

# Report Review of April 2019

## Hong Kong | INVESTNOTES REPORTS REVIEW

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### Sectors:

Air, Automobiles (ZhangJing)

TMT, Education, Finance (Terry Li)

### Automobile & Air (ZhangJing)

This month I released 4 updated reports of SIA (600009.CH), Air China(AC) (753.HK), Jonjee Hi-Tech (600872.CH) and China Eastern Airlines (670.HK), which got success by their unique Competitive edge. Among them, we prefer SIA first.

Unlike the restricted aeronautical business, the SIA's non-aeronautical business recorded a sustained rapid growth up to RMB5.34 billion, with a surge of 23.2% yoy. Wherein, the commercial rental revenue increased by 33% yoy, up to RMB3.986 million, mainly benefiting from the increased proportion of international tourists with stronger consumption intention and the Company's sustained management, site optimization and adjustment of commercial retail brands. Of the commercial rental, over RMB3.5 million are from duty-free stores, the total volume and per customer transaction (RMB300/per customer) of which both recorded a rapid growth, with a growth rate of around 40% and 20% yoy, respectively, reflecting that duty-free stores in Pudong Airport were becoming a shopping hotspot for international routes passengers.

### TMT, Education & Finance (Terry Li)

I released four reports on Travelsky Technology (696.HK), HC Group (2280.HK), China Education Group (839.HK) and China Maple Leaf Education (1317.HK). We highly recommend China Education Group. On Mar 20, the Group has announced to acquire the remaining 49.09% equity interest of Quancheng University at a total consideration of RMB 223 million. Quancheng University is located in Penglai city, Shandong province, and the Independent college of Jinan University. Among those independent colleges in Shandong, the admission marks for bachelor-degree in 2018 (science track) were the highest, 454. Besides, the tuition of the bachelor-degree program was only RMB 11,000, lower than the average of private universities and independent colleges in Shangdong (RMB 13,500), meaning there will still be room to grow. Finally, the utilization of the school was just 86%, and the remaining space available can further accommodate about 1,400 students. The maximum capacity of the campus is approximately 23,000 students more after the renovation and building new dormitories. Thanks to the potential increase in tuition and student enrollment, we believe it is a satisfactory acquisition target. Besides, on Mar 21, the Group announced the issuance of a HK\$2,355 million five-year convertible bond with an annual interest rate of 2% and a conversion price of HK\$14.69 per share. The previous gearing ratio target the Group provided was 40%-50%. We expect the gearing ratio will reach 35%-40% after this issuance of bonds, implying that there will still be room for further financing. In addition, as it is the convertible bonds to be issued, the gearing ratio may reduce once the conversion is done, enabling the Group for another financing. Assuming the acquisition price of a new school takes RMB 600-700 million, the capital financed will be enough for acquiring 3 new schools.

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
2019/04/11	753.HK	AC	ZJ	Accumulate	10.24	11	7.42%	9.35	-8.69%	9.66	-3.21%
2019/04/18	600872.CH	Jonjee Hi-Tech	ZJ	Accumulate	34.21	37.3	9.03%	36.05	5.38%	36.59	-1.48%
2019/04/25	670.HK	CEA Travelsky Technology	ZJ	Accumulate	5.47	6	9.69%	5.57	1.83%	5.57	0.00%
2019/04/09	696.HK	TE	TE	Buy	19.70	25.47	29.29%	20.15	2.28%	20.75	-2.89%
2019/04/15	2280.HK	HC Group China Education	TE	Buy	4.33	5.79	33.72%	4.00	-7.62%	4.24	-5.66%
2019/04/24	839.HK	Group China Maple Leaf Education	TE	Accumulate	13.06	15.50	18.68%	12.14	-7.04%	11.94	1.68%
2019/04/29	1317.HK	TE	TE	Reduce	4.24	3.78	-10.85%	3.66	-13.68%	3.78	-3.17%

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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Contact Information (Regional Member Companies)

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**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](http://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](http://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](http://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](http://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](http://www.kingandshaxson.com)

**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](http://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](http://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](http://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](http://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

**AUSTRALIA**

**PhillipCapital Australia**

Level 12, 15 William Street,  
Melbourne, Victoria 3000, Australia

Tel (613) 96188238

Fax (613) 92002272

Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)