

Report Review of April. 2020

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air & Automobiles (Zhang Jing),

Automobile & Air (ZhangJing)

This month I released 4 updated reports of SIA (600009.CH), Tianneng Power (819.HK), Yongda (3669.HK), and Weichai (2338.HK), which got success by their unique Competitive edge. Among them, we highly recommend Tianneng Power and Yongda.

Tianneng Power's 2019 revenue and net profit increased by 17% and 42%, respectively. Basic EPS were RMB1.49. The proposed final dividend was HKD0.39 per share. The dividend payout ratio reached 23%. In 2019, the Company's market share in the domestic lead-acid battery of light electric vehicle has exceeded 44%, more than 3 pts higher than in 2018. In H1, due to some changes in the industry policies, customers' wait-and-see attitude led to a drop in the demand for the lead-acid battery. With further integration in the industry, the demand recovered in H2, resulting in a better sales situation than in H1. Battery sales revenue increased by about 25% hoh and the net profit doubled to RMB1.14 billion hoh. The full-year profit contribution was RMB1.71 billion. With the increasing requirements of environmental protection in domestic, the concentration of the lead-acid battery industry will continue to improve. As the leading enterprise, Tianneng Power's "cash cow" — lead-acid battery business will remain stable. The Company plans to spin off the subsidiaries and list on the Sci-Tech innovation board in Shanghai. We believe that current valuation near a decade low, which does not reflect the company's leading position in domestic lead-acid battery market and expectation of stable growth. For valuation we cut our target price to HK\$8.51 to reflect the possible challenge of the Company, maintain a Buy rating.

The revenue of Yongda Automobiles was RMB62.71 billion in 2019, up 13.4% yoy; the profit attributable to shareholders stood at RMB1.473 billion, up 17.6% yoy, with the EPS of RMB0.8. In 2019, the sales volume of the premium cars in China increased against the trend. Benefiting from the prosperity in the premium cars market and channel expansion, the Company's overall sales volume of new cars was up 11.6% yoy to 197,400, with the sales volume of the premium cars up 15.5% yoy to 128,600, faster than the industry average of 9.7%.

By the end of 2019, the number of dealerships increased to 208, with a net increase of 14. Among them, there was 119 luxury brands, which had a net increase of 8. The number of those who had got licenses was 12. Within the year, there was 13 new self-built dealerships and 6 by mergers and acquisitions, including luxury brands as Porsche/Mercedes-Benz/Lexus/Volvo/Lincoln/Aston Martin as well as the new energy brands like Tesla/WM/Xpeng/Byton. The outbreak affected the sales in the first quarter, but now, as things get better, the Company is rapidly recovering orders and store visitors, and is expected to return to normal levels in the past in April. In view of the favourable factors such as the newly acquired stores, the increased license plate quota in Shanghai and the support policies of the automobile manufacturers, the management still maintains the original operational objectives.

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 |
|----------|-----------|----------|---------|------------|---------------------------------|-----------------|--------------------|--------------------------------|-------------------------|----------------------------|-----------------|
| 20200406 | 600009 CH | SIA | ZJ | Accumulate | 62.54 | 70 | 11.93% | 70.7 | 13.05% | 60.81 | 16.26% |
| 20200415 | 819 HK | Tianneng | LD | Buy | 6.64 | 8.51 | 28.16% | 7.55 | 13.70% | 5.77 | 30.85% |
| 20200421 | 3669 HK | Yongda | ZJ | Buy | 6.8 | 8.6 | 26.47% | 7.86 | 15.59% | 6.33 | 24.17% |
| 20200427 | 2338 HK | Weichai | ZJ | Accumulate | 13.84 | 15.6 | 12.72% | 13.56 | -2.02% | 12.48 | 8.65% |

A stock is calculated by RMB yuan.

Source: 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>.

© 2020 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 10, 330 Collins Street
Melbourne VIC 3000
Tel (+61) 3 8633 9803
Fax (+61) 3 8633 9899
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