

Research Highlights

1. Decision Point: Will Germany stay the course or reverse direction on austerity?

[Lynn Song] Overview: Germany heads to the polls for its parliamentary election on the 22nd when Angela Merkel's CDU/CSU and FDP coalition seeks re-election with the Peer Steinbrück led SPD and Green coalition representing their biggest challenge. With the backdrop of a Eurozone that appears to be in remission but still carries the same issues that plagued it during the peaks of the debt crisis, the German people take to the polls in what is seen as a judgment on the handling of the economy amid a debilitating debt crisis to date.

Core views:

1. Overall, Germany is in the best position of the major Eurozone economies. The three key European structural problems, namely unemployment, competitiveness, and high levels of government debt, are at relatively healthier levels in Germany than in most of the other Eurozone economies. Though it is likely growth will moderate slightly in 2H13, we continue to expect Germany to remain the driver of growth in the Eurozone and maintain a modest positive growth.

2. Coalition system creates many theoretical outcomes, but history and circumstance strongly suggest that only three possibilities merit consideration. Ranked by likelihood, these are: 1) CDU/CSU and FDP, the "status quo coalition" led by Merkel; 2) CDU/CSU and SPD "grand coalition" with Merkel as Chancellor but Steinbrück or other SPD leader as finance minister; and 3) SPD / Green "coalition for change" led by Steinbrück. Recent opinion polls, strong performance of economic indicators in Germany, a sense of calm in the Eurozone at large, and an aversion to risk in the electorate have shaped our views. We expect the CDU/CSU has a very high chance of remaining in power. Our view is that a winning coalition of the CDU/CSU and FDP is slightly likelier than the grand coalition of the CDU/CSU and SPD.

3. Domestically, we expect the overall policy direction to remain focused on fiscal consolidation, and the "debt brake" of -0.35% of GDP to be honored. Tax hikes on large corporations may be implemented but other major taxes are unlikely. Germany is likely to promote investment in transportation and manufacturing infrastructure. A CDU/CSU and FDP victory would result in limited policy initiatives due to the coalition not having a majority in the upper house.

4. Regionally, we view that a Merkel-led Germany will convince the Eurozone to stay the course with austerity, but also will ease austerity given the building austerity fatigue in the region. Germany will remain pro-Europe and retain its leadership role in the region. In terms of structural issues, Germany still will not accept the Eurobonds in the coming years. The progress towards building a true banking union will be stunted on German reluctance, most likely resulting in some "half measures" marking an incremental step towards but not reaching a full banking union.

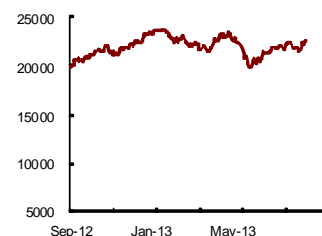
5. "Slow but steady" will be the policy motto for Europe moving forward as the region's economies continue to balance growth with fiscal consolidation and structural reforms. Our view is that the German elections will result in Europe staying the course for austerity.

HK Indices	Last price	chg	% chg
HSI	22,621.22	23.25	0.10
Finance	31,535.69	66.98	0.21
Properties	29,629.88	-105.3	-0.35
Utilities	50,226.51	-364.9	-0.72
Commerce&Industrv	13,150.48	25.92	0.20
HSCEI	10,334.07	-4.82	-0.05
HSCCI	4,324.43	-4.74	-0.11
HKSPGEM	412.45	1.62	0.39

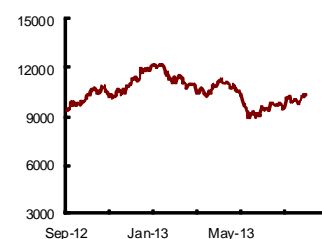
World Indices	Last price	chg	% chg
FTSE 100	6,547.33	14.89	0.23
DAX 30	8,275.67	40.69	0.49
CAC 40	4,049.19	42.39	1.06
DJIA	14,922.50	-14.98	-0.10
S&P500	1,655.17	0.09	0.01
Nasdaq Composite	3,660.01	1.23	0.03
Nikkei 225	13,860.81	-204.01	-1.45

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,955.31	3.66	0.19
TWSE	8,164.20	-4.90	-0.06
STI	3,048.35	8.90	0.29
India BSE 30	19,270.06	290.30	1.53
S&P/ASX 200	5,144.99	2.48	0.05

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

2. China Oil & Gas Group (00603.HK) - Shareholders' "share" in profit declines. Maintain "Neutral"

[Michael Yuk] China Oil & Gas (COG), whose only significant asset is a 51% holding in CCNG (a former CNPC subsidiary) reported just a 2.9%YoY increase in 1H13 shareholders' profit (to HK\$156.6mn), while profits attributable to minority interests (MI) surged 58.9%YoY to HK\$250.4mn.

1) Greater reliance on gas connection fees After surging 231%YoY to HK\$442mn during 1H13, gas pipeline & connections fees now contribute more than two-thirds of operating profit and 90% of profit growth, despite accounting for just 15.4% of sales. We may see a more bumpy earnings profile down the road since this segment is more affected by changes in government policies.

2) HK\$38.5mn mark-to-market loss, but financial assets increase COG made a mark-to-market loss of HK\$38.5mn on its publically traded securities during 1H13 (equivalent to 7.5% of operating profit). Yet, LT & ST financial assets increased to HK\$755mn (+14% vs. 2012 year-end) as it added more corporate bonds to its portfolio. Mark-to-market losses could rise further if market conditions turn for the worse.

3) Structural change in shareholder's profits Despite NI increase by 31%YoY to HK\$407.1mn, profit attributable to shareholders only increased 2.9%YoY to HK\$156.6mn as shareholders' stake in earnings declined to 38.4% versus 49.1% during 1H12. Excluding the "one-time" losses, shareholders' stake in profits still declined to approximately 45%. We believe a 43:57 profit split between COG shareholders and MI will be the new norm going forward as a greater proportion of new gas projects, which have lower profitability, are directly under the parent rather than CCNG.

4) Valuation We lower our TP to HK\$1.20/share (from HK\$1.45/share), after adjusting our earnings split assumption from 51% to 43% while applying a 16x mid-cycle valuation to our FY13 EPS. Maintain "Neutral".

Macro Monitor

1. Eurozone week in review

Last week's Eurozone data releases did not contain any major surprises. As we expected, the ECB kept its benchmark interest rate unchanged at 0.5%, and deposit facility rate at 0.0%. We have seen there is limited space for monetary policy maneuvering; the ECB has little room to cut its benchmark interest rate. There were also no notable changes in the second publication of the 2Q13 GDP data; the growth rate of 0.3% QoQ was confirmed. After 1Q13 growth was revised down, 2Q13 government expenditures, gross fixed capital formation, and household consumption rose on a QoQ basis by 0.4%, 0.3%, and 0.2% respectively. July Eurozone retail sales edged up 0.1% MoM, showing the stabilization observed in early 3Q13. August Eurozone composite PMI moderated slightly to 51.5, down 0.2 ppt from July's 51.7.

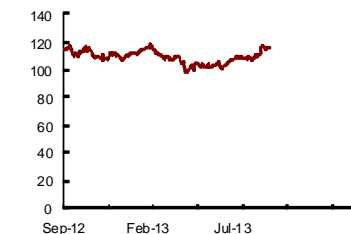
In line with our forecasts, we can see the first signs of moderating growth in Germany. July factory orders fell -2.7% MoM, and YoY growth slowed to 2.0% from 4.3% in June. August manufacturing PMI also declined slightly to 51.8 from 52.0. July exports also fell 1.1% MoM SA, reflecting reduced Eurozone demand. July IP also slowed, contracting 1.7% MoM and 2.2% YoY, down from positive values in June.

Macroeconomic indicators out this week include the CPI data for Germany,

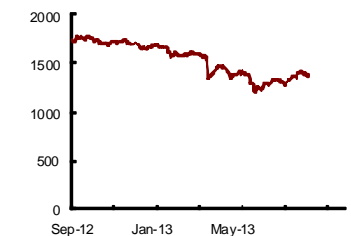
Global Commodity	Last price	chg	% chg
Brent Oil	115.45	-0.18	-0.16
Gold	1,388.0	-3.80	-0.27
LME Aluminum	1,824.0	26.00	1.45
LME Copper	7,160.0	52.00	0.73
BDI	1,352.0	73.00	5.71
API Coal	83.90	-0.05	-0.06

Exchange /Bond Market	/Currency	Last price	chg	% chg
USD/RMB		6.17	0.00	0.00
USD/HKD		7.76	0.00	0.00
1-YR RMB NDF		6.23	0.00	0.00
EUR/USD		131.75	0.06	0.05
3-M Libor		0.52	0.00	0.00
3-M Shibor		4.66	0.00	0.00
10 YR US T-Note Yield		2.93	-0.06	-2.01

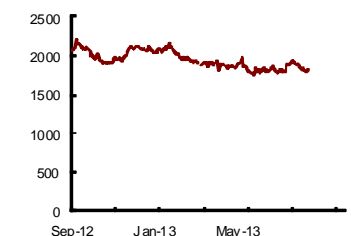
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

Italy, and France, and Eurozone industrial production. **(Lynn Song)**

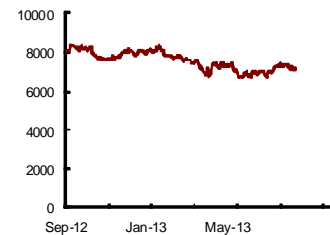
2. U.S. employment rises again in August

The US added 169,000 new jobs in August, fewer than expected by many analysts. The unemployment rate fell to 7.3%, down from 7.4% in July, the lowest level since December 2008. But the US Labor Department said this was because more Americans stopped looking for work. It comes ahead of the September meeting of the US Federal Reserve, at which policymakers are widely expected to begin cutting stimulus measures.

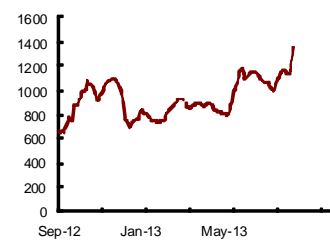
The monthly jobs figures are one of the most closely watched US economic indicators. The Fed is buying \$85bn in assets every month as a way of supporting the economy, but senior figures at the reserve bank have already indicated their intention to roll back the programme in the coming months. **[BBC]**

Comments: August payrolls in the U.S. rose less than forecast. Unemployment rate dropped due to the lower labour force participation rate. Moreover, previously reported payroll jobs gains for June and July were revised downward by a total of 74,000 for the two months. Job creation averages 160,330 per month since March. Weaker-than-expected job data adds to the uncertainty of when the QE tapering starts, implying lower possibility for the Fed to start downsizing in September. We believe that in the context of budget and debt ceiling negotiation uncertainties, as well as the Syria situation, the first tapering will not be of large scale. And the Fed will make further moves based on the economic data bi-directionally. We maintain our view that the negative impact on the economy caused by the first QE tapering will be limited, as long as the Fed does not change its forward-looking guidance for the low interest rate. [Qing LI]

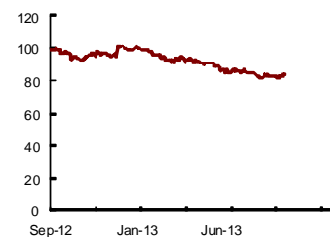
LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

Company Comments

1. Geely Auto (175.HK) - August sales volume increased by 17% YoY, in line with market expectation

The total sales volume of Geely in August 2013 was 35,317 units, an increase of approximately 17% YoY and up approximately 4% from July 2013. The total sales volume in the first eight months of 2013 was 332,783 units, up 18% YoY and achieving 59% of the full year sales volume target of 560,000 units in 2013. The exports volume was 9,313 units in August 2013, up around 7% YoY. During August 2013, the total sales volume in China market was 26,004 units, an increase of around 21% YoY. Emgrand EC7 recorded total sales volume of 13,176 units, up 54% YoY. SUV segment contributed by GX7 and SX7 recorded total sales volume of 4,537 units in August. **[Company Announcement]**

Comments: The August sales results rebounded from the bottom in July and maintained stable YoY growth of 17% which was in line with our expectation. EC7 maintained strong YoY growth, but we did not see strong MoM growth in the SUV segment. As we emphasized in our report issued in August, Geely recorded solid sales growth in the last eight months and the earnings growth was strong. And more importantly, it is unreasonable for investors to have high expectations for Geely's SUV business given its limited development and manufacturing experience in this field. We believe the monthly sales volume in Sep-Oct will remain strong due to the peak season

effect. We estimate Geely's 2013-2015 EPS to be RMB0.33, 0.39, 0.41, with 12-month TP of HK\$5.40 and BUY rating. (Colleen Li)

2. Greatwall Motor (2333.HK) - SUV maintained strong growth; total sales volume decreased by 1% MoM

Greatwall Motor's total sales volume in August was 56,664 units, up 26% YoY, and down 1% MoM. SUV, pick-up and sedan car recorded sales volumes of 37,058 units, 9,450 units and 10,156 units, representing YoY growth rates of 55%, -12% and -1% respectively. [Company Announcement]

Comments: SUV sales remained strong with YoY growth of 55%, which was in line with market expectation. However, we saw pick-up and sedan's sales volumes decreased more in August compared with July. In July, pick-up recorded -2% YoY growth and sedan car recorded 5% YoY growth, but these two segments' volumes decreased 12% and 1% respectively in August. Finally, the total sales volume in August was lower than that in July and missed market expectation. Our 2013-2015E earnings estimation is RMB2.78, 3.41 and 3.74 per share, with 12-month TP of HK\$38.62 and Neutral rating. (Colleen Li)

A-share Research Highlights (CMS Research Center)

1. Environmental protection industry – Sensitivity to policy reduced, focus on industry leaders already corrected

[Zhang Chen and Peng Quangang, September 5, 2013] There is a lack of catalysts for the sector's gains. Focus on two leading companies that have seen considerable correction. The major event in the environmental industry in September is the long-anticipated launch of policies including the Air Pollution Prevention and Treatment Initiative. Apart from that, there is no new catalyst that could beat expectation for the industry at the moment. In fact, many environmental companies have not seen significant share price declines, so the sector could face a period of further correction. However, Sound Environmental and Beijing Originwater Technology, the two leading players, have experienced considerable correction recently. We suggest paying attention to the two companies, whose valuation is now attractive from the perspective of long-term value. The environmental sectors' 2013E P/E was 38.6x, down from the prior month but still ranking No. 1 among all industries. The average P/B ratio of the sector was 4.7x, still the highest among all industries.

In August, the environmental industry continued to embrace a slew of newly-launched positive policies, but the market became much less sensitive to them. Environmental companies have released their interim results, reporting earnings growth that was basically in line with expectation. However, there were widespread problems in the industry like the increase in accounts receivable and the decrease in gross margins. Companies related to air pollution treatment did not recognize sizable incomes in interim results yet. China is developing the energy conservation and environment protection industry at a faster pace with an increasingly mature environment-friendly electricity pricing mechanism. On August 11, the State Council issued an opinion on accelerating the development of the energy conservation and environment protection industry, pointing out that the industry's output value should grow at an annual rate of over 15% to RMB4.5 trillion by 2015, making it a pillar industry in China's economy. In late August, the NDRC said it would raise a renewable-energy surcharge, a subsidy for power plants on denitration

and a subsidy for power plants to cut dust emissions, to support the development of renewable energy and encourage coal-fired power plants' related efforts to improve air quality.

2. Vanke (000002) sales August YTD exceeded RMB100bn, still keen on acquiring land

[Liao Shuang, September 5, 2013] We estimate China Vanke's EPS to be RMB1.43, RMB1.74 and RMB2.02 in 2013, 2014 and 2015 respectively, based on our judgment of the industry and the company's operating situation. We set a share price target at RMB14.3, assuming 10x dynamic 2013 P/E. We maintain its "Strong Buy-A" investment rating.

The company's aggregate sales area in the first eight months of the year was 9.68 mn sq m, with sales revenue of RMB112.9 bn, up 21% and 34% YoY respectively. Sales remained solid in August. Annual sales are expected to reach RMB170 bn this year, up 20% from 2012. In August, Vanke's contracted sales area was 1.33 mn sq m, with sales revenue of RMB15.3 bn, up 13% and 9% respectively from July, while up 27% and 35% from a year earlier. September and October are traditional high season for the company's property sales. Annual transactions are expected to remain strong, given Vanke's advantages in reasonable pricing (to help with destocking), scientific structure (to cater to market demands) and wide geographical allocation (to offset local risks). The company was also making major efforts in land acquisition to be prepared against want. Vanke continued its active land acquisition strategy in August, adding seven new projects mainly in first- and second- tier core cities with total equity land price of RMB5.4 bn. In the first eight months of the year, the company added 65 new projects with total increment of land area of 7.06 mn sq m, planned attributable gross floor area of 19.41 mn sq m, total land price of RMB58.9 bn, and equity land price of RMB46.6 bn. The company kept increasing its land reserves. The related increase in expenditure necessitated stronger revenue collection and an aggressive sales strategy. Vanke did not relent its land acquisition efforts in September: it completed the acquisition of four commercial-residential land plots in Daning Village (Humen Township of Dongguan), and acquired three plots in Liuxiandong Headquarters Base (Nanshan District of Shenzhen) with RMB5.399 bn, a record price level for industrial land in Shenzhen.

What to Watch

Economic Data	HK: Nil US: Nil		
Date	Ticker	Stock Name	Earnings
2013/09/09	01048	NOVO GROUP	1st Quarter
2013/09/09	08169	ECO-TEK HLDGS	3rd Quarter
Date	Ticker	Stock Name	Issue Price
2013/09/09	08036	GOLDENMARS	0.900

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2013-9-9

Stock Code	Short Name	Rating	Price Currency	Latest Price	12- Month Target Price	Upside Potential	EPS Currency	EPS			P/E			1-Month Performance	Analyst
								2013E	2014E	2015E	2013E	2014E	2015E		
Textiles, Apparel & Luxury Goods															
589	Ports	Neutral	HKD	5.36	5.30	-1%	RMB	0.55	0.56	0.64	7.8	7.6	6.7	-0.6%	Ivy Zhao
1880	Belle	Buy	HKD	10.74	16.39	53%	RMB	0.52	0.61	0.71	16.4	14.0	12.0	-6.3%	Ivy Zhao
1368	Xtep	Neutral	HKD	3.76	4.00	6%	RMB	0.27	0.27	0.29	11.1	11.1	10.3	2.7%	Ivy Zhao
2020	Anta Sports	Neutral	HKD	9.69	9.14	-6%	RMB	0.49	0.53	0.57	15.7	14.5	13.5	3.9%	Ivy Zhao
1361	361 Degrees	Neutral	HKD	1.83	1.45	-21%	RMB	0.29	0.28	0.28	5.0	5.3	5.2	1.7%	Ivy Zhao
1968	Peak Sport	Neutral	HKD	1.81	1.48	-18%	RMB	0.16	0.17	0.19	9.1	8.4	7.4	24.8%	Ivy Zhao
2331	Li Ning	Buy	HKD	5.77	5.20	-10%	RMB	-0.10	0.18	0.20	N.A.	26.1	23.1	13.4%	Ivy Zhao
3818	China Dongxiang	Buy	HKD	1.26	1.47	17%	RMB	0.04	0.04	0.05	27.1	23.9	21.3	-14.3%	Ivy Zhao
953	Meike	Neutral	HKD	0.44	0.30	-32%	RMB	0.04	0.05	0.06	9.7	7.6	6.4	22.2%	Ivy Zhao
1234	China Lilang	Buy	HKD	4.45	5.25	18%	RMB	0.41	0.41	0.47	8.6	8.6	7.5	1.6%	Ivy Zhao
891	Trinity	Buy	HKD	2.77	4.63	67%	RMB	0.21	0.25	0.30	10.5	8.8	7.3	-4.8%	Ivy Zhao
873	C Taifeng Bed	Buy	HKD	1.53	2.86	87%	RMB	0.52	0.65	0.80	2.3	1.9	1.5	1.3%	Ivy Zhao
Metals & Mining															
1818	Zhaojin Mining	Neutral	HKD	7.10	6.00	-15%	RMB	0.43	0.38	0.34	13.1	14.9	16.6	43.4%	Li Xiang
2899	Zijin Mining	Neutral	HKD	1.90	1.69	-11%	RMB	0.14	0.15	0.12	10.8	10.1	12.6	16.6%	Li Xiang
358	Jiangxi Copper	Buy	HKD	15.52	15.20	-2%	RMB	1.02	1.05	0.85	12.1	11.8	14.5	16.5%	Li Xiang
3993	Cmcc	Neutral	HKD	3.06	3.10	1%	RMB	0.19	0.20	0.21	12.6	12.4	11.8	1.3%	Li Xiang
2600	Chalco	Sell	HKD	2.76	1.60	-42%	RMB	-0.28	-0.11	-0.10	N.A.	N.A.	N.A.	11.7%	Li Xiang
1378	China Hongqiao	Buy	HKD	4.55	5.80	27%	RMB	0.97	1.11	1.23	3.7	3.3	2.9	10.4%	Li Xiang
486	Rusal	Sell	HKD	2.24	2.03	-9%	USD	0.01	0.04	0.05	28.9	7.2	5.8	-14.5%	Li Xiang
3948	Yitai Coal	Buy	HKD	13.94	25.10	80%	RMB	1.88	2.11	2.22	5.9	5.3	5.0	-10.1%	Li Xiang

Stock Code	Short Name	Rating	Price Currency	Latest Price	12- Month Target Price	Upside Potential	EPS Currency	EPS			P/E			1-Month Performance	Analyst
								2013E	2014E	2015E	2013E	2014E	2015E		
1088	China Shenhua	Buy	HKD	25.95	36.40	40%	RMB	2.44	2.90	3.07	8.5	7.1	6.7	17.4%	Li Xiang
Auto & Others															
1211	Byd Company	Neutral	HKD	31.00	13.00	-58%	RMB	0.33	0.68	1.10	74.7	36.3	22.4	-1.9%	Colleen Li
489	Dongfeng Group	Buy	HKD	11.22	14.17	26%	RMB	1.13	1.26	1.29	7.9	7.1	6.9	4.1%	Colleen Li
175	Geely Auto	Buy	HKD	4.08	5.04	24%	RMB	0.32	0.36	0.38	10.1	9.0	8.5	23.3%	Colleen Li
2333	Greatwall Motor	Neutral	HKD	40.95	38.62	-6%	RMB	2.78	3.41	3.74	11.7	9.6	8.7	10.4%	Colleen Li
1114	Brilliance Chi	Buy	HKD	11.28	12.00	6%	RMB	0.71	0.80	0.89	12.6	11.2	10.1	11.5%	Colleen Li
425	Mint Group	Buy	HKD	14.18	13.20	-7%	RMB	0.78	0.87	0.97	14.5	13.0	11.6	2.5%	Colleen Li
1728	Zhengtong Auto	Buy	HKD	5.05	5.85	16%	RMB	0.55	0.81	1.11	7.3	5.0	3.6	15.3%	Colleen Li
881	Zhongsheng Hldg	Neutral	HKD	11.50	10.30	-10%	RMB	0.58	0.71	0.99	15.8	12.9	9.2	31.6%	Colleen Li
Oil & Gas															
857	Petro China	Buy	HKD	8.70	10.55	21%	RMB	0.71	0.74	0.78	9.7	9.4	8.9	-3.8%	Michael Yuk
386	Sinopec Corp	Buy	HKD	6.02	7.20	20%	RMB	0.68	0.70	0.73	7.0	6.8	6.6	4.7%	Michael Yuk
883	Cnooc	Buy	HKD	15.94	17.00	7%	RMB	1.44	1.56	1.69	8.8	8.1	7.5	13.7%	Michael Yuk
603	China Oil & Gas	Neutral	HKD	1.12	1.45	29%	HKD	0.09	0.12	0.15	12.4	9.3	7.5	-18.8%	Michael Yuk
342	Newocean Energy	Buy	HKD	4.90	5.30	8%	HKD	0.55	0.63	0.79	8.9	7.8	6.2	6.8%	Michael Yuk
467	Unitedenergy Gp	Buy	HKD	1.23	1.59	29%	HKD	0.10	0.09	0.09	12.3	13.7	13.7	11.8%	Michael Yuk
Oil & Gas Services/Equipment															
3899	Cimc Enric	Buy	HKD	7.32	10.00	37%	RMB	0.49	0.60	0.72	11.9	9.7	8.1	-22.1%	Michael Yuk
569	Ch Automation	Buy	HKD	1.57	2.50	59%	RMB	0.26	0.29	0.33	4.8	4.3	3.8	-0.6%	Michael Yuk
3337	Anton Oilfield	Neutral	HKD	4.45	5.70	28%	RMB	0.19	0.23	0.28	18.6	15.4	12.6	-9.4%	Michael Yuk
1938	Chu Kong Pipe	Neutral	HKD	2.42	2.26	-7%	RMB	0.11	0.41	0.56	17.5	4.7	3.4	7.1%	Michael Yuk
2883	China Oilfield	Buy	HKD	19.44	18.00	-7%	RMB	1.29	1.45	1.66	12.0	10.7	9.3	8.5%	Michael Yuk
3303	Jutal Oil Ser	Buy	HKD	1.57	2.40	53%	RMB	0.13	0.17	0.15	9.6	7.3	8.3	-13.7%	Michael Yuk

Stock Code	Short Name	Rating	Price Currency	Latest Price	12- Month Target Price	Upside Potential	EPS Currency	EPS			P/E			1-Month Performance	Analyst
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1623	Hilong	Neutral	HKD	3.90	4.58	17%	RMB	0.26	0.30	0.32	11.9	10.3	9.7	-17.7%	Michael Yuk
Property															
688	China Overseas	Buy	HKD	23.15	22.56	-3%	HKD	2.29	2.30	2.68	10.1	10.1	8.6	0.2%	DuanFeiqin
410	Soho China	Neutral	HKD	6.63	6.42	-3%	HKD	2.37	2.13	1.96	2.8	3.1	3.4	4.7%	DuanFeiqin
813	Shimao Property	Neutral	HKD	18.42	16.70	-9%	HKD	2.07	2.19	2.46	8.9	8.4	7.5	8.4%	DuanFeiqin
1109	China Res Land	Buy	HKD	21.60	23.80	10%	HKD	1.81	1.91	2.20	11.9	11.3	9.8	-2.7%	DuanFeiqin
2777	R&F Properties	Buy	HKD	12.26	13.90	13%	HKD	2.15	2.23	2.45	5.7	5.5	5.0	-1.1%	DuanFeiqin
2007	Country Garden	Neutral	HKD	5.00	4.20	-16%	HKD	0.48	0.53	0.60	10.5	9.4	8.3	8.5%	DuanFeiqin
3383	Agile Property	Neutral	HKD	8.38	10.10	21%	HKD	1.81	1.98	2.02	4.6	4.2	4.2	0.2%	DuanFeiqin
3333	Evergrande	Buy	HKD	3.29	4.38	33%	HKD	0.84	0.97	0.98	3.9	3.4	3.4	3.5%	DuanFeiqin
960	Longfor Ppt	Buy	HKD	13.34	13.23	-1%	HKD	1.50	1.65	1.81	8.9	8.1	7.4	7.8%	DuanFeiqin
1813	Kwg Property	Neutral	HKD	5.17	5.05	-2%	HKD	1.02	1.10	1.18	5.1	4.7	4.4	12.4%	DuanFeiqin
3366	Oct (Asia)	Buy	HKD	3.87	3.50	-10%	HKD	0.43	0.54	0.64	9.0	7.2	6.1	-4.4%	DuanFeiqin
3900	Greentown China	Buy	HKD	15.02	18.80	25%	HKD	3.17	3.33	3.49	4.7	4.5	4.3	-5.4%	DuanFeiqin
754	Hopson Dev Hold	Buy	HKD	10.02	12.20	22%	HKD	1.72	1.98	2.22	5.8	5.1	4.5	2.4%	DuanFeiqin
1918	Sunac	Buy	HKD	5.20	6.66	28%	HKD	1.07	1.26	1.41	4.9	4.1	3.7	-9.3%	DuanFeiqin
Consumer Discretionary															
3308	Golden Eagle	Neutral	HKD	10.60	13.50	27%	RMB	0.63	0.69	0.76	13.4	12.2	11.1	-8.6%	TangJingjing
1212	Lifestyle	Neutral	HKD	16.98	18.40	8%	HKD	1.18	1.30	1.35	14.4	13.1	12.6	-6.4%	TangJingjing
1833	Intime	Buy	HKD	8.83	9.62	9%	RMB	0.54	0.63	0.63	13.0	11.1	11.1	3.3%	TangJingjing
178	Sa Sa	Buy	HKD	8.13	8.78	8%	HKD	0.26	0.36	0.43	31.3	22.6	18.9	-0.9%	TangJingjing
Telecommunication															
941	China Mobile	Neutral	HKD	86.00	80.00	-7%	RMB	6.52	6.58	6.79	10.5	10.4	10.1	3.8%	Jeff Hao
762	China Unicom	Buy	HKD	12.18	14.00	15%	RMB	0.44	0.54	0.63	22.0	17.9	15.4	6.7%	Jeff Hao

Stock Code	Short Name	Rating	Price Currency	Latest Price	12- Month Target Price	Upside Potential	EPS Currency	EPS			P/E			1-Month Performance	Analyst
								2013E	2014E	2015E	2013E	2014E	2015E		
728	China Telecom	Buy	HKD	4.11	4.80	17%	RMB	0.25	0.29	0.33	13.1	11.3	9.9	3.3%	Jeff Hao
Information Technology															
700	Tencent	Buy	HKD	387.00	401.00	4%	RMB	8.61	11.35	15.08	35.7	27.1	20.4	3.0%	Jeff Hao
3888	Kingsoft	Buy	HKD	18.34	24.37	33%	RMB	0.50	0.66	0.83	29.2	22.1	17.6	17.1%	Jeff Hao
777	Netdragon	Buy	HKD	18.06	26.27	45%	RMB	0.78	0.89	1.12	18.4	16.1	12.8	-2.6%	Jeff Hao
354	Chinasoft	Neutral	HKD	2.39	2.00	-16%	RMB	0.10	0.12	0.15	19.0	15.8	12.7	10.7%	Jeff Hao
268	Kingdee	Neutral	HKD	2.22	1.40	-37%	RMB	0.02	0.04	0.05	88.3	44.1	35.3	26.9%	Jeff Hao
Port															
144	China Mer Hold	Neutral	HKD	26.95	23.89	-11%	HKD	1.82	2.11	2.45	14.8	12.8	11.0	13.5%	Kate Li
1199	Cosco Pacific	Buy	HKD	11.88	12.58	6%	USD	0.26	0.13	0.14	5.9	11.8	10.9	9.0%	Kate Li
Shipping															
368	Sinotrans Ship	Buy	HKD	2.39	2.40	0%	USD	0.01	0.02	0.03	30.8	15.4	10.3	26.5%	Kate Li
316	Ooil	Buy	HKD	45.90	52.30	14%	USD	0.37	0.52	0.69	16.0	11.4	8.6	1.8%	Kate Li
2866	Cscl	Neural	HKD	2.17	1.82	-16%	RMB	-0.06	0.03	0.07	N.A.	57.5	24.7	10.7%	Kate Li
Alternative Energy															
3800	Gcl-Poly Energy	Buy	HKD	2.12	1.97	-7%	HKD	0.01	0.05	0.07	212.0	42.4	30.3	-0.9%	Yin Lei
712	Comtec Solar	Buy	HKD	1.75	1.76	1%	RMB	0.05	0.11	0.16	27.8	12.7	8.7	-23.9%	Yin Lei
750	Singyes Solar	Buy	HKD	7.59	9.40	24%	RMB	0.81	0.91	1.04	7.5	6.6	5.8	-6.3%	Yin Lei
2208	Goldwind	Buy	HKD	5.05	5.52	9%	RMB	0.17	0.21	0.27	23.6	19.1	14.9	10.3%	Yin Lei
916	Longyuan Power	Neutral	HKD	8.20	8.16	0%	RMB	0.36	0.43	0.52	18.1	15.2	12.5	1.4%	Yin Lei
1798	Datang Power	Neutral	HKD	1.41	1.99	41%	RMB	0.08	0.14	0.21	14.0	8.0	5.3	-22.5%	Yin Lei
816	Huadian Fuxin	Buy	HKD	2.20	2.99	36%	RMB	0.19	0.24	0.28	9.2	7.3	6.3	-10.2%	Yin Lei
579	Jingneng	Buy	HKD	2.71	3.62	34%	RMB	0.18	0.24	0.29	12.0	9.0	7.4	-9.1%	Yin Lei
Food & Beverage															

Stock Code	Short Name	Rating	Price Currency	Latest Price	12- Month Target Price	Upside Potential	EPS Currency	EPS			P/E			1-Month Performance	Analyst
								2013E	2014E	2015E	2013E	2014E	2015E		
322	Tingyi	Buy	HKD	19.66	23.10	18%	USD	0.09	0.11	0.13	28.8	24.1	19.5	1.2%	Ling Hua
2319	Mengniu Dairy	Buy	HKD	32.45	33.26	3%	RMB	0.85	1.10	1.48	30.4	23.5	17.4	0.2%	Ling Hua
506	China Foods	Neutral	HKD	2.92	4.25	46%	HKD	0.17	0.22	0.27	17.2	13.3	10.8	-2.0%	Ling Hua
151	Want Want China	Neutral	HKD	11.18	12.10	8%	USD	0.05	0.06	0.07	28.8	24.0	20.6	7.7%	Ling Hua
345	Vitasoy	Buy	HKD	9.95	9.00	-10%	HKD	0.31	0.35	0.48	32.1	28.4	20.7	6.0%	Ling Hua
Machinery & Equipment															
1157	Zoomlion	Buy	HKD	6.53	7.40	13%	RMB	0.79	0.96	1.04	6.6	5.4	5.0	11.1%	Jiao Yiding
Electricity															
902	Huaneng Power	Buy	HKD	7.13	11.00	54%	RMB	0.79	0.86	0.93	7.2	6.6	6.1	-14.3%	Vera Liang
991	Datang Power	Buy	HKD	3.40	4.10	21%	RMB	0.40	0.42	0.52	6.8	6.4	5.2	0.0%	Vera Liang
Pharmaceuticals & Medical Devices															
2348	Dawnrays Pharma	Buy	HKD	3.12	3.20	3%	RMB	0.18	0.14	0.17	13.8	17.7	14.6	16.0%	Jonathan Hsu
US Stock															
BIDU	Baidu Inc	Buy	USD	135.67	149.50	10%	USD	4.89	7.36	9.67	27.7	18.4	14.0	0.8%	Mike Chen
SINA	Sina Corp	Buy	USD	80.55	90.70	13%	USD	-0.36	2.51	4.49	N.A.	32.1	17.9	8.6%	Mike Chen
SOHU	Sohu.Com Inc	Neutral	USD	66.37	64.20	-3%	USD	2.42	2.97	3.56	27.4	22.4	18.6	7.8%	Mike Chen
NTES	Netease Inc	Buy	USD	73.46	85.50	16%	USD	5.56	5.80	6.60	13.2	12.7	11.1	17.4%	Mike Chen
QIHU	Qihoo 360	Buy	USD	83.08	34.83	-58%	USD	0.65	1.07	1.64	127.8	77.6	50.7	27.3%	Mike Chen
YOKU	Youku Tudou Inc	Neutral	USD	24.01	23.82	-1%	USD	-0.47	-0.18	0.19	N.A.	N.A.	126.4	-5.8%	Mike Chen
EDU	New Oriental Education	Buy	USD	21.77	24.50	13%	USD	0.89	1.25	1.43	24.5	17.4	15.2	-1.9%	Mike Chen
DANG	Dangdang	Neutral	USD	8.09	6.40	-21%	USD	-0.82	-0.52	-0.18	N.A.	N.A.	N.A.	-25.1%	Mike Chen
CTRP	Ctrip	Buy	USD	47.03	25.70	-45%	USD	1.15	1.48	1.76	40.9	31.8	26.7	10.0%	Mike Chen
HMIN	Home Inns	Neutral	USD	34.44	27.40	-20%	USD	1.09	1.62	2.04	31.6	21.3	16.9	19.3%	Mike Chen

HSI Index Components Performance

HSCEI Index Components Performance

Last price

Code	Name	Price	Chg 1D (%)	Code	Name	Price	Chg 1D (%)
1	CHEUNG KONG	113.5	0.4	168	TSINGTAO BREW-H	59.80	0.5
2	CLP HLDGS LTD	62.65	-0.5	177	JIANGSU EXPRES-H	8.85	1.3
3	HONG KG CHINA GS	18.32	-1.2	323	MAANSHAN IRON-H	2.11	-4.1
4	WHARF HLDG	66.40	0.2	338	SINOPEC SHANG-H	2.93	0.7
5	HSBC HLDGS PLC	86.35	1.1	347	ANGANG STEEL-H	5.07	-2.5
6	POWER ASSETS HOL	68.35	-0.8	358	JIANGXI COPPER-H	15.52	-0.6
11	HANG SENG BK	124.7	-0.3	386	CHINA PETROLEU-H	6.02	1.4
12	HENDERSON LAND D	47.20	-0.2	390	CHINA RAIL GR-H	4.30	-0.9
13	HUTCHISON WHAMPO	93.05	0.4	489	DONGFENG MOTOR-H	11.22	-0.4
16	SUN HUNG KAI PRO	102.0	-0.5	552	CHINA COMM SER-H	5.00	-0.4
17	NEW WORLD DEV	11.66	0.7	576	ZHEJIANG EXPRESS	6.60	1.1
19	SWIRE PACIFIC-A	92.00	-0.3	694	BEIJING CAP AI-H	5.09	-0.2
23	BANK EAST ASIA	31.55	0.0	728	CHINA TELECOM-H	4.11	-0.5
66	MTR CORP	30.10	-0.3	753	AIR CHINA LTD-H	5.17	1.4
83	SINO LAND CO	10.98	0.2	857	PETROCHINA CO-H	8.70	0.0
101	HANG LUNG PROPER	25.45	-1.6	902	HUANENG POWER-H	7.13	-3.4
144	CHINA MERCHANT	26.95	-1.6	914	ANHUI CONCH-H	26.10	-0.6
267	CITIC PACIFIC	9.38	-0.6	939	CHINA CONST BA-H	5.95	0.3
291	CHINA RES ENTERP	23.20	-1.9	991	DATANG INTL PO-H	3.40	0.6
293	CATHAY PAC AIR	14.04	1.6	998	CHINA CITIC BK-H	4.00	-0.3
330	ESPRIT HLDGS	12.68	-0.2	1088	CHINA SHENHUA-H	25.95	-0.6
386	CHINA PETROLEU-H	6.02	1.4	1133	HARBIN ELECTRIC	4.81	-1.8
388	HONG KONG EXCHNG	125.9	-0.3	1138	CHINA SHIPPING-H	4.43	2.3
494	LI & FUNG LTD	11.32	-2.3	1171	YANZHOU COAL-H	7.21	-1.1
551	YUE YUEN INDUS	21.90	-2.0	1186	CHINA RAIL CN-H	8.12	0.0
688	CHINA OVERSEAS	23.15	-1.3	1398	IND & COMM BK-H	5.28	-0.2
700	TENCENT HOLDINGS	387.0	-0.2	1800	CHINA COM CONS-H	6.23	-1.6
762	CHINA UNICOM HON	12.18	-0.3	1898	CHINA COAL ENE-H	4.92	2.7
857	PETROCHINA CO-H	8.70	0.0	1919	CHINA COSCO HO-H	3.91	1.3
883	CNOOC LTD	15.94	0.5	2318	PING AN INSURA-H	57.40	-0.2
939	CHINA CONST BA-H	5.95	0.3	2328	PICC PROPERTY &	11.40	0.9
941	CHINA MOBILE	86.00	1.3	2600	ALUMINUM CORP-H	2.76	-1.4
1088	CHINA SHENHUA-H	25.95	-0.6	2628	CHINA LIFE INS-H	20.55	0.2
1199	COSCO PAC LTD	11.88	-0.2	2727	SHANGHAI ELECT-H	2.80	-1.4
1398	IND & COMM BK-H	5.28	-0.2	2777	GUANGZHOU R&F -H	12.26	-1.5
2038	FIH MOBILE LTD	5.45	-0.9	2866	CHINA SHIPPING-H	2.17	0.0
2318	PING AN INSURA-H	57.40	-0.2	2883	CHINA OILFIELD-H	19.44	-1.7
2388	BOC HONG KONG HO	25.55	0.8	2899	ZIJIN MINING-H	1.90	-3.1
2600	ALUMINUM CORP-H	2.76	-1.4	3323	CHINA NATL BDG-H	7.46	-0.3
2628	CHINA LIFE INS-H	20.55	0.2	3328	BANK OF COMMUN-H	5.49	-0.4
3328	BANK OF COMMUN-H	5.49	-0.4	3968	CHINA MERCH BK-H	14.38	-1.0
3988	BANK OF CHINA-H	3.45	0.0	3988	BANK OF CHINA-H	3.45	0.0
				3993	CHINA MOLYBDENUM	3.06	-1.0

A+H Company Performance
 Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
TIANJIN CAP-H	1065	2.85	600874	8.20	264.6
BEIREN PRINT-H	187	3.55	600860	9.99	256.6
SHENJI GROUP-H	300	1.89	600806	5.03	237.3
NORTHEAST ELEC-H	42	0.94	000585	2.45	230.3
CHONGQING IRON-H	1053	1.10	601005	2.73	214.5
NANJING PANDA-H	553	3.12	600775	7.52	205.5
SHANDONG XINHU-H	719	2.06	000756	4.57	181.2
SINOPEC YIZHEN-H	1033	2.00	600871	4.31	173.1
JINGWEI TEXTIL-H	350	5.48	000666	9.67	123.6
BEIJING NORTH-H	588	1.81	601588	3.01	110.8
GUANGZHOU SHIP-H	317	7.38	600685	11.20	92.3
HISENSE KELON -H	921	5.60	000921	8.43	90.8
YANZHOU COAL-H	1171	7.21	600188	10.29	80.9
SINOPEC SHANG-H	338	2.93	600688	4.15	79.5
DATANG INTL PO-H	991	3.40	601991	4.63	72.6
ALUMINUM CORP-H	2600	2.76	601600	3.35	53.8
ZTE CORP-H	763	14.90	000063	17.09	45.4
GUANGZHOU BAIYUN	874	29.55	600332	33.44	43.4
JIANGXI COPPER-H	358	15.52	600362	16.74	36.7
HUADIAN POWER-H	1071	2.97	600027	3.07	31.0
CHINA SHIPPING-H	1138	4.43	600026	4.56	30.5
SHENZHEN EXPRE-H	548	2.90	600548	2.94	28.5
DONGFANG ELECT-H	1072	11.24	600875	11.08	24.9
CHINA SOUTHERN-H	1055	2.91	600029	2.81	22.4
CHINA CITIC BK-H	998	4.00	601998	3.79	20.1
ANHUI EXPRESS-H	995	4.03	600012	3.70	16.4
MAANSHAN IRON-H	323	2.11	600808	1.72	3.3
LUOYANG GLASS-H	1108	1.51	600876	5.48	0.0
AIR CHINA LTD-H	753	5.17	601111	4.06	-0.5
BANK OF CHINA-H	3988	3.45	601988	2.68	-1.6
CHINA MERCH BK-H	3968	14.38	600036	10.89	-4.0
HUANENG POWER-H	902	7.13	600011	5.33	-5.3
CHINA PETROLEU-H	386	6.02	600028	4.50	-5.3
BANK OF COMMUN-H	3328	5.49	601328	4.10	-5.4
IND & COMM BK-H	1398	5.28	601398	3.91	-6.2
GUANGSHEN RAIL-H	525	4.14	601333	2.99	-8.5
TSINGTAO BREW-H	168	59.80	600600	41.52	-12.0
CHINA LIFE INS-H	2628	20.55	601628	13.98	-13.8
WEICHAH POWER-H	2338	30.35	000338	19.30	-19.4
JIANGSU EXPRES-H	177	8.85	600377	5.60	-19.8
PING AN INSURA-H	2318	57.40	601318	35.77	-21.0
ANGANG STEEL-H	347	5.07	000898	3.15	-21.3
ANHUI CONCH-H	914	26.10	600585	15.81	-23.2

Recently Published Research

Date published	Name of report	Analyst
4-Sep-13	Wisdom Holdings Group (1661.HK)	Jeff Hao
3-Sep-13	ZHONGSHENG GROUP (881 HK)	Colleen Li
3-Sep-13	PORTS DESIGN LTD(589 HK)	Ivy Zhao
2-Sep-13	Monthly Review	Cliff Zhao, George Chen
2-Sep-13	CHINA SHIPPING CONT-H (2866 .HK)	Kate Li, Colleen Li
2-Sep-13	Forecast of August Economic Data	David Xie, Cliff Zhao, Qing Li
2-Sep-13	Sinopec (00386.HK)	Michael Yuk
30-Aug-13	COSCO PACIFIC (1199 .HK)	Kate Li, Colleen Li
29-Aug-13	TINGYI HOLDING (322 HK)	Hua Ling
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28-Aug-13	Comment on HSBC August Flash PMI	David Xie, Cliff Zhao, Qing Li
28-Aug-13	DATANG INTL PO-H(991.HK)	Vera Liang
28-Aug-13	EVERGRANDE REAL(3333.HK)	Duan Feiqin
27-Aug-13	Chu Kong Petroleum	Michael Yuk
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27-Aug-13	NetEase Inc. (NTES.O)	Mike Chen
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21-Aug-13	China Property Sector	Duan Feiqin
20-Aug-13	ZOOMLION HEAVY-H (1157.HK)	Yiding Jiao
19-Aug-13	ZIJIN MINING-H(2899 HK)	Li Xiang
19-Aug-13	CHINA MOBILE(00941.HK)	Jeff Hao
16-Aug-13	Anton Oilfield Services (03337.HK)	Michael Yuk
16-Aug-13	Dawnrays Pharmaceutical (2348.HK)	Jonathan Hsu
16-Aug-13	Europe 2Q13 GDP data review	Lynn Song
16-Aug-13	Comment on July Macroeconomic Data	David Xie, Cliff Zhao, Qing Li, Lynn Song
16-Aug-13	Comment on July Trade Data	David Xie, Cliff Zhao, Qing Li, Lynn Song
15-Aug-13	Youku Tudou Inc. (YOKU.N)	Mike Chen
14-Aug-13	BRILLIANCE CHINA (1114 HK)	Colleen Li
14-Aug-13	CHINA HONGQIAO(1378 HK)	Li Xiang
14-Aug-13	CHINA LILANG LTD(01234.HK)	Ivy Zhao
14-Aug-13	HK/China Hardware Technology	Alex Ng

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INDUSTRY	DEFINITION
OVERWEIGHT	Expected to outperform the market index by > 10% over the next 12 months
NEUTRAL	Expected to outperform or underperform the market index by 10% or less over the next twelve months
UNDERWEIGHT	Expected to underperform the market index by >10% over the next 12 months

COMPANY	DEFINITION
BUY	Expected to outperform the market index by >10% over the next twelve months
NEUTRAL	Expected to outperform or underperform the market index by 10% or less over the next twelve months
SELL	Expected to underperform the market index by >10% over the next twelve months

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