

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air, Automobiles (ZhangJing),
Healthcare & Consuming (Eurus Zhou),
TMT, Education and Financial (Terry Li)

Automobile & Air (ZhangJing)

This month I released 4 reports including 3 updated reports and 1 NDR takeaways: GreatWall Motor (2333. HK), BYD (1211. HK) , Geely (175. HK), FDG (729. HK). Among which , we prefer Geely.

There are four models of Geely with a monthly sales volume of over 10,000 in 2017, two of which reported a sales volume of over 20,000. Since the beginning of 2018, the main models remain attractive and the newly launched models are gaining popularity step by step. It is expected that the number of models with a monthly sales volume of over 10,000 will increase to 5 or 6, and the number of models with a sales volume of over 20,000 will increase to 3. We believe that Geely will continue to be benefited from the dividends generated by successful strategies. The Company shows advantages in epitaxial leapfrog development and export market. Several times of increases in the management's holdings also demonstrate its considerable confidence. In terms of valuation, we increase the profit forecast, adjusting our target price to HK\$36, equivalent to 18/13 P/E ratio in 2018/2019, and we shall give the rating of Buy.

Healthcare & Consuming (Eurus Zhou)

This month I released 3 equity reports, including SPH (2607HK), CSPC (1093HK) and Netdragon (777HK). We tend to highly recommend Netdragon 777HK) and SPH (2607HK). Netdragon, a leading online education firm, announced the acquisition of EDMODO (a global education online platform to K-12 schools) with a consideration of USD137.5mn. We are positive on the synergies among Netdragon's current products (education software and hardware) and EDMODO's large user base, which is believed to form great monetization potential in future. For SPH, it announced FY17&18Q1 results, beat our expectation. We see that momentum of manufacturing maintains strong and growth of retail business steps up. We highlight that consistency evaluation provides future driver. China government published policies to facilitate the replacement of original imported drug with generic drug. It indicates that qualified generic drugs should be included into public purchase lists and be paid just as original drugs. We highlight that passing the evaluation will increase sales volume and ASP in future.

Education (Terry Li)

I released a report on China New Higher Education Group in this month. The group is a leading higher education operator in China, with six schools in Yunnan, Guizhou, Xinjiang, Heilongjiang, Hubei, Henan, and one under construction in Gansu. Thanks to the robust economic growth in China and the universal in higher education, we believe the demand on higher education will become higher. Although the number of candidate for Gaokao has peaked in 2008 due to the low birth rate, some provinces still record increasing candidates for Gaokao, where four out of seven schools for the group are located in such provinces. Thus, we are positive to the growth in student enrollment for the group in the next two or three years.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recom mendati on Date	Target Price	Expect ed Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
2018/5/4	2333 HK	GWM	ZJ	Accumulate	8.22	9.6	16.79%	7.75	-5.72%	8.02	-3.37%
2018/5/9	2607 HK	Shanghai Pharma	EU	Accumulate	21.8	25.5	16.97%	23.2	6.42%	21.55	7.66%
2018/5/14	1211 HK	BYD	ZJ	Accumulate	52.05	60	15.27%	50.75	-2.50%	55.15	-7.98%
2018/5/16	1093 HK	CSPC	EU	Accumulate	22	24.8	12.73%	24.75	12.50%	20.2	22.52%
2018/5/18	175 HK	Geely	ZJ	Buy	23.2	36	55.17%	22.75	-1.94%	21	8.33%
2018/5/23	777 HK	Netdragon	EU	Buy	19.6	35.7	82.14%	20.4	4.08%	18.99	7.42%
2018/5/25	2001 HK	China New Higher Educator	TE	Accumulate	7.3	8.19	12.19%	7.46	2.19%	5.82	28.18%
2018/5/29	729 HK	FDG	ZJ	NA	0.165	NA	NA	0.166	0.61%	0.248	-33.06%

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

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