

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Mainland Pharmaceuticals & Telecom (Fanguohe), Air, Automobiles (ZhangJing), Environmental protection (Wang Yannan), Property Development & Investment (John Wong)

Mainland Pharmaceuticals & Telecom (Fan guohe)

In July I released five equity reports including Yibai Pharmaceutical (600594.CH), Haohai Biological Technology (6826.HK), Shanghai Pharma (6826.HK), Kanion Pharmaceutical (600557.CH) and Livzon Pharmaceutical (1513.HK). Over the past three years, oseltamivir phosphate (Kewei) has recorded a growth of ten times. It is expected to maintain high growth in the future with factors such as the inclusion of granules into the national drug reimbursement list (NDRL) 2017 version and the market expansion of pediatric drugs. With the R&D support from the group and the affluent product reserves of HEC Pharm, insulin and hepatitis C drugs are expected to have subsequent growth. In addition, the reorganization of the company and the group A-share subsidiary Dongyang Guangke is also expected to receive support from A-share market funds. We give the company an estimation of 18x EPS in 2017 and a target price of HKD22.24, with the "Buy" rating maintained.

Automobile & Air (ZhangJing)

This month I released 4 equity reports including GBIA (600004 CH), Harmony Auto (3836 HK), Inovance Technology (300124 CH) and Minth (425 HK). For the long run, we prefer the Inovance Technology first. The company realized an income of RMB0.782 billion in 2017Q1, a year-on-year increase of 37.7%; net profit attribution stood at RMB0.172 billion, a year-on-year increase of 23.54%. Gross profit margin fell by 1.55 percentage points to 46.6%, mainly due to China's new energy vehicle market influenced by policy interference in the first quarter. As China's new energy vehicle market rebounded, we believe that from the second half of 2017, factors of perturbing gross profit margin to decline brought by new business will gradually vanish. The company's performance will return to high growth.

Environmental protection (Wang Yannan)

In July I released 4 equity reports, including Longma ENV(603686.SH), BJ ENV WATER(371.HK), CANVEST ENV (1381.HK), YUNNAN WATER(6839.HK). Beijing Enterprises Water Group affiliates to the state-owned enterprise Beijing Enterprises Group Company Limited. The Company's main business included water treatment services (sewage treatment + water supply), water environment governance and construction (comprehensive governance + BOT water services) and technical services. As at the end of 2016, the Company had 452 water plants, covering 25 provinces/autonomous regions/ municipalities directly under the Central Government in China and parts of overseas regions. Its total design capacity reaches 27,168,000 tons/day and the water handling capacity reaches 16.48 million tons/day. The scale ranks the top in China stably. The Company will maintain rapid development with the benefit from the release of PPP performance and the promotion of industry concentration. Furthermore, the widespread use of the light asset model of the PPP+ industry fund is expected to be a catalyst for boosting the Company's share price. We estimate that, from 2017 to 2018, the revenues of the Company will reach RMB24,545 million and RMB31,909 million, respectively; the net profits RMB 4,165 million and RMB 5,264 million, respectively; EPS RMB 0.48 and RMB 0.60, respectively. We give a target price of HKD7.68 and the rating "Buy".

Property Development & Investment (John Wong)

In July, I have issued 3 research reports on Kerry Properties (683.HK), Longfor Property (960.HK) and Champion REIT (2778.HK). In particular, Kerry Properties has sizable room for growth especially they have several major properties being completed in FY2017, including Martin Heights in Ho Man Tin and The Bloomsway in So Kwun Wat. Kerry Properties has started the pre-sales for these properties in FY2017 and they have achieved good results so far. As at 31/12/2016, Kerry Properties sold 39% and 79% of the units in Martin Heights and The Bloomsway respectively. According to the information released by the company, Kerry Properties achieved HK\$12.2Bn accumulated contracted sales in Hong Kong while it achieved HK\$14.2Bn accumulated contracted sales in China. This will provide assurance to the company's future result especially the one in FY2017. Besides, the company has a large investment property segment, bringing sizable recurring revenue and cash flow to the company. Moreover, there will be several large investment properties being added in the next few years, such as Shenyang Kerry Centre and the Shenzhen Qianhai projects, providing 5.7Mn square foot and 2.5Mn square foot of GFA respectively, thereby continuing to provide growth prospect to the company in the future. Therefore, we have assigned Kerry Properties a target price of HK\$33.60, equivalent to a `Buy` rating.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommendation Date	Target Price	Expected Return	July Closing Price	Last Month Return	June Closing Price	1M Price Chg
2017-7-3	600594 CH	Yibai Pharmaceutical	GH	Buy	15.28	20.3	32.85%	13.7	-10.34%	15.19	-9.81%
2017-7-5	600004 CH	GBIA	ZJ	Accumulate	19.29	22.18	14.98%	13.64	-29.29%	12.49	9.21%
2017-7-6	603686.SH	LONGMA ENV	YN	Accumulate	34.36	41.2	19.91%	31.95	-7.01%	34.4	-7.12%
2017-7-10	6826 HK	Haohai Biological Tech	GH	Buy	41.6	51.2	23.08%	41.5	-0.24%	42.4	-2.12%
2017-7-12	3836 HK	Harmony Auto	ZJ	Accumulate	3.78	4.1	8.47%	3.81	0.79%	3.73	2.14%
2017-7-13	371.HK	BJ ENV WATER	YN	Buy	6.07	7.68	26.52%	6.63	9.23%	6.06	9.41%
14/7/2017	683 HK	Kerry Properties	JW	Buy	26.4	33.6	27.27%	27.2	3.03%	26.5	2.64%
2017-7-17	2607 HK	Shanghai Pharma	GH	Accumulate	22.15	26.4	19.19%	21.05	-4.97%	22.83	-7.80%
2017-7-19	300124 CH	Inovance Tech	ZJ	Buy	23.71	32.4	36.65%	25.58	7.89%	24.56	4.15%
2017-7-20	1381.HK	CANVEST ENV	YN	Buy	4.16	5	20.19%	4.32	3.85%	4.09	5.62%
21/7/2017	960 HK	Longfor Property	JW	Accumulate	19	20.35	7.11%	19.92	4.84%	16.78	18.71%
2017-7-24	600557 CH	Kanion Pharmaceutica	GH	Buy	16.17	20.2	24.92%	16.23	0.37%	16.61	-2.29%
2017-7-26	425 HK	Minth	ZJ	Accumulate	37.55	41.45	10.39%	36.15	-3.73%	33.1	9.21%
2017-7-27	6839.HK	YUNNAN WATER	YN	Buy	3.48	4.6	32.18%	3.51	0.86%	3.43	2.33%
28/7/2017	2778 HK	Champion REIT	JW	Neutral	6.08	6.3	3.62%	6.1	0.33%	4.97	22.74%

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

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2017 Phillip Securities (Hong Kong) Limited

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