

Hot on the plate – China Connect

- ❖ **Technology Industry Report Series No.9: Interim report on the STAR Market: Overall performance is outstanding, and wait for allocation opportunities**
Innovative Technology | TMT companies on the STAR Market have clear advantages in growth potential, profitability, R&D intensity and other aspects, mainly because the STAR Market has outstanding advantages in terms of development stage, industrial link, etc., visibly better than the tech segment of A shares (not including the STAR Market). The STAR Market is now gradually returning to rationality, as reflected in the continuous decline of daily turnover rate and first-day rises of individual stocks. Among the 16 TMT companies in the STAR Market, 14 now have a closing price below their closing price on the IPO day and some stocks have even seen a share price fall of more than 50%. With the gradual cooling of the early speculative hype, the STAR Market is also expected to enter the value investment range.
- ❖ **Liquor Industry Update: No need for excessive concerns, and stick to strong leaders**
Food & Beverages | Consumption tax reform has stepped up further. We are firmly optimistic about strong brands like Kweichow Moutai (600519), Wuliangye Yibin (000858) and Luzhou Laojiao (000568).
- ❖ **NEV Industry Tesla Supply Chain In-Depth Report: Supply chain certainty seen from the perspective of Tesla and LG Chem plants in China**
NEV | From the three aspects of plant layout, supporting parts & components and know-how, Tesla's China plant is expected to overtake its US plant in terms of efficiency and production capacity increase. Field survey and research show that LG Chem's Nanjing plant is expanding its production, reserving sufficient space for follow-up development, thus with high growth certainty. We continue to chiefly recommend investment opportunities on the supply chains of Tesla and LG Chem.
- ❖ **Electronics Industry 5G Thematic Report Series: An analysis of PCB supply and demand for telecommunications and digital communication equipment**
Electronics | Industry climate and supply-demand dynamics are expected to beat the conservative expectations of the market. We recommend investors to make long-term allocation to leaders and grasp elasticity in time.
- ❖ **BYD Electronic (00285.HK) Investment Value Analysis Report: China and US customer orders expand income, and expected gross margin rebound raises earnings**
Electronics | The Company mainly engages in smartphone components and assembly OEM. It is expected to benefit, on the income side, significantly from the transfer of OEM orders in the near future under the trend of substitution with homegrown products by major domestic customers, and on the profit side, from the subsequent improvement brought by the gross margin recovery of structural components. In addition, the Company has entered the core product projects of big customers in North America. We are optimistic about the Company's earnings improvement in 2020. We initiate coverage on the Company with a target price of HK\$15.
- ❖ **Shennan Circuits (002916) 3Q19 Earnings Preannouncement Commentary: Earnings beat expectation, and core businesses benefit from 5G**
Electronics | The preannounced 3Q19 earnings of the Company beat expectations, consolidating its position as leader in the telecommunications equipment PCB industry. The Company will benefit from the explosive demand for 5G and the substitution of baseboards with homegrown products. We upgrade the Company's profit forecast.

Other recommendations

- ❖ **China Vanke (000002) Sep 2019 Sakes Data Commentary:** Land acquisition slows down again
- ❖ **Gemdale Corporation (600383) Sep 2019 Report Commentary:** Make layout for high-tier cities, and duly raise leverage
- ❖ **BYD (002594 & 01211.HK) Update:** Sales volume falls short of expectation, with expected improvement in 4Q19E

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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%
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	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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