

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

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

Automobile & Air (ZhangJing)

This month I released updated reports of Shanghai International Airport(SIA) (600009 CH) and SAIC (600104 CH), which got success by their unique Competitive edge.

Benefiting from the expansion of commercial space and the increase of the proportion of passengers of international airways after the full commissioning of the Terminal Building T1 Reconstruction Project, the revenue from the non-aeronautical business of SIA soared to be more than that of aeronautical business in 2017at one go. The duty-free business contract of the Company will expire in March 2018, and it is expected that the new commission percentage in the new round of bidding will rise from 25% to about 45%, greatly enhancing the revenue of non-aeronautical business. Moreover, after the S1/S2 satellite hall is completed and put into operation in 2019, the total covered area of terminal building will rise by 69%, the passenger throughput will exceed 80 million, and the resulting expansion of commercial space and increase of the number of consumers will be solid support for the next round of result growth of the Company.

Environmental protection (Wang Yannan)

In this month I released 3 equity reports, including Mapleleaf Edu(1317.HK) ,Longma (603686.SH) , MAN WAH (1999.HK) . There is still huge room for rise of the continuous increase of the number of enrolled students and tuition brought by educational consumption upgrading, providing the result growth with a strong driving force. Moreover, share allotment financing will accelerate the school expansion of the Company around the globe, resulting in share dilution. But the influence will be small. We expect the net profit of the Company in year 2018-2019 attributable to the parent company will be RMB515 million and RMB652 million, respectively, equivalent to EPS of RMB0.35/share, RMB0.44/share, respectively, and PE of 22/17times, respectively. Target price 11.3HKD and rating Accumulate is given..

Healthcare & Consuming (Eurus Zhou)

This month I released 3 equity reports, including Shanghai Pharma (2607.HK), Netdragon (777.HK) and CSPC (1093.HK). We tend to highly recommend CSPC (1093.HK) and Netdragon (777.HK). For CSPC, we highlight that it recorded notable revenue growth in 17Q3 (+24.9% YoY in RMB terms), and GPM increased by 8.3ppts (17Q3 58.46%, 16Q3 50.17%) due to rising share of innovative drugs which enjoyed higher profit margin. We are positive on bright outlook of innovative drug business. The management expect bottom line to maintain 20%-30% growth in 17E/18E. Besides, I initiate the report of Netdragon, the leading game developer, operator and publisher with education business to take off. We expect its game business to maintain stable growth, considering new mobile apps to be launched soon and continuously increasing ARPU. In terms of education segment, majority of education segment revenue is currently from international education business, of which consist of hardware sales while software do not create much cash until now. We predict that in short run, hardware distribution business will still serve as the cash cow; in long run, developed software products will cultivate a social e-commerce platform, after absorbing enough users and building high customer loyalty. We expect potential revenue of this platform to come from students, parents and resource suppliers and other users.

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 |
|-----------|-----------|-----------------|---------|------------|------------------------------|--------------|-----------------|--------------------------|-------------------|----------------------|--------------|
| 2018/2/5 | 1093 HK | CSPC | EZ | Accumulate | 17.06 | 19.4 | 13.72% | 17.72 | 3.87% | 17.12 | 3.50% |
| 2018/2/7 | 1317.HK | Mapleleaf Edu | YN | Accumulate | 9.51 | 11.3 | 18.82% | 10.14 | 6.62% | 9.79 | 3.58% |
| 2018/2/9 | 600009 CH | SIA | ZJ | Accumulate | 47.71 | 52.1 | 9.20% | 49.68 | 4.13% | 46.89 | 5.95% |
| 2018/2/13 | 777 HK | Netdragon | EZ | Buy | 17.9 | 23.8 | 32.96% | 19.82 | 10.73% | 20.9 | -5.17% |
| 2018/2/15 | 603686.SH | Longma | YN | Buy | 23.21 | 30.9 | 33.13% | 24.21 | 4.31% | 24.34 | -0.53% |
| 2018/2/21 | 600104 CH | SAIC | ZJ | Accumulate | 32.83 | 38.24 | 16.48% | 34.39 | 4.75% | 34.39 | 0.00% |
| 2018/2/23 | 2607 HK | Shanghai Pharma | EZ | Buy | 19.68 | 24.8 | 26.02% | 19.72 | 0.20% | 20.5 | -3.80% |
| 2018/2/27 | 1999.HK | MAN WAH | YN | Buy | 7.43 | 9.18 | 23.55% | 7.15 | -3.77% | 8.32 | -14.06% |

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>.

© 2018 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