

Hot on the plate – China Connect

- ❖ **1Q19 Economic Growth Data Commentary: The economy makes a good start, as counter-cyclical adjustment continues to gear up**
Macroeconomic | China's real GDP growth rate reached 6.4% in the first quarter, beating market expectations. There were still some weak indicators in the economy. As counter-cyclical policy is expected to gear up, there is no need for excessive worry about any policy shift or tightening. We expect the economy to continue to rise slightly in the next three quarters, with GDP growth reaching c. 6.5% for the whole year.

- ❖ **Huawei Intelligent Vehicle In-Depth Analysis: Position at Tier1, benchmark against BOSCH and relevant industrial chains may benefit**
Technology & Manufacturing | Huawei has participated in Shanghai Motor Show, positioning itself as a Tier1 manufacturer of intelligent vehicles and investing US\$50bn to benchmark against BOSCH. Huawei's entry into the intelligent vehicle industry is expected to fill up a domestic gap in the Tier1 camp. Because Huawei has strong competitiveness in the fields of battery, motor and electric control, "CV2X", "AI", "IoT Operating Systems", it is expected to exert a greater pull on China's intelligently connected vehicle industry, thus benefiting relevant industries chains.

- ❖ **Consumer Sector Mar 2019 Social Retail Data Commentary: Social retail beats market expectation in Mar, with real estate-related industries posting most visible rebound**
Consumer | Consumption is expected to show a general upward trend in 2019, with the fundamentals improving quarter by quarter. At the same time, consumption stimulus policy is expected to become a normal. After the MSCI raised the A-share inclusion factor from 5% to 20%, the incremental funds it brought about will form a great support for consumption. We are bullish about the performance of the consumer sector and recommend continuous allocation to leading names, with short-term focus on varieties posting outstanding 1Q earnings.

- ❖ **Automobile Sector Thematic Report: What are the restrictions on auto consumption?**
Automobile | We have sorted out factors of constraint that currently exist in auto consumption, including: 1. vehicle plate restrictions in cities which impose vehicle plate quotas; 2. restrictions on the entry of pickup trucks to cities; and 3. restrictions of used car tax and relocation. If these constraints are improved, it is expected to further unleash auto consumption dynamism and ease the downward pressure of auto sales.

- ❖ **State-Owned Enterprise Mixed Ownership Reform Report Series: Pay attention to investment opportunities in the non-ferrous metals sector under "Double Hundred Action"**
Non-ferrous Metals | The "Double Hundred Action" is an initiative to push state-owned enterprise reform from individual companies to a wider scale, and its related serial reform measures will have a strong demonstration effect. Regional pilot reform is now expected to accelerate further. State-owned enterprise reform in the non-ferrous industry in Yunnan province has achieved initial results. The government has completed industrial agglomeration, transformation and upgrade through policy and financial support. There is still room for further integration in the future, and a "bottom-up" stage is now gathering pace. We have sorted out the relevant targets of state-owned enterprise reform from four dimensions, and strongly recommend investors to pay attention to investment opportunities in relevant segments.

Other recommendations

- ❖ **1Q19 Economic Data Commentary and Bond Market Analysis:** Total economic volume rebounds, with clear post-real estate cycle characteristics
- ❖ **Real Estate Sector Jan-Mar 2019 Operation Data Commentary:** Sales see marginal improvement, and investment soars
- ❖ **Chemical Sector Automobile-Related Materials Segment Commentary:** Possible auto policy reversal bodes well for related materials
- ❖ **Yintai Resources (000975) 2018 Annual Report Commentary:** Rapid gold production growth elevates corporate earnings to new height
- ❖ **Zhejiang Satellite Petro Chemical (002648) 1Q19 Report Commentary:** Acrylic acid profit improves significantly, and hydrogen energy resources become focus of attention
- ❖ **Beijing Sinnet Technology (300383) 2018 Annual Report & 1Q19 Report Commentary:** High growth continues, and EBITDA beats expectation
- ❖ **BTG Hotels (600258) 2018 Annual Report Commentary:** A new starting point, with planned new hotel opening to pick up speed significantly in 2019

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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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