

Hot on the plate – China Connect

❖ **Overseas Strategy Commentary 20190909: New inclusions in the Hong Kong stock connects are announced**

Strategy | On 9 Sep 2019, the results of the second round of adjustment of the stock pool of Hong Kong Stock connects in the year were announced. A total of 27 stocks were brought in and 35 stocks were taken out, giving rise to a total of 473 stocks in the latest Hong Kong stock connect pool. The adjustment results will be officially effective on Sep 9. The 27 newly included stocks are concentrated in the consumer and manufacturing sectors. Our core view on Hong Kong stocks in the near future: it is the best time for the allocation of long-term funds.

❖ **Flat Glass Group (601865/06865.HK) Investment Value Analysis Report: A PV glass leader ushering in sales volume and price rises**

Power Equipment & New Energy | The Company is the worlds leading PV glass manufacturer which has steadily pushing forward production capacity expansion and upgrading. It is expected to benefit from the rapid release of global PV demand and brace for high growth in both sales volume and price. We expect its 2019-2021E net profit to be Rmb670.990.119mn, with its current share price corresponding to A-share PE of 32x/22x/18x and H-share PE of 12x/8x/7x.

❖ **Ningbo Jifeng Auto Parts (603997) Investment Value Analysis Report: An invisible seat champion, with M&A opening up new space for growth**

Automobile | The Company is an invisible champion in the global automotive seat pillow industry, and has further consolidated its position in the industry after acquiring Grammer. On the one hand, the Companys headrest and armrest business has continued to penetrate into high-end customers; on the other hand, it is expected to help Grammer open up the growth space for new products such as central consoles and commercial car seats. We expect the Company's 2019/20E/21E EPS to be Rmb0.42/0.52/0.62. We give it a target price of Rmb10.4.

❖ **Weichai Power (000338) Tracking Report: Diversified businesses all blossom, as counter-cyclical adjustment offers boost**

Automobile | In the first half of the year, the Companys diversified businesses all made headways, posting high growth quality. In the long run, off-road engines and Linde Hydraulics are expected to become new engines for the Companys sustained growth in the future. In the short term, heavy truck sales are expected to beat expectations against a backdrop of recent counter-cyclical adjustment. We continue to make it our top pick.

❖ **Avary Holding (002938) Investment Value Analysis Report: Substitution of Japanese products boost market shares, while 5G new cellphones expand market**

Electronics | The Company is the worlds PCB leader and also the largest FPC supplier for A customers. A customers are expected to release 5G new cellphones next year, which will boost sales and bring more FPC and SLP applications. As a core supplier, the Company will benefit deeply. The FPC end will benefit from automation upgrade + capacity expansion and continue to replace Japanese vendors, while the HDI end will increase market shares at the A end. Meanwhile, the Company will grow along with new products at the non-mobile phone end. We are optimistic about the long-term growth of the Company.

❖ **US Asset Management Sector Thematic Research Report: Explore the history of asset management “rhymes”**

Banking | The banking sector in China is bracing a period of transformation. This note focuses on examining the US experience in the development of public funds and hedge funds, hoping to explore the rhymes of history through the trajectories of "survivors". The logic of domestic asset management products is expected to change from "risk-free return" to "profit-risk matching logic", which will force asset management institutions to enhance their operational capacities and drive the upgrading of the asset-liability management model. We expect equity + passive + diversified products to be the development direction in the medium and long term. Strength-based competition among management institutions has just started.

Other recommendations

- ❖ **Valiant (002643) Investment Value Analysis Report:** Three major business segments work in synergy, and implementation of China VI boosts rapid development
- ❖ **Interest Rate Bond Thematic Report 20190909:** What is the impact of trust channel obstruction?
- ❖ **Financial Products In-Depth Interpretation Report Series:** The current situation, characteristics and allocation value of domestic CTA strategy
- ❖ **Automobile Sector Watch:** Total size growth slows down, as "China, Germany and Japan" become the core
- ❖ **Auto Parts Watch 20190909:** A Serbian perspective on global substitution by Chinese parts
- ❖ **Power Equipment and New Energy Industry Ubiquitous Power IoT Thematic Report (II):** As procurement in information and telecom industries continue to increase, focus on making good use of SGCC's assets
- ❖ **Power Equipment and New Energy Sector Weekly Report 20190909:** Hydrogen energy heavy trucks win recognition, and pay attention to wind power, ubiquitous power IoT
- ❖ **Chemical Sector New Materials Weekly Report:** Lithium battery materials may see turnaround in demand growth, and continue to pay attention to the growing buzz about panel materials

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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%
	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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