CH) [^]	Precious Metal Mining	67	3.90	6.30	3.7	62	3	A mining giant: Riding on non-ferrous metal up-cycle and own capacity expansion
Sunvim Group (002083 CH) [*]	Textile & Textile Products	5	5.32	8.50	5.1	60	3	Riding the online business: domestic sales business is on good track to drive a fast earnings growth.
Weichai Power (000338 CH) [*]	Commercial Vehicles	54	8.85	14.10	8.4	59	3	Market cap tipped to exceed Rmb100bn: Favorable industry climate lifting results and guidance beyond expectations.
CCB (601939 CH) [^]	Banks	67	7.03	11.20	6.7	59	3	Banks tipped to become more attractive: Growing appeal of domestic lenders with undemanding share prices, abundant liquidity and high dividend
Xinhua Pharmaceutical (000756 CH) [*]	Specialty Pharma	4	11.49	18.13	10.9	58	3	Multi-dimensional re-rating: Accelerating growth in preparation and hiking price for preparation
Sanan Optoelectronics (600703 CH) [^]	Semiconductor Devices	88	21.48	33.30	20.4	55	3	On track to lead global compound semi-conductor manufacturing: Erecting a series of facilities in seven years
Rainbow Department Store (002419 CH) [*]	Department Stores	19	15.51	24.00	14.7	55	3	Looking to accelerate new retail: Potential liaison with internet giants for faster growth
ICBC (601398 CH) [^]	Banking Services	1,504	5.58	8.60	5.3	54	3	Greater advantage in deposit: Progressing from being large to being strong as well
CMB (600036 CH) [^]	Banking Services	582	28.20	43.00	26.8	52	3	Banks tipped to become more attractive: Growing appeal of domestic lenders with undemanding share prices, abundant liquidity and high dividend
Baolong Automotive (603197 CH)	Auto Parts	5	42.93	64.80	40.8	51	3	Focusing on auto electronics: Huge upside for this auto electronic investment vehicle
Gemdale (600383 CH) [^]	Real Estate Owners & Developers	48	10.71	15.99	10.2	49	3	Embracing peak season for project launch: Rolling out more projects than previously planned
Truchum Advanced Materials (002171 CH) [*]	Base Metals	7	6.78	10.10	6.4	49	3	Skewing towards new materials: Developing new materials a part of national strategy
Future Land (601155 CH) [^]	Real Estate Owners & Developers	70	31.19	46.31	29.6	48	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	12.95	19.20	12.3	48	3	Better-than-expected 1Q16 results: Strong tourist flow sustainable, cost reduction effective and profitability enhanced.
Industrial Bank (601166 CH) [^]	Banking Services	328	15.80	23.00	15.0	46	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	6.95	10.05	6.6	45	3	Hitting the sweet spot: Warmer-than-expected industry climate and increasingly clear earnings visibility
Vanke (000002 CH) [*]	Real Estate Owners & Developers	260	26.71	38.51	25.4	44	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
Sinoma International (600970 CH) [^]	Industrial Distribution & Rental	13	7.20	10.35	6.8	44	3	Across-the-board synergy on M&A deal to widen margins and lead to a profit upturn
Linglong Tyre (601966 CH) [^] #	Auto Parts	21	17.43	25.00	16.6	43	3	Pumping up: Potential to become a tier-2 international brand and one of the global top 10 tire makers
Guangshen Railway (601333 CH) [^]	Transit Services	25	4.47	6.40	4.2	43	3	Picking up steam on reform: Faster railway reform expected to boost earnings
Chuangxin New Material (002812 CH) [*]	Containers & Packaging	14	50.13	71.60	47.6	43	3	First-mover advantage: Cutting into battery supply chain abroad to embrace explosive growth in 2018-19E orders

Source: Bloomberg, CS † Closing prices as of 8 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:

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Financial Street (000402 CH)*	Real Estates	28	9.41	13.44	8.9	43	3	Beijing Real Estate Sector: Buying investment properties in core districts while staying away from so-called "king plots".
Shaanxi Coal (601225 CH)^	Steel Raw Material Suppliers	85	8.47	12.00	8.0	42	3	A leading play in thermal coal: Steady growth with new mines, long-term expansion and strong cost control
Sunway Communication (300136 CH)*	Electronics Components	36	36.58	51.00	34.8	39	3	Swift growth in RF separator and structural part: Fueled by acoustic/RF integration and front-end RF device in the mid/long term
Xingrong Environment (000598 CH)*	Utility Networks	14	4.57	6.30	4.3	38	3	Anticipating faster growth on mixed-ownership reform: Progress in reform to exert impact far and wide
Chint Electronics (601877 CH)^	Electrical Power Equipment	51	23.69	32.60	22.5	38	3	Exploring the household photovoltaic power generation market: Favorable policy to boost growth
Bank of China (601988 CH)^	Banking Services	788	3.74	5.08	3.6	36	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".
Gree Electric (000651 CH)*	Air-con	290	48.15	64.50	45.7	34	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Ninestar (002180 CH)*	Power Generation	33	31.14	41.42	29.6	33	3	A dawning golden decade for semiconductor plays: China-US trade dispute to reinforce Chinese determination to replace imports with home-made products
CYTS Tours (600138 CH)^	Tourism Services	16	22.45	29.80	21.3	33	3	Earnings poised to pick up next year: Price hike for Wuzhen and strong income from Gubei
Shanghai Mech & Elect (600835 CH)^	Elevator	16	19.73	26.16	18.7	33	3	Smart equipment platform established: The Company may serve as platform for parent to float more quality assets going forward.
Qingdao Kingking (002094 CH)*	Basic & Diversified Chemicals	9	12.69	16.60	12.1	31	3	New retail a key growth driver in 2018E: Planning to erect 10,000 pilot stores practicing new retail
CMSK (001979 CH)*	Investment Companies	173	21.85	28.35	20.8	30	3	Investment cues for anticipated rebound: Potential rebound of property counters on easing concern over funding cost
Satellite Petrochemical (002648 CH)*	Chemicals	14	13.14	16.90	12.5	29	3	Rebounding climate: Recovering demand for acrylic acid and ester, sanguine prospects in SAP.
China South Publishing & Media (601098 CH)^	Media	25	13.93	17.72	13.2	27	3	Deserving richer valuation: A much undervalued stock seeing catalysts emerging on the upside
Yinlun Machinery (002126 CH) *	Auto Parts	8	9.85	12.50	9.4	27	3	A future leader in auto thermal management: Brisk growth in passenger vehicle and constant expansion in NEV
Huayou Cobalt (603799 CH)^	Base Metals	60	101.31	127.00	96.2	25	3	Earnings elasticity from cobalt price hike: Leading cobalt supplier, rising output and sales, optimizing product mix
Hengli Petrochemical (600346 CH)^	Rubber & Plastic	80	15.85	19.80	15.1	25	3	Investing on ethylene and polyester filament projects: Cementing leadership in the sub-sectors of the petrochemical industry
Fosun Pharma (600196 CH)^	Pharmaceutical	89	44.44	55.48	42.2	25	3	Pocketing a rare gem: Adding a Shenzhen hospital to form a strong healthcare network in the Pearl River Delta
Dongjiang Environmental (002672 CH)*	Waste Management	11	16.62	20.50	15.8	23	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	7.67	9.40	7.3	23	3	Selling low-efficient assets to improve earnings of projects outside of Shenzhen
Midea (000333 CH)*	Home Improvement	360	54.66	65.60	51.9	20	3	In-line quarterly results: Industry leader poised to gain from smartization of the whole value chain
Yili (600887 CH)^	Dairy products	187	30.70	36.70	29.2	20	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	124	20.36	24.30	19.3	19	3	Getting smart: Transition into an intelligent appliances era with volume and price rising in tandem
Asymchem Laboratories (002821 CH)*	Specialty Pharma	21	90.15	106.80	85.6	18	3	Joining hands with domestic and international leading names: Rapid growth ahead on domestic and offshore drivers

Source: Bloomberg, CS † Closing prices as of 8 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
Luzhou Laojiao (000568 CH)*	Beverages	100	68.29	80.50	64.9	18	3	Four-pronged reform: Long-term outlook improving on dynamic execution with product, channel, brand and management reforms
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
Wuliangye (000858 CH)*	Beverages	312	80.39	93.80	76.4	17	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.
Yangtze Power (600900 CH)^	Power Generation	374	16.99	19.80	16.1	17	3	Cash dividend trumping estimates: Better-than-expected payout and positive impact from industrial investment
Three-Circle (300408 CH)*	Advanced Ceramics	44	24.99	29.12	23.7	17	3	Expert electro ceramics maker upgrading business structure and looking to promising future with new products

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	3.48	27.60	3.3	693	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	6.41	27.70	6.1	332	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	9.24	37.20	8.8	303	3	Venturing into the EV sector: Power battery to ride on the high-growth EV market.
EVE Energy (300014 CH)*	Renewable Energy Equipment	15	17.87	50.00	17.0	180	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	15	17.20	47.70	16.3	177	3	New business deals in offshore nuclear power equipment: Improving fundamentals to support further growth
Zaisheng Tech (603601 CH)	Specialty Chemicals	5	9.87	26.00	9.4	163	3	Higher investment: A bigger stake in VIP manufacturer to buoy up future earnings
Kehua Hengsheng (002335 CH)*	Electrical Power Equipment	6	19.95	47.40	19.0	138	3	Emerging in top-tier markets: Cloud computing project in Shanghai received go-ahead
Sanqi Interactive Entertainment (002555 CH)*	Application Software	28	13.23	30.60	12.6	131	3	A traffic giant in the age of web-to-mobile conversion: Blockbuster games expected to lift 2018E earnings
Sanchao Advanced Materials (300554 CH)	Metalworking Machinery	4	39.78	88.40	37.8	122	3	Diamond wire business propels profit: Impressive earnings elasticity and industry concentration to push up premium
Guoxuan High-Tech (002074 CH)*	Electrical Power Equipment	19	16.56	36.00	15.7	117	3	Policy guidance to beef up industry leaders: Large-scale manufacturers of car batteries to ride on favorable policy and first-mover advantages
Tongwei (600438 CH)^	Agricultural Producers	31	7.87	17.00	7.5	116	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
Huayi Brothers (300027 CH)*	Movie/TV drama	20	7.08	14.97	6.7	111	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.
Hytera Communications (002583 CH)*	Communications Equipment	17	9.45	19.70	9.0	108	3	Seeking global dominance in private communication networks: Core technology and rich products pointing way to industry leader worldwide
Xiangyu (600057 CH)	Logistics Services	12	5.71	11.90	5.4	108	3	Looking up: Faster growth via increasing presence along industry chain and southbound grain shipment
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
Shida Shenghua Chemical (603026 CH)	Basic & Diversified Chemicals	5	22.72	44.20	21.6	95	3	A green leader in electrolyte production: Upcoming full line of electrolyte products to tap into the swelling lithium battery market

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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
SPC Environment Protection Tech (002573 CH)*	Pollution Control Equipment	14	12.51	24.30	11.9	94	3	ESOP reflects strong confidence: Tipped to solidify its lead in air pollution treatment
CIMC (000039 CH)*	Fabricated Metal & Hardware	19	15.07	29.00	14.3	92	3	Framework pact signed for Qianhai plot: Land conversion to commercial use tipped to boost valuation and balance sheet
Denghai Seeds (002041 CH)*	Crop Seeds	7	8.26	15.60	7.8	89	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	5	18.98	34.68	18.0	83	3	On way to lead home-grown equipment makers: Acquisition to pave way into a new market segment.
Zhengzhou Coal Mining Machinery (601717 CH)^	Flow Control Equipment	9	6.08	10.90	5.8	79	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	8.18	14.40	7.8	76	3	Beefing up prospective research in IoT: Joining hands with strong player in the field to reinforce R&D muscle
Better Life (002251 CH)*	Food & Drug Stores	12	13.35	23.00	12.7	72	3	Global trade of growing scale: Upbeat about players with strong overseas supply chains and commodity flow.
Changjiang Electronics (600584 CH)^	Semi Conductor	25	18.59	31.95	17.7	72	3	Leading the race: Intensifying M&As as the Moore's Law coming towards a bottleneck
Kangni Mechanical (603111 CH)^	Electronic Components	10	10.34	17.60	9.8	70	3	Acquisition target may surprise on the upside: Proposing merger to tap into the growing mobile casing market
Xuelang Environment (300385 CH)	Pollution Control Equipment	3	20.30	34.00	19.3	67	3	Share placement to raise HWT presence: Towards a model powered by manufacturing and waste treatment.
Dabeinong (002385 CH)*	Animal Feeds	23	5.38	9.00	5.1	67	3	Setting sails again: Concentrating on high-end feed to maintain strong margins
Kingfa Tech (600143 CH)^	Specialty Chemicals	15	5.58	9.30	5.3	67	3	New materials forming multiple drivers for earnings turnaround in 2018E
Vtron Tech (002308 CH)*	Consumer Electronics	10	10.83	18.00	10.3	66	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	5.58	9.00	5.3	61	3	Upbeat all around: Steady and smooth growth of STB, military electromechanical and new-energy auto parts businesses.
Newland (000997 CH)*	Infrastructure Software	17	16.87	26.50	16.0	57	3	Full speed ahead to payment business: Buying a national merchant acquiring license to boost profitability and transform into an integrated electronic payment operator.
Shanxi Coal Int'l (600546 CH)^#	Coal Operations	8	3.83	6.00	3.6	57	4	Even happier times ahead: Higher earnings in coal and loss-stopping in trade
Star-net Communication (002396 CH)*	Communication Equipment	12	21.01	32.00	20.0	52	3	Sustainable growth: Abundant business innovation
Global Top E-Commerce (002640 CH)*	Apparel, Footwear & Acc Design	27	17.40	26.50	16.5	52	3	Consolidating to stoke quality growth: Persistently strong electronics and recovering apparel trade
Kaiyuan Instruments (300338 CH)	Education	6	17.81	26.60	16.9	49	3	Renewed expectations for law to promote privately-run schools: Allocating in education ahead of legislation in support of privately-run schools.
Sinnet (300383 CH)*	Network Integration Services	19	13.15	19.60	12.5	49	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.
Originwater (300070 CH)*	Waste Water Treatment	48	15.26	22.50	14.5	47	3	"River chiefs" assuming duty: Shanghai rolling out new system to clean polluted waters.
Jinyu Bio-technology (600201 CH)^	Animal Biopharmaceuticals	22	24.49	36.00	23.3	47	3	New product approval cements leadership: Another vaccine approved, expanding room for further market penetration.
Cha Cha Food (002557 CH)*	Packaged Food	9	17.39	25.00	16.5	44	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
Emei Shan Tourism (000888 CH)*	Tourism Services	5	9.40	13.50	8.9	44	3	Strong 1H14E results boost confidence in tourist operators: Upbeat 1H14E results could lift confidence in scenic zone operators in general.

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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
Shanxi Coking (600740 CH)	Basic & Diversified Chemicals	16	10.97	15.60	10.4	42	3	A crucial point for earnings growth: A deal to contribute investment gains by Rmb1.6bn
StarNeto (002829 CH)	Measurement Instruments	4	24.30	34.40	23.1	42	3	Embracing opportunities from military-civilian convergence in marine technology: Main products in high demand, driving organic and inorganic growth
Leysen Jewelry (603900 CH)	Jewelry & Watch Stores	9	25.93	36.00	24.6	39	3	Ramping up store openings: Faster scale expansion, better product mix and higher brand premium buoying up margins.
Offshore Oil Engineering (600583 CH)^	Oil & Gas Services & Equip.	25	5.66	7.85	5.4	39	3	Upside for re-rating: 2016E earnings likely to ease moderately, with overseas orders on the rise.
AECC Aviation Power (600893 CH)^	Aircraft & Parts	53	23.75	32.50	22.6	37	3	Promising target: A whole-engine platform with sustainable strong growth
Wangsu Science (300017 CH)*	IT Services	27	11.11	14.70	10.6	32	3	Informatization and internetization tasks outlined: Broad-stroke IT policy to be followed by concrete measures.
Tianyuan DIC (300047 CH)*#	Application Software	6	14.23	18.70	13.5	31	3	Expect big data to be re-rated: A rare big-data play in the A-share market looking to faster business growth
Sunner Develop (002299 CH)*	Meat Type Chicken Products	20	16.47	21.40	15.6	30	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
CHJ Industry (002345 CH)*	Jewelries and Accessories	8	8.97	11.60	8.5	29	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.
Tianqi Lithium (002466 CH)*	Basic & Diversified Chemicals	63	54.99	70.00	52.2	27	3	Growth on abundant resource and capacity expansion: Poised to maintain advantages in cost and margin
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
AVIC Electromechanical (002013 CH)*	Aircraft Parts	28	7.72	9.70	7.3	26	3	Asset injection on the door steps: Private placement of shares approved by regulator.
Lianchuang Electronic (002036 CH)*	Consumer Electronics	8	13.88	17.53	13.2	26	3	Investment prospects in science and technology: 2017E to see equipment market expansion and explosive content growth.
Accelink Technologies (002281 CH)*	Communications Equipment	16	25.24	31.50	24.0	25	3	Expecting breakthroughs in photonic chip manufacturing: Prospective exposure to VCSEL and photonic chip platform
NavInfo (002405 CH)*	Application Software	29	22.58	27.99	21.5	24	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	360	39.05	48.10	37.1	23	3	Upbeat industrial climate: New products to generate fresh growth drivers
Digiwin Software (300378 CH)*#	Application Software	4	14.06	17.20	13.4	22	3	Smart manufacturing scheme out: Looking to the start of a pilot phase, with leaders benefiting from friendly environment
AVIC Helicopter (600038 CH)^	Aircraft & Parts	24	41.34	50.00	39.3	21	3	Promising target: The sole listed helicopter asset in parent group
Ningbo Shanshan (600884 CH)^	Apparel, Footwear & Acc Design	25	22.47	27.00	21.3	20	3	Leading supplier of lithium battery material: Favorable climate thanks to the NEV market boom
BYD (002594 CH)*	Automobiles	91	50.13	60.00	47.6	20	3	Cooperating with Salt Lake Industry: To set up the latter's lithium resources via a JV.
Kingmed Diagnostics (603882 CH)	Health Care Services	13	29.20	34.45	27.7	18	3	A forerunner in ICL: Large scale and strong technology forming a wide business moat
Hoshine Silicon (603260 CH)	Specialty Chemicals	49	73.49	85.20	69.8	16	3	Stellar performance: Full-chain operation guarantees long-term growth
Haid Group (002311 CH)*	Agricultural Producers	38	23.87	27.40	22.7	15	3	Galloping growth: Deserving premium for sustainable growth and visibility
Worldunion (002285 CH)*	Real Estate Services	15	7.44	8.52	7.1	15	3	New JV for secondary housing management: Potential takeover of competitive targets on increasingly strict industry regulation
Wanhua Chemical (600309 CH)^	Basic & Diversified Chemicals	130	47.44	54.24	45.1	14	3	The second leap: M&A deals set to lift profits

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TOP TWENTIES:

Top 20 Gainers

Company	Price (Rmb)	WoW Chg (%)
Fluence Technology (300647 CH)	20.31	61
Shinry Technologies (300745 CH)	52.67	61
Ecovacs Robotics (603486 CH)	67.98	61
Hanjia Design (300746 CH)	21.00	61
Fuda Alloy Materials (603045 CH)	57.23	44
Yuhuan CNC (002903 CH)	48.41	30
Yihua Connector (002897 CH)	31.15	30
Yaxia Automobile (002607 CH)	11.35	30
CDL Precision (300686 CH)	29.17	27
Tecsun Science (002908 CH)	39.05	25
Wanhua Chemical (600309 CH)	47.44	25
Jouder Precision (300549 CH)	22.83	25
Click Technology (002782 CH)	17.04	24
Roadrover Technology (002813 CH)	39.29	23
Creator Information (300730 CH)	31.19	23
Guangdong Champion Asia (603386 CH)	26.21	22
Huajin Capital (000532 CH)	12.50	21
Sie Consulting (300687 CH)	35.53	21
Boai NKY (300109 CH)	36.96	19
Yisheng Livestock (002458 CH)	21.00	19

Top 20 Losers

Company	Price (Rmb)	WoW Chg (%)
Jindun Fans (300411 CH)	18.79	(41)
Ji En Nickel (600432 CH)	2.90	(41)
Kunming Machine (600806 CH)	2.78	(41)
Morn Electric (002451 CH)	17.19	(34)
Ingenious Ene-Carbon (000511 CH)	3.46	(34)
Sungrow Power Supply (300274 CH)	9.94	(29)
Xilong Scientific (002584 CH)	11.23	(27)
Tongwei (600438 CH)	7.87	(25)
Longsheng Technology (300680 CH)	35.37	(24)
Spearhead Integrated (300071 CH)	4.34	(24)
LONGi Green Energy (601012 CH)	17.22	(23)
Tianma Bearing (002122 CH)	3.04	(23)
Shandong Tyan (600807 CH)	3.98	(23)
Cotran New Material (300731 CH)	44.50	(22)
New Universal Science (300472 CH)	21.19	(21)
Fretrade Science (600794 CH)	3.58	(20)
Shaanxi Jinye (000812 CH)	3.83	(20)
Ledman Optoelectronic (300162 CH)	9.43	(19)
Sinoer Men's Wear (002485 CH)	24.17	(19)
Jinzhou Cihang (000587 CH)	6.12	(19)

A/H PREMIUM TABLE

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
600876 CH	1108 HK	Luoyang Glass	15.92	428
002490 CH	568 HK	Shangdong Molong	5.05	326
002703 CH	1057 HK	Zhejiang Shibao	5.52	300
002910 CH	1533 HK	Zhuangyuan Pasture	23.35	229
600874 CH	1065 HK	Tianjin Capital Environmental	10.83	218
600806 CH	300 HK^	Kunming Machine	6.44	217
600860 CH	187 HK	Beijing Jingcheng	5.25	210
601326 CH	3369 HK	Qinhuangdao Port	5.03	192
603157 CH	6116 HK	La Chapelle Fashion	20.60	189
601727 CH^	2727 HK	Shanghai Electric	6.34	167
601038 CH	38 HK	First Tractor	6.14	166
000585 CH	42 HK	Northeast Electric Development	2.25	160
601238 CH	2238 HK	Guangzhou Automobile	19.22	148
601375 CH	1375 HK	Central China Securities	5.30	146
601866 CH	2866 HK	CSCL	2.86	133
601811 CH	811 HK	Xinhua Winshare	10.93	131
601881 CH	6881 HK	China Galaxy Securities	9.05	129
600775 CH	553 HK	Nanjing Panda	6.44	110
600685 CH	317 HK	COMEC	15.39	109
601880 CH	2880 HK	Dalian Port	2.19	108
600958 CH	3958 HK	DFZO	10.57	107
600871 CH	1033 HK	Sinopec SSC	2.05	104
601588 CH	588 HK	Beijing North Star	4.46	96
601005 CH	1053 HK	Chongqing Iron & Steel	2.07	84
601618 CH	1618 HK	Metallurgical Corporation	3.56	82
000756 CH	719 HK	Xinhua Pharmaceutical	11.49	77
600362 CH	358 HK	Jiangxi Copper	17.12	77
603993 CH	3993 HK	China Molybdenum	7.10	77
601717 CH	564 HK	ZMJ	6.08	76
600012 CH	995 HK	Anhui Express	7.70	75
601898 CH	1898 HK	China Coal	4.91	73
600875 CH	1072 HK	Dongfang Electrical	8.27	72
601633 CH	2333 HK	Great Wall Motor	10.71	72
002672 CH	895 HK	Dongjiang Environmenta	16.62	72
601800 CH	1800 HK	China Comm. Construction	11.79	70
601107 CH	107 HK	Sichuan Expressway	3.81	70
002202 CH	2208 HK	Goldwind	15.29	69
600999 CH	6099 HK	CMSC	15.33	66
601919 CH	1919 HK	COSCO	5.73	66
600635 CH	1635 HK	DZUG	4.24	66
000921 CH	921 HK	Kelon Electric	11.72	63
601808 CH	2883 HK	China Oilfield Services	10.39	59
601766 CH	1766 HK	China South Locomotive	8.78	58
601788 CH	6178 HK	EB Securities	11.80	54
000039 CH	2039 HK	CIMC	15.07	54
601991 CH	991 HK	Datang Int'l Power	3.24	54
600188 CH	1171 HK	Yanzhou Coal	14.30	51
600029 CH	1055 HK	China Southern Airlines	10.51	50
000063 CH^	763 HK^	ZTE	31.31	50

A-share	H-share	Company	Price (Rmb)	A/H premium (%)
601336 CH	1336 HK	New China Life Insurance	45.11	48
601857 CH	857 HK	PetroChina	7.91	48
600115 CH	670 HK	China Eastern Airlines	7.94	46
601111 CH	753 HK	Air China	11.37	44
601998 CH	998 HK	CITIC Bank	6.21	43
601390 CH^	390 HK	China Railway Group	7.47	42
600011 CH	902 HK	Huaneng Power	6.45	41
000513 CH	1513 HK	Livzon Pharmaceutical	66.09	40
000488 CH	1812 HK	Chenming Paper	13.92	40
600026 CH	1138 HK	China Shipping Dev.	4.93	38
600027 CH	1071 HK	Huadian Power	3.88	37
601899 CH	2899 HK	Zijin Mining Group	3.90	36
601688 CH	6886 HK	HTSC	16.76	35
601992 CH	2009 HK	BBMG	3.69	35
000157 CH	1157 HK	Zoomlion	4.14	34
601607 CH	2607 HK	Shanghai Pharmaceuticals	24.91	33
000776 CH	1776 HK	GF Securities	14.12	33
600548 CH	548 HK	Shenzhen Express	8.61	32
601628 CH	2628 HK	China Life	24.48	31
600332 CH	874 HK	Baiyunshan	42.39	31
600837 CH	6837 HK	Haitong Securities	10.32	29
600600 CH	168 HK	Tsingtao Brewery	49.19	28
600016 CH	1988 HK	Minsheng Bank	7.51	25
600688 CH	338 HK	Shanghai Petrochemical	5.70	24
601186 CH	1186 HK	China Railway Construction	8.94	23
601088 CH	1088 HK	Shenhua Energy	20.90	23
601818 CH	6818 HK	China Everbright Bank	3.90	22
601333 CH	525 HK	Guangshen Railway	4.47	19
601600 CH	2600 HK	Aluminum of China	4.14	19
600030 CH	6030 HK	CITIC Securities	18.59	18
601601 CH	2601 HK	Pacific Insurance	33.42	16
601328 CH	3328 HK	BoComm	5.97	16
002594 CH	1211 HK	Byd Co Ltd	50.13	13
600196 CH	2196 HK	Fosun Pharmaceutical	44.44	12
600808 CH	323 HK	Maanshan Iron & Steel	3.71	11
601211 CH	2611 HK	Guotai Junan Securities	16.41	11
601988 CH	3988 HK	BOC	3.74	10
600028 CH	386 HK	Sinopec	6.50	6
601939 CH	939 HK	CCB	7.03	6
000002 CH	2202 HK	Vanke	26.71	6
600036 CH	3968 HK	China Merchants Bank	28.20	6
601288 CH	1288 HK	ABC	3.59	6
601398 CH	1398 HK	ICBC	5.58	4
600660 CH	3606 HK	Fuyao Glass	24.49	4
600377 CH	177 HK	Jiangsu Express	9.53	3
000338 CH	2338 HK	Weichai Power	8.85	1
601318 CH	2318 HK	Ping An	62.39	(3)
000898 CH	347 HK	Angang Steel	6.42	(4)
600585 CH	914 HK	Anhui Conch Cement	35.37	(11)

Source: Bloomberg, CS

* Closing prices as of 8 Jun 2018

^ Suspended

China A-Share Market Weekly:
Going where the resistance is little

MAJOR INDEX PERFORMANCE:

CITIC S&P 50 Index

Sector	PER (x)			17-19E PEG (x)	Chg (%)			6M Avg Daily T/O (Rmb mn)	Mkt Cap (Rmb bn)	
	17	18E	19E		1-wk	1-mth	YTD			1-yr
Market cap weighted average	20	16	14	0.9	0.3	(1.8)	(3.1)	18.7	67,805	13,774
Energy	13	10	10	0.8	(4.2)	(5.6)	0.4	5.9	2,186	966
Materials	15	11	10	0.7	2.7	(5.4)	1.4	33.7	4,165	463
Capital Goods	27	20	16	0.9	(2.2)	(8.7)	(19.6)	(18.0)	3,572	662
Transportation	10	9	9	2.6	2.4	(1.1)	(4.7)	5.2	456	128
Automobiles & Components	12	11	10	1.4	1.0	5.8	12.5	16.7	752	421
Consumer Durables & Apparel	17	14	12	0.9	4.1	2.5	4.5	34.6	6,204	774
Media	20	17	15	1.3	(0.6)	(0.8)	3.4	(15.7)	120	46
Retailing	154	59	62	2.7	(4.0)	10.8	23.7	44.5	862	142
Food, Beverage & Tobacco	34	26	21	1.3	3.3	9.5	9.2	62.8	8,781	1,690
Pharmaceuticals, Biotechnology & Life Sciences	75	60	48	2.9	5.7	17.3	40.5	78.9	1,390	421
Banks	7	6	6	0.8	(1.0)	(6.1)	(8.7)	4.6	12,614	4,578
Diversified Financials	17	15	13	1.4	(0.8)	(9.3)	(7.0)	(4.4)	3,732	350
Insurance	17	14	11	0.8	0.8	(2.7)	(15.2)	11.1	8,097	1,396
Software & Services	166	118	79	3.7	(3.1)	(3.0)	(7.5)	76.6	1,939	76
Technology Hardware & Equipment	32	26	20	1.2	0.5	(3.7)	(9.2)	28.5	7,270	605
Telecommunication Services	NA	46	28	NA	(1.7)	(10.4)	(15.6)	(28.5)	1,073	166
Utilities	18	17	17	4.6	0.9	3.9	6.5	8.4	445	429
Real Estate	10	8	6	0.4	2.8	(6.5)	(12.0)	25.2	4,145	463

CITIC S&P 300 Index

Sector	PER (x)			17-19E PEG (x)	Chg (%)			6M Avg Daily T/O (Rmb mn)	Mkt Cap (Rmb bn)	
	17	18E	19E		1-wk	1-mth	YTD			1-yr
Market cap weighted average	26	19	16	0.9	0.2	(1.8)	(3.0)	14.9	148,149	25,817
Energy	42	18	16	0.7	(2.4)	(2.1)	(2.1)	4.0	4,284	2,376
Materials	28	18	16	0.9	2.5	(2.8)	(4.5)	28.1	18,046	1,538
Capital Goods	25	19	16	1.0	(0.8)	(6.5)	(12.9)	(1.4)	17,511	2,261
Commercial & Professional Services	23	18	15	0.9	(3.3)	(6.7)	(17.9)	(27.5)	376	62
Transportation	19	18	15	1.5	2.6	(0.6)	(2.2)	11.2	4,296	767
Automobiles & Components	18	13	12	0.8	0.5	1.5	(6.4)	(1.5)	3,670	1,030
Consumer Durables & Apparel	21	17	15	1.0	2.6	0.9	2.4	25.9	8,937	1,046
Consumer Services	36	27	22	1.3	(1.4)	6.9	30.5	72.7	1,203	210
Media	35	20	17	0.8	(0.9)	(2.2)	(11.5)	(24.2)	1,114	239
Retailing	94	41	44	2.0	(3.4)	3.5	7.1	17.9	1,297	257
Food & Staples Retailing	38	36	28	2.2	(6.8)	(5.7)	(14.7)	10.6	958	112
Food, Beverage & Tobacco	37	29	23	1.4	2.8	9.5	11.6	59.1	11,636	2,304
Household & Personal Products	77	54	43	2.2	3.0	9.4	21.0	58.5	146	30
Health Care Equipment & Services	51	39	43	5.9	0.0	0.3	18.7	43.3	1,559	250
Pharmaceuticals, Biotechnology & Life Sciences	57	46	38	2.5	2.6	6.2	21.3	46.0	8,905	1,458
Banks	7	6	6	0.8	(1.1)	(5.8)	(7.9)	3.6	14,710	5,866
Diversified Financials	19	16	14	1.2	(1.2)	(9.1)	(10.4)	(12.2)	4,551	561
Insurance	17	14	11	0.8	0.8	(2.7)	(15.2)	11.1	8,097	1,396
Software & Services	89	65	48	2.5	(0.9)	(6.2)	14.5	46.8	5,973	296
Technology Hardware & Equipment	33	27	21	1.3	1.6	(2.2)	(8.5)	18.5	16,274	1,344
Semiconductors & Semiconductor Equipment	29	21	16	0.8	(4.4)	(11.0)	(20.5)	23.5	2,580	161
Telecommunication Services	3	44	28	NA	(2.1)	(8.4)	(15.4)	(26.7)	1,234	187
Utilities	26	16	15	0.8	(1.4)	0.2	(2.0)	(6.1)	1,895	988
Real Estate	14	9	7	0.3	2.0	(6.2)	(6.4)	9.6	8,895	1,078

Source: Bloomberg, CS

* Closing prices as of 8 Jun 2018

GICS (Global Industry Classification Standard)

China A-Share Market Weekly:
Going where the resistance is little

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
06/08 - 06/18/2018	Foreign Direct Investment YoY CNY	May	--	--	-1.1%	--
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%	--
06/12/2018 08:01	Manpower Survey	3Q	--	--	8%	--
06/14/2018 10:00	Surveyed Jobless Rate	May	--	--	4.9%	--
06/14/2018 10:00	Retail Sales YoY	May	9.6%	--	9.4%	--
06/14/2018 10:00	Retail Sales YTD YoY	May	9.7%	--	9.7%	--
06/14/2018 10:00	Industrial Production YoY	May	6.9%	--	7.0%	--
06/14/2018 10:00	Industrial Production YTD YoY	May	6.9%	--	6.9%	--
06/14/2018 10:00	Fixed Assets Ex Rural YTD YoY	May	7.0%	--	7.0%	--
06/15/2018 09:30	New Home Prices MoM	May	--	--	0.57%	--

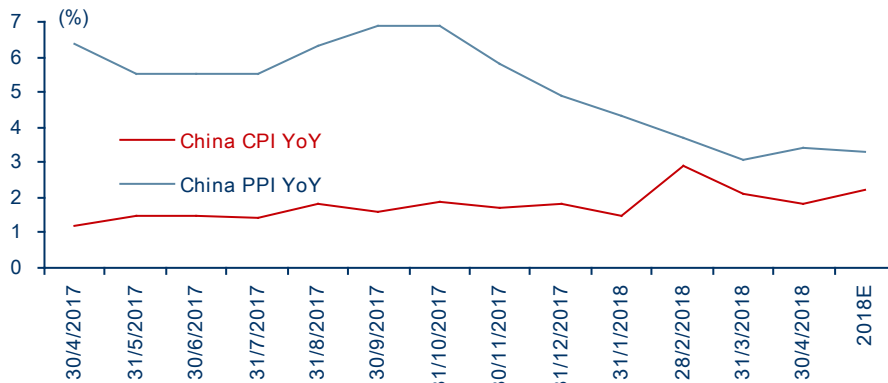
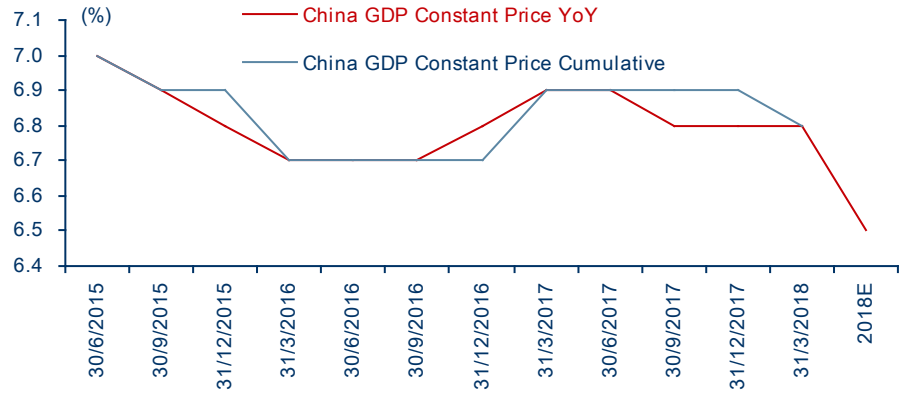
Source: Bloomberg, CS * MM/DD/YYYY

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 May 2018, China's exports increased 26% YoY, beating the consensus forecast of 18.8% YoY; import growth of 12.6% YoY also topped the 11.3% YoY consensus. Chinese exports to major markets – EU, the US, ASEAN and Japan – have all climbed. 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.

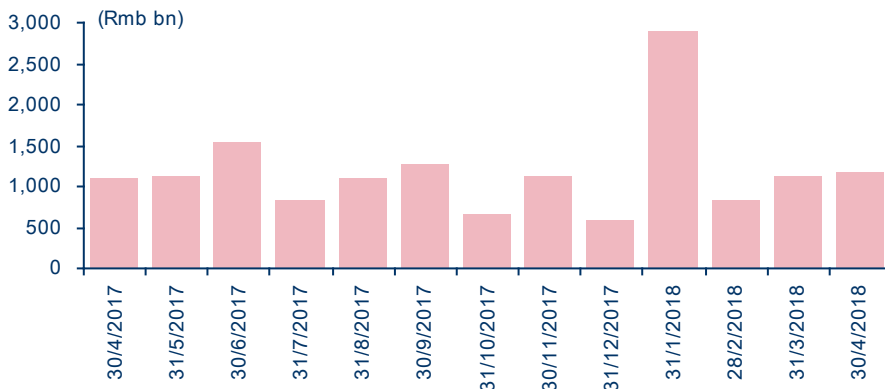
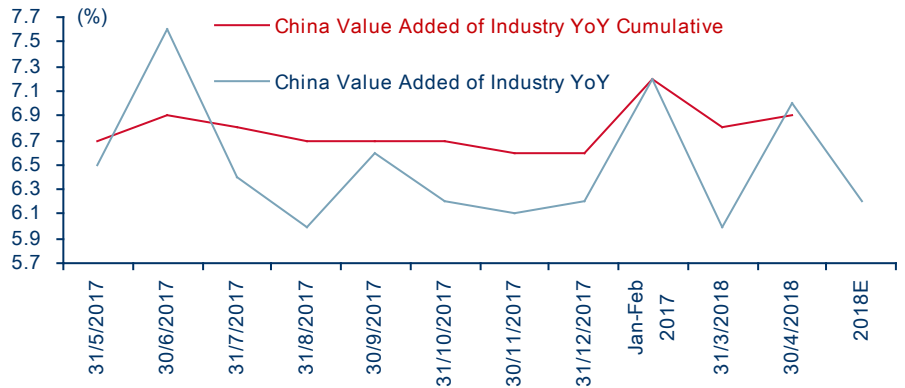
Source: Bloomberg, CS

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

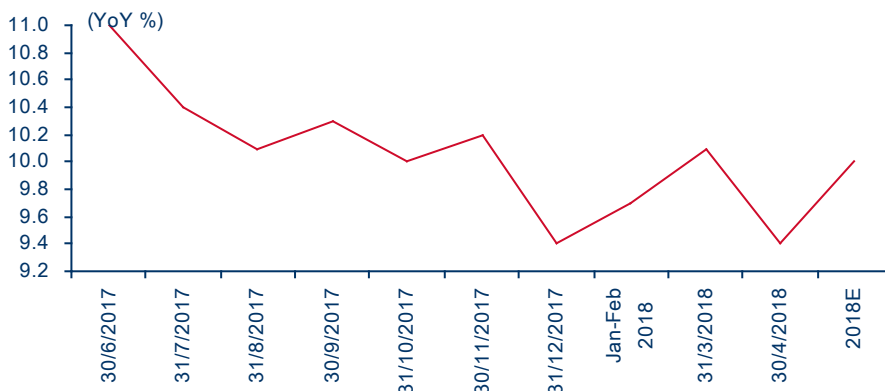
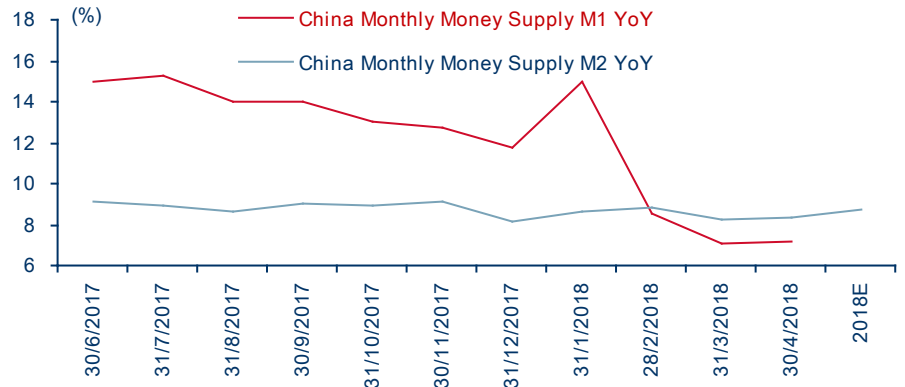


◀ CNY Monthly New Loan

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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