

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)

In Sep, HSI decreased from 21,200 at the beginning of this month to 20,800 currently, down 2% approximately. According to the performance, the banks' share prices still maintained the same trend as the market this month, and most of banks' share prices started to be stabilized after the large adjustment.

We believe the banks' operating performance still faces many challenges in 2H, some banks' profit growth may have the negative growth, currently 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, ZTE(0763.HK), SMIC(0981.HK), PAX Global (0327.HK) and YIBAI Pharmaceutical(600594.CH). We prefer PAX Global with the more attractive future. From the perspective of global development in finance industry, EFT mode would gradually replace the traditional mode of cash payment. For example, Denmark would become the first country in the world which no longer uses cash as a medium of transaction. It is worth to note that, in the era of mobile internet, EFT would be more convenient. Pax Global is expected to be benefitted from the trend. Thereinto, the American market carries the growth highlights, where revenue recorded in 2015H1 surged 78.2% yoy. High-speed growth is still expected. Meanwhile, the Company is expected to regain growth in Chinese market in 2015H2 and we are optimistic about this. First of all, the delayed confirmation of income in first half of the year will be booked in. Moreover, the new product of wireless POS terminal was launched in June. In addition, according to the most recent policy, the administrative fee of using bank cards would be lowered generally, and this would be particularly beneficial to dining and entertainment industries. We believe the launch of such policies would lower the expenses of shops and encourage more shops to use POS terminals. Plus with improving earning capabilities, we believe its consistent growth is expectable.

Mainland Property & Oil/Gas service (Chen geng)

Automobile & Air (ZhangJing)

This month I released 3 equity reports including Cathay Pacific(293 HK), JAC(600418 CH), and LESSO(2128 HK). We prefer the JAC. The total sales volume for the first 8 months grew by 27% yoy. Combined sales volumes in July and August grew by 57% yoy. The growth was almost solely driven by SUV sales, which leapfrogged by 6.5x yoy for the two months combined. Sales volumes of pure electric vehicles totaled 1,995 units for the two months. The 5th generation pure electric vehicle still cannot satisfy the demand. We believe strong sales momentum of SUVs and new energy vehicles will enhance profitability of the company. The growth of trucks swung back to positive. We believe the sales growth will gain momentum in H2. Our target price of RMB16.2 is equivalent to 20x/12.6x of its 2015/2016 PE. We reiterate a "BUY" rating.

New energy & Environmental protection (ZhangKun)

We update four reports in this month, they are Longi silicon (601012.SH), Canvest Env(1381.HK), Everbright Int (257.HK) and Beijing Enterprise Water (371.HK). We recommend Longi Silicon. Monocrystalline wafers are gaining market acceptance due to its high conversion efficiency ratio, which is especially suitable for adoption by distributed power generation. We believe there is a trend that monocrystalline wafers will increase its market share. The company is the global leader in monocrystalline wafer manufacturing. It has already started to expand into mid-stream business to produce modules as well as downstream business to construct and operate power plants. We expect it can develop the whole supply chain in future. We recommend a "BUY" rating, with a target price of RMB13.80, which is equivalent to a prospective P/E of 30x.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommend ation Date	Target Price	Expecte d Return	Last		Closing Price 2M ago	1M Price Chg
								Month Closing Price	Last Month Return		
2015-9-1	600048	CH Equity POLY REAL ESTATE	CG	Buy	8.13	15.6	91.88%	7.99	-1.72%	8.4	-4.88%
2015-9-4	293	HK Equity CX	ZJ	Neutral	13.99	14.7	5.08%	14.52	3.79%	14	3.71%
2015-9-7	763	HK Equity ZTE	GH	Buy	15.2	21.72	42.89%	17.64	16.05%	15.62	12.93%
2015-9-8	601012	CH Equity Longi Silicon	ZK	Buy	9.19	13.8	50.16%	9.15	-0.44%	9.54	-4.09%
2015-9-9	3328	HK Equity BoCom	XY	Buy	5.22	7	34.10%	5.37	2.87%	5.84	-8.05%
2015-9-10	688	HK Equity COLI	CG	Neutral	22.7	20.8	-8.37%	23.4	3.08%	22.7	3.08%
2015-9-11	981	HK Equity SMIC	GH	Buy	0.71	0.9	26.76%	0.7	-1.41%	0.68	2.94%
2015-9-14	1381	HK Equity Canvest Env	ZK	Buy	3.52	4.8	36.36%	3.32	-5.68%	3.33	-0.30%
2015-9-15	600418	CH Equity JAC	ZJ	Buy	12.28	16.2	31.92%	13.28	8.14%	11.19	18.68%
2015-9-16	1375	HK Equity CCS	XY	Buy	4.08	6.5	59.31%	3.99	-2.21%	4.28	-6.78%
2015-9-17	405	HK Equity YUEXU REIT	CG	Neutral	3.99	3.8	-4.76%	3.93	-1.50%	3.93	0.00%
2015-9-18	327	HK Equity PAX Global	GH	Buy	8	11	37.50%	8.04	0.50%	7.22	11.36%
2015-9-21	257	HK Equity Everbright Int	ZK	Buy	3.52	4.8	36.36%	3.32	-5.68%	3.33	-0.30%
2015-9-22	601166	CH Equity IB	XY	Buy	14.51	20	37.84%	14.56	0.34%	14.58	-0.14%
2015-9-23	2128	HK Equity LESSO	ZJ	Buy	6.02	7.9	31.23%	6.24	3.65%	5.44	14.71%
2015-9-24	604	HK Equity SZI	CG	Accumulate	2.87	3.2	11.50%	2.73	-4.88%	2.71	0.74%
2015-9-25	371	HK Equity BJ ENT Water	ZK	Buy	5.46	7.98	46.15%	5.27	-3.48%	5.51	-4.36%
2015-9-29	600594	CH Equity YIBAI Pharmaceutical	GH	Buy	15.9	21.55	35.53%	15.87	-0.19%	16.47	-3.64%
2015-9-30	6030	HK Equity CITIC Sec.	XY	Buy	14	20	42.86%	13.8	-1.43%	15.54	-11.20%

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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