

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

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

Automobile & Air (Zhang Jing)

This month I released updated reports of Air China (AC) (753HK) and Yutong (600066CH), which got success by their unique Competitive edge. The Chinese government is studying and formulating a new civil aviation pricing policy. First-tier cities will soon implement marketized fares for air routes and most large-scale air routes, which will be conducive to the restoration of the industry economy. Air China is expected to benefit deeply. According to the latest result, we revised our estimate 2018/2019 net profit of AC to be 10.17/13.865 billion RMB. “Accumulate” rating is given. Among the headwind, Yutong enlarged its market share and the bad debts will be partially reversed, which is helpful to the bottom-up of the FY2018 result. We forecast that the company’s EPS in 2018/2019 will be RMB1.72 and RMB1.9. We give “Accumulate” rating.

Environmental protection (Wang Yannan)

In this month I released 3equity reports, including Dongjiang (002672SZ),Tus-sound (000826SZ), Luenmei (600167SH). The development prospect of sanitation business of the Tus-sound company and cooperative development under the industry chain are optimistic. The company is now equipped with abundant funds and strengthened operation duration ability after the completion of directional private placement. We estimate, from 2018 to 2019, the net profit of the company will reach RMB1586/1980mn, respectively, EPS of 1.55/1.94, equivalent to a PE of 18.9/15.1. We give a target price of RMB37.2 and the Buy rating.

Healthcare & Consuming (Eurus Zhou)

This month I released 3 equity reports, including CMS (867HK), Yunnan Baiyao (000538SZ) and Jumpcan (600566SH). We tend to highly recommend CMS (867HK) and Jumpcan (600566SH). For CMS, we highlight that CMS reported strong 2017 results with decreasing expense ratios. Going forward, we highlight that current core products will grow stably in addition that expected progresses in pipeline may become possible explosive catalyst for stock price. For Jumpcan, we highlight that FY17 & 18Q1growth is very strong, PAOL and SGYX pill entered into Shandong PDRL in Mar. And sales network is intensified and R&D is going well. Meanwhile, the company issued convertible bonds to fund capacity expansion, which is believed to pave way for future growth.

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
2018/04/13	753.HK	AC	ZJ	Accumulate	10.60	11.9	12.26%	10.10	-4.72%	10.00	1.00%
2018/4/23	600066.CH	Yutong	ZJ	Accumulate	21.65	25.0	15.47%	20.48	-5.40%	22.36	-8.41%
2018/04/11	002672.SZ	Dongjiang	YN	Buy	14.89	19.4	30.15%	14.81	-0.54%	15.18	-2.44%
2018/04/19	000826.SZ	Tus-sound	YN	Buy	29.32	37.2	26.88%	-	-	28.45	-
2018/04/27	600167.SH	Luenmei	YN	-	24.00	-	-	23.69	-1.29%	25.73	-7.93%
2018/04/09	867.HK	CMS	EZ	Buy	17.82	22.0	23.29%	19.14	7.41%	17.82	7.41%
2018/04/17	000538.SZ	Yunnan Baiyao	EZ	Accumulate	96.22	112.0	16.40%	94.75	-1.53%	99.00	-4.29%
2018/04/25	600566.SH	Jumpcan	EZ	Accumulate	47.86	51.6	7.81%	50.26	5.01%	45.98	9.31%

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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