

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Mainland Telecom (Fanguohe), Air, Automobiles, Infrastructure (ZhangJing), New energy & Environmental Goods (Zhang Kun)

Mainland Telecom (Fan guohe)

In March I released 5 equity reports including, Kingsoft (3888.HK), Kingdee (0268.HK), Chinasoft International (0354.HK), Tencent(0700.HK) and Jumpcan Pharma (600566.CH). The top five customers of Chinasoft International include Huawei, Microsoft, Tencent, HSBC and Bank of Communications, contributing to around 40% of total revenues of the Company. We expect the Company will maintain a continued growth of about 20% by virtue of business expansion of major customers and Chinasoft's larger share among them. To be specific, the Company, thanks to its status of the largest outsourcing service provider, successfully issued 3.97% strategic shares to Huawei. Such a closer association is expected to help it obtain more outsourcing business share from Huawei, increasing from 40% in 2014 to 50% in 2015. Additionally, the Company's JointForce Commerce Platform adopts cloud + crowd-sourcing model to achieve interconnection between related industries and to help integrate resources and boost efficiency. In the future, the Company's revenues resulting from the platform will constantly increase with the gradual improvement in functions and efficient marketing of the platform in the future. Further, the platform's business is characterized by high gross profit margin, which is hoped to enhance the Company's earning capabilities. Moreover, the Company is constantly recognized by large institutional investors. We grant the Company a valuation corresponding to 22x EPS in e2015, with a target price of HKD3.65, and a rating of "Buy".

Automobile & Air (ZhangJing)

This month I released 4 equity reports including CUCT (600358 CH), Geely (175 HK), and Poly Culture ((3636 HK). We prefer the CUCT. The future development strategic positioning of CUTC is reconstructed from the original single tourism business into multi-driven businesses including culture, sports, leisure and tourism. We believe that the Company's clear control and introduction of new management will help improve its governance structure and enhance operational efficiency, while the cultural and sports industry is constantly booming thanks to the national policy support and market focus. We are optimistic about the Company's new strategic focuses and its development prospects are worth looking forward to.

New energy & Environmental protection (ZhangKun)

We update five reports in this month, they are Concord NE (182.HK), China Everbright Int (257.HK), Longking ENV (600388.HK), Xinyi Solar (968.HK) and Dongjiang ENV (895.HK). We recommend Xinyi Solar, the Company takes a leading position in the industry of photovoltaic glass. In recent years, its production lines are constantly expanded. Additionally, benefiting from the installation rush, the Company's performance witnesses an immense growth. In the future, the Company will also develop new production lines in Southeast Asia and the PV installed capacity of the Company during the "13th Five-Year Plan" will remain stable. Therefore, we maintain the Company's target price of HK\$4.35 at the "Buy" rating.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommen dation Date	Target Price	Expecte d Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
2016-3-2	3888HK	Kingsoft	GH	Buy	15.46	21.8	41.01%	15.38	-0.52%	18.06	-14.84%
2016-3-4	182HK	Concord NE	ZK	Buy	0.355	0.65	83.10%	0.395	11.27%	0.335	17.91%
2016-3-8	600358 CH	CUCT	ZJ	NA	10.41	NA	NA	12.5	20.08%	10.12	23.52%
2016-3-9	257HK	Everbright Int	ZK	Buy	8.77	12.75	45.38%	8.7	-0.80%	8.27	5.20%
2016-3-11	268HK	Kingdee	GH	Buy	2.71	3.5	29.15%	2.57	-5.17%	2.49	3.21%
2016-3-14	175 HK	Geely	ZJ	Accumul	3.19	3.7	15.99%	3.86	21.00%	2.88	34.03%
2016-3-15	600388SH	Longking ENV	ZK	Buy	12.28	17	38.44%	12.71	3.50%	12.37	2.75%
2016-3-16	354HK	Chinasoft Intern	GH	Buy	2.64	3.65	38.26%	2.59	-1.89%	2.82	-8.16%
2016-3-18	3636 HK	Poly Culture	ZJ	Accumul	17.1	19.5	14.04%	17.74	3.74%	17.34	2.31%
2016-3-21	968HK	Xinyi Solar	ZK	Buy	2.79	4.35	55.91%	2.76	-1.08%	2.18	26.61%
2016-3-23	700HK	Tencent	GH	Accumul	158.1	182	15.12%	141.9	-10.25%	157.3	-9.79%
2016-3-24	175 HK	Geely	ZJ	Accumul	3.76	4.05	7.71%	3.86	2.66%	2.88	34.03%
2016-3-29	600566 CH	Jumpcan Pharr	GH	Buy	23.13	30.25	30.78%	22.96	-0.73%	23.44	-2.05%
2016-3-30	895HK	Dongjiang ENV	ZK	Accumul	10.7	12.6	17.76%	10.34	-3.36%	9.98	3.61%

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