

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 continued to go down sharply in July, HSI decreased from 26,300 at the beginning of this month to 24,600 currently, down 6.5% approximately. According to the performance, the banks' share prices still maintained the same trend as the market this month, and most of them declined obviously. Although the banks' interim results will be announced soon, H Shares will be weak continually considering the large market volatility in A Shares recently and it's quite difficult for the improvement of the banks' performance in the short term.

We expect the banks' operating performance still maintains at the stable level in 1H, and considering the large adjustment recently, the banks' valuation decreases largely, therefore we still hold the cautiously optimistic view on the banks' prices in future. Maintain the banking sector on Buy rating.

Mainland Telecom (Fan guohe)

This month I released 4 equity reports including, Coolpad Group (2369.HK), Hua Hong Semiconductor (1347.HK), YILI (600887.CH) and Comba Telecom (2342.HK). We prefer Coolpad Group with the more attractive future.

LeTV contributed RMB 2.18 billion to hold 18% of Coolpad shares, becoming the second largest shareholder. At the end of 2014, Coolpad announced to form a joint venture with Qihoo 360. The Company's top priority is to convert itself into an Internet operator. Generally speaking, LeTV will win the mobile phone industry chain and enrich its terminal products from the cooperation, while Qihoo can obtain the access to the Internet traffic. Coolpad's varied product mixes, 40 million sets of shipment, and 6000 patents provide a basis for the mobile Internet platform. With Qihoo's security APPs, 360 OS and LeTV's video contents, the Company is no longer simply a hardware vendor. The three parties are expected to build up a mobile Internet ecosphere consisting of "terminal + APP + platform + contents". Coolpad's wireless application services will improve further and are likely to achieve a double growth in the mid-term. Therefore, its profit will come mainly from wireless application services.

Automobile & Air (ZhangJing)

This month I released 4 equity reports including, Sinotran Air (600270 CH) · BAIC (1598 HK) · AC (753 HK) and CEA(670 HK). We prefer Sinotran Air with the more attractive future and the only “cross-border e-commerce” stock in A share . The Company has nearly 100 branches and subsidiaries and over 3000 logistics outlets across the country, taking the No.1 position on China’s international air freight forwarding market. To seize the market opportunities, the Company launched China’s first cross-border logistic e-commerce platform in 2013, aimed at the emerging logistics market for online overseas purchase. In collaboration with air freight companies by signing a charter agreement, with Tencent by setting up a WeChat platform, with Alibaba’s Tmall and NetEase’s Kaola website, the Company launched a self-operated B2C platform - Sunnytao, in order to quicken innovative business pattern integrating logistics platform, payment platform, transportation channels and delivery network both at home and abroad, laying a solid foundation to explore e-commerce finance and logistics. As the only one to carry out clearance cooperation with China Customs, the Company’s prospect is worth expecting with the continuous improvement of network layout and development of cross-border logistic e-commerce platform.

New energy & Environmental protection (ZhangKun)

We update four reports this month, they are Kangda ENV (6136.HK), Dongjiang ENV (895.HK), Canvest ENV (1381.HK) and Chongto ENV (2919.HK). We recommend Chongto ENV, The three core business segments of Chongto, namely industrial wastewater treatment, sludge treatment, and hazardous waste treatment, all carry the features of strong profitability and great market potentials. The comprehensive treatment capacity of the Company gives her ability to offer overall integrated solutions to enterprises producing wastewater in industrial park. Diversification of businesses also helps to lower the possible business risk of concentrating on a type of business. Recently, the Company has implemented stock splitting. We raised the target price to HK\$3, which is equivalent to 18x of the 2016 eP/E, keeping the rating of “Accumulate”.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommend ation Date	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
2015-7-3	939 HK	CCB	XY	Accumulate	7.08	8	12.99%	6.33	-10.59%	7.08	-10.59%
2015-7-6	2369 HK	Coolpad Group	GH	Buy	2.59	3.59	38.61%	1.72	-33.59%	2.69	-36.06%
2015-7-7	600270 CH	Sinotran Air	ZJ	Buy	21.26	27.14	27.66%	25.36	19.29%	28.76	-11.82%
2015-7-8	27 HK	GEG	CG	Buy	33.55	42	25.19%	35.7	6.41%	30.9	15.53%
2015-7-9	6136 HK	Kangda ENV	ZK	Buy	2.82	4.05	43.62%	3.01	6.74%	3.53	-14.73%
2015-7-10	1347 HK	Hua Hong Sen	GH	Buy	7.67	11.58	50.98%	7.61	-0.78%	10.3	-26.12%
2015-7-13	753 HK	AC	ZJ	Accumulate	8.76	9.84	12.33%	7.79	-11.07%	8.76	-11.07%
2015-7-14	600000 CH	SPD Bank	XY	Buy	16.95	20	17.99%	15.07	-11.09%	16.96	-11.14%
2015-7-15	3883 HK	AOYUAN	CG	Buy	1.6	2	25.00%	1.45	-9.38%	1.7	-14.71%
2015-7-16	895 HK	Dongjiang EN	ZK	Buy	14.84	16.8	13.21%	12.98	-12.53%	16.7	-22.28%
2015-7-17	1958 HK	BAIC	ZJ	Buy	7.82	13.23	69.18%	6.84	-12.53%	9.33	-26.69%
2015-7-20	756 HK	China Tianyi	XY	Buy	1.13	2	76.99%	1.02	-9.73%	1.26	-19.05%
2015-7-21	600887 CH	YILI	GH	Buy	18.99	26.4	39.02%	17.26	-9.11%	16.91	2.07%
2015-7-22	3311 HK	CSCI	CG	Buy	12.68	15.8	24.61%	12.06	-4.89%	13.96	-13.61%
2015-7-23	1381 HK	Convest ENV	ZK	Buy	3.93	4.8	22.14%	3.75	-4.58%	4.1	-8.54%
2015-7-24	670 HK	CEA	ZJ	Accumulate	6.9	7.9	14.49%	6.23	-9.71%	6.49	-4.01%
2015-7-27	3903 HK	Hanhua Fin.	XY	Buy	1.35	2.2	62.96%	1.26	-6.67%	1.63	-22.70%
2015-7-28	206 HK	TSC	CG	Buy	2.11	2.8	32.70%	2.15	1.90%	2.34	-8.12%
2015-7-29	2919 HK	Chongto ENV	ZK	Accumulate	2.65	3	13.21%	2.72	2.64%	2.58	5.43%
2015-7-30	2342 HK	Comba Teleco	GH	Buy	1.83	2.54	38.80%	1.86	1.64%	2.07	-10.14%
2015-7-31	1988 HK	CMBC	XY	Buy	8.64	10.5	21.53%	8.73	1.04%	10.16	-14.07%

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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