

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air, Automobiles (ZhangJing)
Environmental protection (Wang Yannan)
Healthcare, Consuming (Eurus Zhou)

Automobile & Air (ZhangJing)

This month I released 4 equity reports including SIA(600009 CH) , Yutong(600066 CH) , Weifu(000581 CH) , and Navinfo (002405 CH). Among which, we prefer the Weifu and SIA. On July 1, 2017, the National V Emission Standard was formally implemented for domestic heavy trucks around the country. On January 1, 2018, it will be implemented for light trucks as well. In addition, the National VI Emission Standard formally entered its preparation stage (predicted to be implemented in 2020); the post-treatment system of commercial vehicle will enter a period of favorable policies. It is expected that both the quality and price of products of Weifu will increase. The duty-free business contract of the Company will expire in March 2018, and the management has indicated that a new round of bidding plan is underway, and we expect that it will be started before the end of this year. It is expected that the commission percentage will increase from about 25% to 45%, greatly improving the result of the SIA.

Environmental protection (Wang Yannan)

In this month I released 3 equity reports, including Doongjiang ENV (895.HK), Kangda ENV(6136.HK) , Tus-Sound (000826.SZ). The Company spares no efforts to accelerate the expansion of newly constructed/increased hazardous waste treatment projects, coupled with rapid expansion of treatment scale. With the release of new capacity and concentration of market share to the dominant industry, it is expected that the main business of hazardous waste treatment will maintain high-speed growth. In addition, environmental facilities services and municipal business will make a significant complement to overall result. Also, the Company seizes the opportunity to launch PPP new business and focuses on expanding soil restoration, watershed management, urban pipe network and other new projects with the aim of creating new profit growth point and opening upward space for overall result. It is forecast that net profit of the Company in 2017 and 2018 will reach RMB506 million and RMB640 million, respectively; earnings per share (EPS) will be RMB0.57 and RMB0.72, respectively; the target price will be HKD14.0, with a Buy rating.

Healthcare & Consuming (Eurus Zhou)

This month I released 4 equity reports, including CSPC Pharma (1093.HK), Hop Hing Group (47.HK), China-TCM (570.HK) and Jumpcan Pharma (600566.SH). We tend to highly recommend China-TCM (1093.HK) and CSPC Pharma (47.HK). Both the companies reported solid growth in first half. For China-TCM, in first half the concentrated TCM granules distributed by medicine dispensing machine dramatically increased by 65.7% YoY in terms of revenue. Because it charges a high switching cost to the hospitals, we see that the company takes first-mover advantage in hospital market. The company completed the acquisition of two firms mainly focusing on TCM decoction pieces, which contributes to extension of up-stream business and ensure better control over raw materials for TCM granules production. As for CPSC Pharma, we think that in long run its core product NBP and oncology portfolio will serve as key drivers to boost sales volume, given the expanding sales network and wider hospital coverage.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommendation Date	Target Price	Expected Return	Last Month Closing Price	Month Return	Closing Price 2M ago	1M Price Chg
2017/10/4	600009.CH	SIA	ZH	Accumulate	37.98	44.35	16.8%	43.32	14.1%	38.01	14.0%
2017/10/12	600066.CH	Yutong	ZH	Accumulate	24.85	29	16.7%	25.25	1.6%	24.6	2.6%
2017/10/19	000581.CH	Weifu	ZH	Buy	25.21	30.58	21.3%	25.35	0.6%	24.4	3.9%
2017/10/27	002405.CH	Navinfo	ZH	Accumulate	25.19	29	15.1%	25.23	0.2%	25.62	-1.5%
2017/10/11	895.HK	DONGJIANG ENV	YN	Buy	11.46	14	22.2%	12.34	7.7%	11.62	6.2%
2017/10/18	6136.HK	KANGDA ENV	YN	Buy	1.99	2.87	44.2%	1.97	-1.0%	1.69	16.6%
2017/10/25	000826.SZ	Tus-sound	YN	Accumulate	37.1	41.2	11.1%	37.02	-0.2%	35.9	3.1%
2017/10/6	1093.HK	CSPC Pharma	EZ	Accumulate	13.54	14.45	6.7%	13.34	-1.5%	13.08	2.0%
2017/10/17	47.HK	Hop Hing Group	EZ	Accumulate	0.217	0.24	10.6%	0.224	3.2%	0.219	2.3%
2017/10/24	570.HK	China-TCM	EZ	Buy	4.42	5.7	29.0%	4.47	1.1%	4.3	4.0%
2017/10/30	600566.SH	Jumpcan Pharma	EZ	Accumulate	40.76	45.7	12.1%	40.67	-0.2%	36.85	10.4%

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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