

## Hot on the plate – China Connect

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❖ **A-Share Strategy Focus 20190324: A conjecture about scenarios after the opening of the Science and Technology Innovation Board**

**Investment Strategy** | As the Science and Technology Innovation Board makes the start, the issuance prices are expected to go systematically high. In the initial stage after the opening of the board, sub-new stocks will have poor liquidity on the first day of listing, with possible speculation-driven rises, but prices will fall after reaching a high in the first five trading days. Some small-cap companies may be re-specified from the sixth trading day onwards. One month after the opening of the board, the probability of stock prices falling below the IPO prices is expected to be significantly higher than that of A shares under the approval system. As the pricing of new stocks gradually returns to rationality, the Science and Technology Innovation Board will start to enter a track of benign development again.

❖ **Overseas Weekly Strategy 20190324: How will the “balance sheet reduction” change affect overseas China Concept stocks?**

**Investment Strategy** | According to the minutes of FOMC in March, the Fed plans no rates hikes in 2019, with balance sheet reduction to be slowed down for a roundup in Sep. We expect liquidity to remain relatively loose in 2019, but we do not rule out the possibility of restarting balance sheet reduction in the long run (within the next three-five years). As far as 2019 is concerned, we suggest that investors should seize the investment opportunities of overseas China Concept stocks from the two dimensions of interest rate and exchange rate, with reference to industry fundamentals.

❖ **New Energy Vehicle Sector Thematic Report: The first batch of companies likely to be listed on the Science and Technology Innovation Board is released, with 30% coming from the lithium battery industrial chain**

**Automobile** | The Shanghai Stock Exchange has disclosed the first group of nine enterprises whose applications for listing on the Science and Technology Innovation Board have been accepted for consideration. Three of the nine applicants come from the lithium battery industrial chain, which have attracted high attention and are expected to boost market enthusiasm for NEVs. In the short run, the market has fully responded to the impact of subsidy reductions. In the long term, China-made NEVs have now acquired global competitive advantages, with promising development prospects. We recommend investors to keep a key watch on premium enterprises across the new energy industrial chain, including Contemporary Amperex Technology (300750), Guoxuan High-Tech (002074), Yunnan Energy New Material (002812), Beijing Easpring Material Technology (300073), Ningbo Shanshan (600884), Shanghai Putailai New Energy Technology (603659), Shenzhen Capchem Technology (300037), Guangzhou Tinci Materials Technology (002709), Wuxi Lead Intelligent Equipment (300450), Shenzhen Yinghe Technology (300457) and Qingdao TGOOD Electric (300001).

❖ **Real Estate Sector Thematic Report: The era of spin-off: new opportunities for the revaluation of real estate leaders**

**Real Estate** | The era of spin-off is an era when real estate enterprises can gradually move from resource value to brand value and cash in on their management dividends on a broader stage. In the stage of disappearing housing price elasticity expectations, relatively policy stability, slow increase of concentration and rising operations of leaders, business spin-off may become the core catalyst for real estate bellwethers.

## Other recommendations

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- ❖ **Cnano Technology Limited Investment Value Analysis Report:** A carbon nanotube industry leader benefits from explosive lithium demand
- ❖ **DaShenLin Pharmaceutical Group (603233) Tracking Survey and Research Report:** Wuzhou Prescription Sharing Platform Model is advanced rapidly, with national layout expected
- ❖ **Computer Sector Update:** VAT deduction boosts passenger transport service, with new scenario informatization and tax reporting services being points to watch for
- ❖ **Banking Sector Investment Watch:** A preliminary look at banks' convertible bonds
- ❖ **Commodity strategy:** Risks are approaching, but gold looks bullish
- ❖ **China Merchants Bank (600036.SH; 03968. HK) 2018 Annual Report Commentary:** Retail base consolidated, organic growth strengthened
- ❖ **Shenzhen Expressway (600548) 2018 Annual Report Commentary:** High returns on asset disposal, with new growth momentum from Guangzhou-Shenzhen AlongRiver Expressway Project
- ❖ **Beijing Forever Technology (300365) 2018 Annual Report Commentary:** Prime business develops healthily, and stable input layouts for cloud and value-added electricity sales services
- ❖ **Shanghai International Airport (600009) 2018 Annual Report Commentary:** New tax-free contract starts implementation, with rental cost to rise 51.16% in the year.
- ❖ **Wuxi Apptec (603259) 2018 Annual Report Commentary:** Rapid domestic revenue growth, and earnings are in line with expectations
- ❖ **Zijin Mining Group (601899) 2018 Annual Report Commentary:** Earnings are in line with expectation, and overseas project construction continues to be pushed forward
- ❖ **China Pacific Insurance (Group) (601601.SH/02601.HK) 2018 Annual Report Commentary:** Long-term shareholding = 3-4% dividend rate + 15% CAGR
- ❖ **Great Wall Motor (601633) 2018 Annual Report Commentary:** Market share rises, but pressure remains

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	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%
	OUTPERFORM	Increase relative to market representative index over 10%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

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