

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

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

Mainland Financial (Xingyu Chen)

Mainland TMT (Fan guohe)

This month I released 3 equity reports including, YILI Group (600887.CH), Zhongxin Pharmaceuticals (600329.CH) and Wasion Group (3393.HK). Wasion Group is a pioneering supplier of smart meters and power distribution as well as an integrated energy management solution provider in China. It owns outstanding core competitiveness. Since 2012, the company has consistently increased its investment in research & development (R&D), boosting the R&D expense ratio from 2% to 4% to strengthen its technological edge. Besides, the company also has built up brand recognition among its downstream customers. Leveraging on its all-rounded competitiveness in technology, quality, scale and management, the company maintains its competitive advantage in the smart meter tenders of the State Grid and China Southern Power Grid, enabling it to be the top three players of the industry. During the 13th 5-Year Plan, the domestic smart grid will enter into the investment phase of the 2nd-generation AMI, which may create more business opportunities for the company. Meanwhile, the water, gas and heat business will also be the key to the company's growth momentum. What's more, there may also be better growth opportunities for its ADO business. Currently, the automation rate of the nation's power distribution is just at around 20%, which is far below the 50% level achieved by developed countries. The target of the Energy Bureau is to raise the level to 90% by 2020. Wasion Group is now speeding up its development in this business. We believe that the ADO business has entered into a fast-growing stage and will maintain a high growth rate of 50% or above in the medium term. CAGR of the company's revenue and net profit was 20.6% and 26% respectively from 2010 to 2014. It is expected to deliver a rapid growth at 20% or above during the 13th Five-Year Plan.

Mainland Property & Oil/Gas service (Chen geng)

In December, 2015, I wrote four research reports on SOHO, Zall, SZI and Evergrande, which got success by unique operation model. We recommend "SZI". Thanks to strong contract sales, solid balance sheet and attractive valuation, the stock price of Shenzhen Investment has surged by 55% in 2015, making it one of the best performing domestic property companies. We believe that Shenzhen's status will continue to rise during the transition period of China's industries. The wealth effect will continue to be reflected in Shenzhen's property market. Shenzhen Investment will be one of the major beneficiary. We recommend an "Accumulate" rating for Shenzhen Investment and a 12-month target price of HKD3.8. This translates to prospective 2015/2016 P/E ratio of 8x and 7x as well as 32% discount to NAV per share.

Automobile & Air (ZhangJing)

This month I released 4 equity reports including CAR(699 HK) · Fuyao(3606 HK) · Air China (753 HK) and Yutong(600066 CH). We prefer the Yutong. For the first three quarters, revenue from the main business grew by 25% yoy to RMB18.93 billion. Net profit attributable to parent company rose by 35.3% yoy to RMB1.865 billion. Sales of the new energy models grew explosively. Its rising contribution was the main reason for faster growth in earnings than volume. After gaining experience in a long period, the company pioneers in the technology of new energy buses. In 2014, sales volume of the company's new energy buses was 7,405 units. We expect sales volume to reach 18,000 units in 2015, representing a remarkable growth of 140% yoy. We expect its pioneering technological advantage and economies of scale will ensure that the new energy products of company will get a upper hand in the new round of government subsidies to promote new energy vehicles.

New energy & Environmental protection (ZhangKun)

We update five reports in this month, they are Jingneng Clean Energy (579.HK), Xinjiang Goldwind (2208.HK), Linyang Electronics (601222.SH), United PV (686.HK) and China Everbright International (257.HK). We recommend China Everbright International. The Company's share price slumped in recent days and it is mainly due to the deferral of some construction projects, which would adversely impact the 2015 results to a certain extent. We consider the slump of share price is larger than expected and thus opportunities of buying emerge. We maintain the target price at HKD 12.5 and recommend a rating of "Buy".

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
2015/12/2	579 HK	JN clean energy	ZK	Buy	2.73	3.51	28.57%	2.74	0.37%	2.73	0.37%
2015/12/3	699 HK	CAR	ZJ	Buy	14.28	17.5	22.55%	12.78	-10.50%	14.54	-12.10%
2015/12/4	410 HK	SOHO	CG	Neutral	3.43	3.5	2.04%	3.75	9.33%	3.16	18.67%
2015/12/8	600877 CH	Yili Group	GH	Buy	15.08	20	32.63%	16.6	10.08%	14.75	12.54%
2015/12/9	2208 HK	Goldwind	ZK	Buy	13.46	16.7	24.07%	13.9	3.27%	13.14	5.78%
2015/12/10	3606 HK	Fuyao	ZJ	Accum	19.1	21.3	11.52%	18.36	-3.87%	17.44	5.28%
2015/12/14	2098 HK	ZALL	CG	Neutral	1.36	1.35	-0.74%	2.03	49.26%	1.26	61.11%
2015/12/15	600329 CH	Zhongxin Pharm	ZJ	Accum	21.26	24.24	14.02%	21.24	-0.09%	19.24	10.40%
2015/12/16	686 HK	United PV	ZK	Buy	0.76	1.05	38.16%	0.76	0.00%	0.76	0.00%
2015/12/17	753 HK	Air China	ZJ	Accum	5.93	7.09	19.56%	6.29	6.07%	6.25	0.64%
2015/12/21	604 HK	SZI	CG	Accum	3.48	3.8	9.20%	3.66	5.17%	3.35	9.25%
2015/12/22	601222 CH	Linyang Elec	ZK	Accum	39.99	44.85	12.15%	39.33	-1.65%	38.29	2.72%
2015/12/23	3393 HK	Wasion Group	GH	-	-	-	-	-	-	-	-
2015/12/28	3333 HK	EVERGRANDE	CG	Neutral	6.5	6.6	1.54%	6.6	1.54%	6.11	8.02%
2015/12/29	600066 SH	Yutong	ZJ	Buy	22.49	27	20.05%	22.38	-0.49%	21.08	6.17%
2015/12/30	257 HK	China EB Int	CG	Buy	9.77	12.5	27.94%	9.67	-1.02%	11.74	-17.63%

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