

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Mainland financial, Utilities (Xingyu Chen), Mainland Telecom (Fanguohe), Mainland property, Oil and gas service (Chengeng), Air, Automobiles, Infrastructure (ZhangJing), New energy & Environmental Goods (Zhang Kun)

Mainland Financial (Xingyu Chen)

The market was adjusted continually in Jan 2015, and HSI trended to go up from 23,800 at the beginning of this month to 24,600 currently, increased by 3% approximately. Due to the beginning of a new year, investors' investment strategy was still conservative, and financial sectors such as the banking and insurance sectors were popular. According to the banks' performance, share prices were adjusted due to the strong growth by the end of last year, therefore they were weaker than that of HIS.

As at the end of 29th Jan, domestic listed banks' share prices decreased by 5.5% in average compared with the beginning of Jan, only CQB recorded the positive growth, and HSI increased by 3.1% during the same period of time, mainly due to the sharp increase of prices of domestic insurers. Stated-owned banks had the better performance, BOC and ICBC's prices dropped 1.8% and 2.9% respectively, but BoCom's share price decreased largely by 12.1%. Most of joint-stock commercial banks' share prices declined, of which CMB's price recorded the largest decrease as 13.2%, and both CITIC Bank and CMBC's prices also dropped over 8%.

We believe the adjustment of this month is mainly caused by a technical adjustment after the sharp growth of prices last year. According to the banks' operating performances, they maintain at the stable level, therefore the banks' performance meet our expectation, and we continue to hold the cautiously optimistic view on the banks' prices in future. Maintain the banking sector on Buy rating.

Mainland Telecom (Fan guohe)

The 4G market continues to be popular. China Mobile increased 18.83 million new 4G users in December 2014, which had an obvious growth trend comparing with previous months. The number of 4G users has a yearly net increase of 90 million. The rapid increase will create an opportunity for flow operation. China Unicom focuses on the vehicular networking business. Currently it has provided services for 3 million vehicles. China Telecom has issued Tianyi Tencent Video Phone, the biggest highlight of which is free of data fee. Overall, the flow operation will be the trend of the market, and the competition in the industry is predicted to increase.

The FDD license has not been issued in 2014. But considering of the balance of the competition pattern in the industry, we expect the license will be issued in early 2015, which may drive a new round of opportunities for investment of the industry.

Under the background of information safety, localization of telecommunication equipment will become the trend. Companies such as ZTE are predicted to have continuously growing market shares, and their performances will maintain high growth. In addition, owing to the rapid propulsion of the construction of 4G networks, the network optimization demand will start. So it is suggested to pay close attention to the leading manufacturers such as Comba Telecom. Meanwhile, benefiting from the application of new technologies and the extension of overseas applications of mobile terminals, we also look upon TCL Communication, etc. favourably.

Mainland Property & Oil/Gas service (Chen geng)

In January, 2015, I wrote four research reports on Country Garden, Greentown, Yuexiu Property and Lifestyle, which got success by unique operation model. We recommend "Lifestyle". Recently, some changes in the fundamental aspects of Lifestyle mainly include important shareholder turnover, normal operation of SOGO Causeway Bay store in the mid-late November, as well as SOGO TST store after reopening. We think that the Lifestyle is returning to normal operation from being forced to change the address of Causeway Bay store and the "Occupying the Central" event of Hong Kong. In our opinion, Lifestyle's brand value and management team deserve a better valuation. In the future, with a better atmosphere of commercial retail in Hong Kong and Mainland China, we believe that the valuation of Lifestyle is expected to recover. Lifestyle is allowed to "Accumulate" ratings with a 12-month target price of 16.50 HKD, equivalent to 12 times of P/E in 2015.

Automobile & Air (ZhangJing)

This month we updated 4 equity reports including SAIC (600104.CH), GreatWall Motor (2333.HK), CSR (1766.HK) and Sinotruk (3808.HK). We prefer GreatWall Motor and SAIC with the more attractive future.

As for GreatWall Motor, robust growth of profitability in the fourth quarter driven by the new model effect indicated that GreatWall Motor's strategy of "focusing on SUV" had a successful start. Looking into 2015, under the expectation that the demand for H6 remains high, the newly launched H2/H1/H9 continues to increase and the upcoming new SUV model H8/H7/CoupeC and H2/H6 AT version, the ASP and single vehicle profitability of the company are expected to enter a new level. We accordingly revised the target price to 51, respectively 15.2/10.6/8.7x P/E and 3.7/2.9/2.4x P/B for 2014/2015/2016. We reiterate "Accumulate" rating. The latter SAIC has extremely appealing dividend payout rate and stable growth ratio, plus SOE reform expectation.

New energy & Environmental protection (ZhangKun)

We update four reports this month, they are Singyes Solar(759.HK), China Wind Power(182.HK), United PV(686.HK) and Dynagreen Env(1330.HK). We recommend Singyes Solar, The company has signed the strategic cooperation agreement with GCL New Energy that the scale of the cooperation projects in 2015 will not be less than 500MW, which are mainly the distributed power stations. The company has also won the bidding for the construction of a public utilities project in Hong Kong, with the contract amount of 200 million HKD, which will be started in February, 2015. In addition, there are a large number of orders held in the company's hands currently; the company disclosed that it had had the photovoltaic EPC orders for 350MW by October 17, 2014, of which around 50% are the distributed photovoltaic projects. Accordingly, we estimate that the company's income in 2015 will increase substantially, in addition, new policies may be published in this year and ensure the profit.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommendation Date	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
2015-1-5	1661 HK Equity	Wisdom Group	GH	BUY	4.6	6.55	42.39%	4.7	2.17%	4.5	4.44%
2015-1-6	750 HK Equity	Singyes Solar	ZK	BUY	11.42	14.25	24.78%	10.88	-4.73%	10.8	0.74%
2015-1-7	1398 HK Equity	ICBC	XY	Accumulate	5.8	6.7	15.52%	5.58	-3.79%	5.66	-1.41%
2015-1-8	2007 HK Equity	Country Garder	CG	Accumulate	3.25	3.8	16.92%	3.1	-4.62%	3.1	0.00%
2015-1-9	3808 HK Equity	Sinotruck	ZJ	Accumulate	4.56	4.96	8.77%	4.26	-6.58%	4.33	-1.62%
2015-1-12	600252 CH Equity	Zhongheng	GH	BUY	16.65	20.36	22.28%	16.28	-2.22%	16.36	-0.49%
2015-1-13	182 HK Equity	China Wind Po	ZK	Accumulate	0.49	0.54	10.20%	0.48	-2.04%	0.415	15.66%
2015-1-14	3988 HK Equity	BOC	XY	Buy	4.39	5.5	25.28%	4.34	-1.14%	4.37	-0.69%
2015-1-15	3900 HK Equity	Greentown	CG	Buy	7.34	10	36.24%	6.78	-7.63%	7.7	-11.95%
2015-1-16	600104 CH Equity	SAIC	ZJ	Accumulate	24.67	28.8	16.74%	22.65	-8.19%	21.47	5.50%
2015-1-19	600332 CH Equity	Baiyunshan	GH	Neutral	31.12	31.75	2.02%	29.95	-3.76%	27.11	10.48%
2015-1-20	686 HK Equity	United PV	ZK	Neutral	1	1	0.00%	1.06	6.00%	1.03	2.91%
2015-1-21	6837 HK Equity	Haitong Securi	XY	Buy	15.36	23.9	55.60%	16.88	9.90%	19.52	-13.52%
2015-1-22	123 HK Equity	Yuexiu Propert	CG	Accumulate	1.55	1.6	3.23%	1.51	-2.58%	1.49	1.34%
2015-1-23	1766 HK Equity	CSR	ZJ	Accumulate	10.36	11.46	10.62%	9.43	-8.98%	10.44	-9.67%
2015-1-26	1093 HK Equity	CSPC	GH	Accumulate	6.7	7.77	15.97%	6.55	-2.24%	6.84	-4.24%
2015-1-27	1330 HK Equity	Dynagreen Env	ZK	Accumulate	4.48	5	11.61%	4.6	2.68%	4.62	-0.43%
2015-1-28	6881 HK Equity	CGS	XY	Buy	8.74	12.5	43.02%	8.28	-5.26%	9.73	-14.90%
2015-1-29	1212 HK Equity	Lifestyle	CG	Accumulate	15.16	16.5	8.84%	15.2	0.26%	16.32	-6.86%
2015-1-30	2333 HK Equity	GWM	ZJ	Accumulate	43.95	51	16.04%	44.55	1.37%	44.1	1.02%

A stock is calculated by RMB yuan.

Source: Company, Phillip Securities Research

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel (613) 96188238
Fax (613) 92002272
Website: www.phillipcapital.com.au

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
Number 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 436 Heng Feng Road,
Green Tech Tower Unit 604,
Postal code 200070
Tel (86-21) 51699400
Fax (86-21) 60911155
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005