

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air, Automobiles (ZhangJing)
Healthcare, Consumer (Eurus Zhou)
TMT, Education (Terry Li)
Retail, Property (Tracy Ku)

Automobile & Air (ZhangJing)

This month I released 4 reports including 3 updated reports and 1 NDRR takeaways: Inovance Technology (300124. CH) · Cathay (293. HK) · Joyson (600699. CH) and Huazhong In-vehicle. Among which , we prefer Cathay. In the first five months of 2018, Cathay Pacific`s operating data showed that the passenger load factor of the mainland China and North America routes increased by 2.2 and 2.5 ppts respectively, while the passenger load factor of the Australia/Europe/South Asia route decreased by 2.5-3.4 ppts. Except mainland Chian routes, other routes are basically in line with the distribution of capacity. For the cargo business, the F L/F rate increased by 2 ppts to 67.8%, and demand growth continued to be stronger than capacity. So we expect overall demand of Cathay to recover moderately, while cost reductions continue to work, but rising financial expenditure might erode some of the savings. Based on the latest profit forecast, we will give the company a 12-month target price of HK\$14.3, corresponding to an expected P/B of 0.9/0.85 times for 2018/2019, and upgrade to the "accumulate" rating.

Healthcare & Consuming (Eurus Zhou)

This month I released 4 equity reports, including Yunnan Baiyao (000538SZ), CSPC (1093HK), Anta (2020HK) and Jumpcan (600566SH). We tend to highly recommend CSPC (1093HK) and Jumpcan (600566SH). On CSPC, the company reported 18Q1 topline growth of 55% (HKD5.39bn) and lower operating income growth of 41%. This is due to rising selling expenses and increasing R&D investment, which led to operating margin drop by 2ppts. While net profit maintains proportionated growth of 42%, we expect the company to achieve good results in first half. On Jumpcan, we highlight that three products entered into the drug integration list of Hunan Province. Recently, the Ministry of Human Resources and Social Security of Hunan Province issued a notice to clear the 164 drugs as drugs for the transition period of the integration of urban and rural residents` medical insurance system. The related drugs are implemented in accordance with the category B drug management in accordance with PDRL. Jumpcan`s three drugs (Iron Proteinsuccinylate Oral Solution, Chuanqiong Qingnao Granules, Huanglong Kechuan Capsule) are included in the drug list of transition period and can apply for reimbursement according to 2018 PDRL, which will facilitate products sales.

TMT & Education (Terry Li)

I released two reports including China Maple Leaf Education (1317.HK) and Wisdom Education (6068.HK). We highly recommend Wisdom Education. Wisdom is operating 7 schools in Dongguan, Huizhou, Jieyang, Weifang, and Panjin and providing private premium education for PRC curriculum programmes, including elementary, middle, high schools. The Group will focus on developing in the Guangdong province, so that it can be benefited from the Guangdong-Hong Kong-Macao Greater Bay Area. Besides, the rise of middle class in China is believed to bring demand for private premium education. Wisdom is able to cope with the upcoming demand, as there are still rooms to

expand its schools. And, Wisdom has financed 500 million RMB from Ping An, making it capable of executing M&A in the future.

Retail, Property (Tracy Ku)

This month I released the first coverage reports of two listed companies, namely Hengan (1044.hk) and Lifestyle International (1212.hk). The two companies are the market leaders in mainland paper and Hong Kong department store industries respectively. The negative impact from e-commerce to Hong Kong's department store industry is not as big as that in mainland. Hong Kong has a small geographical scale and convenient transportation networks, consumers are used to shopping in physical stores. Lifestyle operates two Sogo Department Stores in Causeway Bay and Tsim Sha Tsui. During the last Thankful Week event in May, record-breaking sales have also been able to achieve as previous years. We expect Lifestyle's overall revenue to record a double-digit growth this whole financial year and perform better than the overall HK retail market performance. The recent trade disputes between China and USA has caused the stock market and RMB rate fluctuating, this may have negative impacts on HK's retail market. However, infrastructure projects like HK-Zhuhai-Macao Bridge and Express Rail Link will be put into service within the year, we expect can help to bring more Chinese tourists and visitors to HK which will be able to offset some of the negative impacts.

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
2018/07/06	300124.CH	Inovance	ZJ	Accumulate	30.79	32.55	5.72%	27.98	-9.13%	32.82	-14.75%
2018/07/13	293.HK	Cathay	ZJ	Accumulate	12.08	14.3	18.38%	11.88	-1.66%	12.34	-3.73%
2018/07/20	600699.CH	Joyson	ZJ	Accumulate	25.78	29.7	15.21%	26.60	3.18%	25.69	3.54%
2018/07/27	6830.HK	Huazhong In-vehicle	ZJ	N/A	1.42	N/A	N/A	1.47	N/A	1.43	2.80%
2018/07/03	000538.SZ	Yunnan Baiyao	EZ	Accumulate	104.03	112.0	7.66%	101.02	-2.89%	105.37	-4.13%
2018/07/09	1093.HK	CSPC	EZ	Accumulate	21.4	24.8	15.89%	21.35	-0.23%	23.7	-9.92%
2018/07/17	2020.HK	Anta	EZ	Accumulate	42.8	47.3	10.51%	41.75	-2.45%	41.55	0.48%
2018/07/24	600566.SH	Jumpcan	EZ	Neutral	49.95	51.6	3.30%	49.67	-0.56%	48.19	3.07%
2018/07/05	1317.HK	China Maple Leaf	TL	Accumulate	7.15	7.84	9.65%	7.07	-1.12%	7.07	0.00%
2018/07/18	6068.HK	Wisdom	TL	Accumulate	6.90	7.81	13.19%	7.38	6.96%	6.85	7.74%
2018/07/09	1044.HK	Hengan	TK	Accumulate	75.05	80.5	7.26%	69.3	-7.66%	75.5	-8.21%
2018/07/18	1212.HK	Lifestyle	TK	Accumulate	15.26	17.2	12.71%	15.9	4.19%	16.64	-4.45%

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