

## Research Highlights

### 1. 2014 Oil & Gas Industry Outlook

**[Michael Yuk]** Key Points of View for 2014:

- 1) Global crude oil supply-demand should be balanced during 2014. However, Iran has the potential to bring excess supply onto the market, which could lead to oversupply.
- 2) Geographical mismatch between OPEC vs. non-OPEC supply and OECD vs. non-OECD demand should continue to support Brent crude oil's premium over WTI.
- 3) FY14 Brent crude oil price should average US\$108/bbl, the same as FY13. However, earnings growth is front-loaded for upstream companies, while back-loaded for downstream.
- 4) China's reliance on energy imports is growing as natural gas takes the lead over crude oil. Natural gas wholesalers and importers should benefit from price reform.
- 5) Upstream E&P capex should moderate during 2014, except for CNOOC. This will facilitate the longer-term trend of "localizing" offshore oil & gas production equipment.
- 6) 2014 is a "do-or-die" year for China's shale gas dream as a breakthrough is needed in order to keep shale hopes alive. Drillers should prevail during 2014.
- 7) Policy overhang impacting PetroChina, CNOOC, and Sinopec is overdone. These three Chinese oil majors are entrenched in their respective core competencies and markets. Current low valuations provide an attractive entry to accumulate any of the three stocks.
- 8) Stocks: We select companies that are exposed to China's drilling frenzy and equipment localization: Anton Oilfield Services (03337.HK); Chu Kong Steel Pipe (01938.HK)

## Macro Monitor

### 1. Eurozone week in review

Last week's Eurozone data releases were mostly in line with our expectations. As expected, the ECB held the benchmark interest rate stable at 0.25%. With inflation edging up in the November data, we view a further interest rate cut as unlikely in the near future. Additionally, it should be noted that the ECB did however revise down their inflation forecasts for 2014, and re-iterated that monetary policy would remain accommodative.

3Q13 GDP was confirmed at 0.1% QoQ and -0.4% YoY. The breakdown of the subcomponents showed household consumption remaining weak at 0.1% QoQ. In contrast, gross fixed capital formation grew 0.4% QoQ, reflecting the Eurozone's inventory cycle and process of replenishing capital stock. Additionally, government spending rose 0.2% QoQ; however, this reflected a large downward revision to the 2Q13 government spending data (revised from 0.4% QoQ to 0.0% QoQ). Government spending remains weak in the Eurozone.

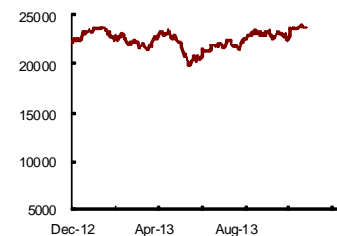
October Eurozone retail sales registered at -0.1% YoY, down from 0.3% YoY. The data showed low growth in Germany (-0.8% YoY) and Spain

HK Indices	Last price	chg	% chg
HSI	23,743.10	30.53	0.13
Finance	33,137.69	54.59	0.17
Properties	29,084.75	-177.4	-0.61
Utilities	49,052.67	-106.0	-0.22
Commerce&Industrv	14,134.98	42.31	0.30
HSCEI	11,376.17	-19.57	-0.17
HSCCI	4,646.24	2.73	0.06
HKSPGEM	470.45	-1.99	-0.42

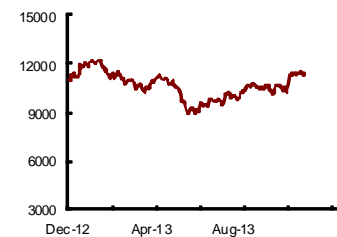
World Indices	Last price	chg	% chg
FTSE 100	6,551.99	53.66	0.83
DAX 30	9,172.41	87.46	0.96
CAC 40	4,129.37	29.46	0.72
DJIA	16,020.20	198.69	1.26
S&P500	1,805.09	20.06	1.12
Nasdaq Composite	4,062.52	29.36	0.73
Nikkei 225	15,299.86	122.37	0.81

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,980.41	-4.36	-0.22
TWSE	8,367.72	-7.82	-0.09
STI	3,114.17	-10.21	-0.33
India BSE 30	20,996.53	38.72	0.18
S&P/ASX 200	5,184.30	-3.62	-0.07

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

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(-1.8% YoY), but improvement in France (1.2% YoY). Sales of non-food and fuel items fell to -0.8% YoY, which is an indicator that discretionary consumption remains weak in the Eurozone despite recently improving consumer confidence data.

November Eurozone composite PMI was revised 0.2 ppt upward from the flash reading, but nonetheless still dropped to 51.7 from 51.9 in October. While the PMI data remains in an expansionary state, the first two months foreshadow 4Q13 GDP to register a relatively soft growth. Consequently, we remain comfortable with our -0.5% YoY annual GDP forecast for 2013.

Macroeconomic indicators out this week include the Eurozone IP data, CPI data for Germany, France, and Italy, as well as German trade data. **(Lynn Song)**

### A-share Research Highlights (CMS Research Center)

#### 1. 4G license announced – in-line with expectation, focus on companies with solid results

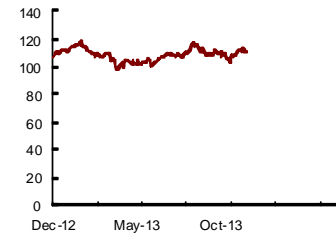
**[Luo Cong, Zhou Yan and Chen Peng, Dec. 5, 2013]** Investment advice: The issuance of 4G licenses means that the LTE investment theme becomes a reality, gradually leading to solid earnings growth of related companies. Overall capital expenditure maintains moderate growth, while structural changes result in significant growth in wireless expenditure. The biggest change brought by 4G networks will be a better network environment for downstream mobile internet. Focus on companies that see steady growth supported by the traditional main business of communication products and valuation improvement driven by new businesses. We are bullish on LTE food chain and strongly recommend ZTE (a leading player with turning point in sight), Beijing Miteno Communication Technology (traditional communication products + mobile payment and new mobile internet businesses), Shenzhen Tianyuan Dic Information Technology (tradition IT businesses, benefit from 4G, virtual operator + mobile internet + market penetration), Guangdong Eastone Century Technology (increasing volume of wireless engineering products in 2014 + Smart Eye project of Guangzhou), and Boomsense Technology (earnings reversion of network optimization business in 2014 + new businesses).

MIIT officially issued 4G licenses on Dec. 4. All the “big three” operators obtained TD-LTE licenses. China Mobile was also issued fixed-line license. China Telecom and China Unicom will first test FDD-LTE mixed network; FDD-LTE license will be issued later based on test results. We believe China Telecom and China Unicom will speed up the FDD-LTE network building process, and their LTE networks will focus on FDD. We expect most construction works will be carried over to next year. Also considering the projects originally planned for 2014, we estimate China Mobile will build around 350,000 TD-LTE base stations next year. China Telecom and China Unicom could speed up the FDD-LTE network building process after they are allowed to test the network. Total LTE investment made by the three operators is expected to be around RMB100 billion next year, with China Telecom spending over RMB40 billion and China Unicom spending over RMB10 billion. Communication equipment makers that focus more on wireless products will enjoy higher flexibility of earnings in 2014. We suggest attention to leading players and companies seeing turning points. Downstream mobile internet applications will grow fast in a more developed network environment. Terminal shipment is the key to increasing the 4G user base.

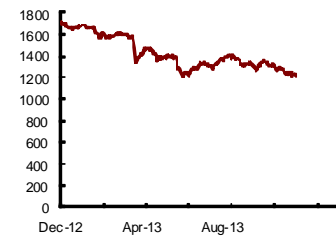
Global Commodity	Last price	chg	% chg
Brent Oil	111.43	-0.26	-0.23
Gold	1,231.9	2.87	0.23
LME Aluminum	1,779.0	21.00	1.19
LME Copper	7,122.0	53.00	0.75
BDI	2,176.0	31.00	1.45
API Coal	83.00	0.25	0.30

Exchange /Bond Market	/Currency	Last price	chg	% chg
USD/RMB		6.12	-0.01	-0.16
USD/HKD		7.75	0.00	0.00
1-YR RMB NDF		6.13	0.00	0.00
EUR/USD		1.37	0.02	0.01
3-M Libor		0.52	0.00	0.00
3-M Shibor		5.17	0.28	5.73
10 YR US T-Note Yield		2.86	-0.02	-0.70

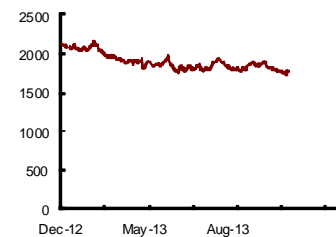
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



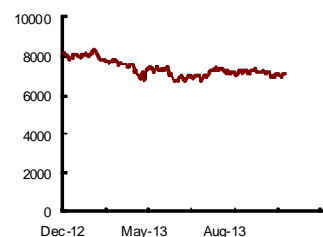
Source: Bloomberg

**2. Natural Gas industry – Demand to creep up on seasonality, expecting more news relating to reform**

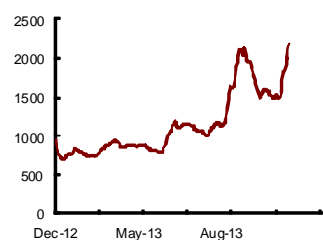
**[He Yin, Dec. 5, 2013]** There is no need to worry too much about price adjustments. There will be a gradual rotation of valuation. We expect gas consumption in industrial production, power generation and vehicle/vessel operation to continue to grow solidly, driven by environmental policies and the price lever. This will mean bright prospect of the natural gas industry's long term earnings growth. In the short term, gas consumption will enter a high season in the winter. Some regions will still face short supply. The latest average P/E of the natural gas sector in 2013 was 28.36x, lower than in the previous month. We recommend the following high-quality companies: PetroChina Jinhong Energy Investment, Xinjiang Haoyuan Gas, Shenzhen Gas, and Datang International Power Generation.

Heat supply did not start yet in October. Gas consumption remained in the low season. Domestic gas production grew solidly, while gas import growth slowed down slightly. Imported LNG price fell from a month earlier. In the first 10 months of the year, total gas consumption nationwide was 133.6 billion cubic meters (bcm), up 12.5% YoY. In October alone, China's gas consumption was 12.8 bcm, up 3.5% YoY. Heat supply did not start yet in northern regions, so the absolute level of gas consumption remained low. However, lower temperature meant higher monthly gas consumption than in the previous month. In the first 10 months of the year, China's total natural gas output was 95.9 bcm, up 9.2% YoY; gas import was 16.485 million tons, up 43.5% YoY; LNG import was 14.243 million tons, up 20.9% YoY; domestic production accounted for 71.4% of total supply, down 3.7 percentage points from a year earlier. In October, imported gas price was US\$447.76/ton, down 16.0% YoY or down 1.0% MoM; imported LNG price was US\$490.7/ton, up 6.9% YoY but down 20.4% MoM. The significant MoM decline of LNG price was due to the low season of domestic demand and the solid growth of domestic gas production. Peak demand in winter will put much bigger pressure on gas supply. Natural gas reform is expected to continue. The Third Plenum of 18th CPC Central Committee made the Decision on Important Issues in Comprehensively Deepening Reforms, which explicitly mentioned proceeding with price reforms in the natural gas sector.

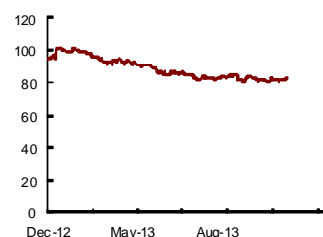
LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

**What to Watch**

Economic Data	HK: Nil		
	US: Nil		
Date	Ticker	Stock Name	Earnings
2013/12/09	00176	UNITED PACIFIC	Final
2013/12/09	01048	NOVO GROUP	Interim
2013/12/09	08272	C FOOD&BEV GP	Interim
Date	Ticker	Stock Name	Issue Price
2013/12/09	08056	DIFFER GROUP	0.780

China Merchants Securities (Hong Kong) Stock Pool Update Weekly  
 2013-12-9

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		
<b>Textiles, Apparel &amp; Luxury Goods</b>															
589	Ports	Neutral	HKD	5.91	5.30	-10%	RMB	0.55	0.56	0.64	8.5	8.3	7.3	2.4%	Ivy Zhao
1880	Belle	Buy	HKD	9.21	14.03	52%	RMB	0.55	0.62	0.69	13.1	11.7	10.6	-12.0%	Ivy Zhao
1368	Xtep	Neutral	HKD	4.04	4.00	-1%	RMB	0.27	0.27	0.29	11.8	11.8	11.0	-0.7%	Ivy Zhao
2020	Anta Sports	Buy	HKD	10.50	13.47	28%	RMB	0.49	0.54	0.60	17.1	15.4	13.8	-8.7%	Ivy Zhao
1361	361 Degrees	Neutral	HKD	2.25	1.71	-24%	RMB	0.17	0.16	0.16	10.5	11.3	11.2	-5.1%	Ivy Zhao
1968	Peak Sport	Neutral	HKD	1.93	1.48	-23%	RMB	0.16	0.17	0.19	9.7	8.9	7.9	7.2%	Ivy Zhao
2331	Li Ning	Buy	HKD	7.24	5.20	-28%	RMB	-0.10	0.18	0.20	N.A.	32.5	28.7	5.9%	Ivy Zhao
3818	China Dongxiang	Buy	HKD	1.22	1.64	34%	RMB	0.04	0.04	0.05	26.0	22.9	20.5	0.8%	Ivy Zhao
953	Meike	Neutral	HKD	0.44	0.30	-32%	RMB	0.04	0.05	0.06	9.7	7.6	6.3	-17.0%	Ivy Zhao
1234	China Lilang	Buy	HKD	5.14	5.25	2%	RMB	0.41	0.41	0.47	9.9	9.9	8.6	4.1%	Ivy Zhao
891	Trinity	Buy	HKD	2.80	4.63	65%	RMB	0.21	0.25	0.30	10.5	8.8	7.4	-5.1%	Ivy Zhao
873	C Taifeng Bed	Buy	HKD	2.32	2.86	23%	RMB	0.52	0.65	0.80	3.5	2.8	2.3	31.1%	Ivy Zhao
<b>Metals &amp; Mining</b>															
1818	Zhaojin Mining	Neutral	HKD	4.88	6.00	23%	RMB	0.43	0.38	0.34	9.0	10.1	11.3	-16.3%	Li Xiang
2899	Zijin Mining	Neutral	HKD	1.76	1.69	-4%	RMB	0.14	0.15	0.12	9.9	9.3	11.6	-1.7%	Li Xiang
358	Jiangxi Copper	Buy	HKD	14.68	15.20	4%	RMB	1.02	1.05	0.85	11.4	11.0	13.6	0.0%	Li Xiang
3993	Cmcc	Neutral	HKD	3.31	3.10	-6%	RMB	0.19	0.20	0.21	13.5	13.3	12.6	3.8%	Li Xiang
2600	Chalco	Sell	HKD	2.84	1.60	-44%	RMB	-0.28	-0.11	-0.10	N.A.	N.A.	N.A.	0.0%	Li Xiang
1378	China Hongqiao	Buy	HKD	4.75	5.80	22%	RMB	0.97	1.11	1.23	3.9	3.4	3.1	-1.5%	Li Xiang
486	Rusal	Sell	HKD	2.28	2.03	-11%	USD	0.01	0.04	0.05	29.4	7.4	5.9	-5.0%	Li Xiang
3948	Yitai Coal	Buy	HKD	14.86	25.10	69%	RMB	1.88	2.11	2.22	6.3	5.6	5.3	-7.1%	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	25.45	36.40	43%	RMB	2.44	2.90	3.07	8.2	6.9	6.5	6.5%	Li Xiang
1898	China Coal	Neutral	HKD	5.06	5.00	-1%	RMB	0.47	0.43	0.42	8.5	9.3	9.5	5.4%	Li Xiang
<b>Auto &amp; Others</b>															
1211	Byd Company	Neutral	HKD	40.50	13.00	-68%	RMB	0.33	0.68	1.10	96.9	47.0	29.1	4.7%	Colleen Li
489	Dongfeng Group	Buy	HKD	12.34	14.17	15%	RMB	1.13	1.26	1.29	8.6	7.7	7.6	10.4%	Colleen Li
175	Geely Auto	Buy	HKD	3.96	5.04	27%	RMB	0.32	0.36	0.38	9.8	8.7	8.2	0.3%	Colleen Li
2333	Greatwall Motor	Neutral	HKD	46.40	38.62	-17%	RMB	2.78	3.41	3.74	13.2	10.8	9.8	2.7%	Colleen Li
1114	Brilliance Chi	Buy	HKD	13.24	12.00	-9%	RMB	0.71	0.80	0.89	14.7	13.1	11.8	-4.8%	Colleen Li
425	MintH Group	Buy	HKD	16.48	13.20	-20%	RMB	0.78	0.87	0.97	16.7	15.0	13.4	-0.2%	Colleen Li
1728	Zhengtong Auto	Buy	HKD	5.10	5.85	15%	RMB	0.55	0.81	1.11	7.3	5.0	3.6	-7.8%	Colleen Li
881	Zhongsheng Hldg	Neutral	HKD	11.70	10.30	-12%	RMB	0.58	0.71	0.99	15.9	13.0	9.3	-7.6%	Colleen Li
1766	CSR	Buy	HKD	7.29	8.08	11%	RMB	0.31	0.40	0.45	18.6	14.4	12.8	10.3%	Colleen Li
3898	CSR Times Electric	Buy	HKD	29.80	32.03	7%	RMB	1.10	1.35	1.62	21.4	17.4	14.5	6.4%	Colleen Li
<b>Oil &amp; Gas</b>															
857	Petro China	Buy	HKD	9.14	10.55	15%	RMB	0.71	0.74	0.78	10.2	9.8	9.3	5.4%	Michael Yuk
386	Sinopec Corp	Buy	HKD	6.60	7.20	9%	RMB	0.68	0.70	0.73	7.7	7.5	7.1	2.5%	Michael Yuk
883	Cnooc	Buy	HKD	15.58	17.00	9%	RMB	1.44	1.56	1.69	8.5	7.9	7.3	0.5%	Michael Yuk
603	China Oil & Gas	Neutral	HKD	1.40	1.45	4%	HKD	0.09	0.12	0.15	15.6	11.7	9.3	7.7%	Michael Yuk
342	Newocean Energy	Buy	HKD	5.16	5.30	3%	HKD	0.55	0.63	0.79	9.4	8.2	6.5	11.0%	Michael Yuk
467	Unitedenergy Gp	Buy	HKD	1.13	1.59	41%	HKD	0.10	0.09	0.09	11.3	12.6	12.6	-7.4%	Michael Yuk
<b>Oil &amp; Gas Services/Equipment</b>															
3899	Cimc Enric	Buy	HKD	13.08	10.00	-24%	RMB	0.49	0.60	0.72	21.1	17.2	14.4	18.5%	Michael Yuk
569	Ch Automation	Buy	HKD	1.83	2.50	37%	RMB	0.26	0.29	0.33	5.6	5.0	4.4	2.2%	Michael Yuk
3337	Anton Oilfield	Buy	HKD	5.04	4.75	-6%	RMB	0.19	0.23	0.28	21.0	17.3	14.2	8.2%	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
								2013E	2014E	2015E	2013E	2014E	2015E		
1938	Chu Kong Pipe	Buy	HKD	3.03	2.26	-25%	RMB	0.11	0.40	0.55	21.8	6.0	4.4	-0.7%	Michael Yuk
2883	China Oilfield	Buy	HKD	23.85	18.00	-25%	RMB	1.29	1.45	1.66	14.6	13.0	11.4	8.2%	Michael Yuk
3303	Jutal Oil Ser	Buy	HKD	1.62	2.40	48%	RMB	0.13	0.17	0.15	9.8	7.5	8.5	10.2%	Michael Yuk
1623	Hilong	Buy	HKD	6.17	5.10	-17%	RMB	0.16	0.28	0.29	29.7	17.5	16.9	6.2%	Michael Yuk
<b>Property</b>															
688	China Overseas	Buy	HKD	23.05	22.56	-2%	HKD	2.29	2.30	2.68	10.1	10.0	8.6	-0.2%	DuanFeiqin
410	Soho China	Neutral	HKD	6.83	6.42	-6%	HKD	2.37	2.13	1.96	2.9	3.2	3.5	0.9%	DuanFeiqin
813	Shimao Property	Neutral	HKD	18.78	16.70	-11%	HKD	2.07	2.19	2.46	9.1	8.6	7.6	1.0%	DuanFeiqin
1109	China Res Land	Buy	HKD	20.60	23.80	16%	HKD	1.81	1.91	2.20	11.4	10.8	9.4	-4.6%	DuanFeiqin
2777	R&F Properties	Buy	HKD	12.02	13.90	16%	HKD	2.15	2.23	2.45	5.6	5.4	4.9	-7.0%	DuanFeiqin
2007	Country Garden	Neutral	HKD	4.99	4.68	-6%	HKD	0.48	0.53	0.60	10.5	9.4	8.3	-8.3%	DuanFeiqin
3383	Agile Property	Neutral	HKD	8.27	10.10	22%	HKD	1.81	1.98	2.02	4.6	4.2	4.1	-10.1%	DuanFeiqin
3333	Evergrande	Buy	HKD	3.17	4.38	38%	HKD	0.84	0.97	0.98	3.8	3.3	3.2	-2.2%	DuanFeiqin
960	Longfor Ppt	Buy	HKD	11.50	13.23	15%	HKD	1.50	1.65	1.81	7.7	7.0	6.4	-7.4%	DuanFeiqin
1813	Kwg Property	Neutral	HKD	4.54	5.05	11%	HKD	1.02	1.10	1.18	4.4	4.2	3.8	-4.8%	DuanFeiqin
3366	Oct (Asia)	Buy	HKD	3.72	3.50	-6%	HKD	0.43	0.54	0.64	8.7	6.9	5.8	10.4%	DuanFeiqin
3900	Greentown China	Buy	HKD	12.50	18.80	50%	HKD	3.17	3.33	3.49	3.9	3.8	3.6	-13.7%	DuanFeiqin
754	Hopson Dev Hold	Buy	HKD	9.14	12.20	33%	HKD	1.72	1.98	2.22	5.3	4.6	4.1	-3.2%	DuanFeiqin
1918	Sunac	Buy	HKD	4.92	6.66	35%	HKD	1.07	1.26	1.41	4.6	3.9	3.5	-5.8%	DuanFeiqin
<b>Consumer Discretionary</b>															
1833	Intime	Buy	HKD	8.39	10.50	25%	RMB	0.54	0.64	0.75	12.3	10.4	8.8	-7.5%	Gloria Wang
1700	Springland	Neutral	HKD	3.89	4.50	16%	RMB	0.29	0.33	0.37	10.6	9.3	8.3	-7.6%	Gloria Wang
493	Gome	Buy	HKD	1.27	1.90	50%	RMB	0.05	0.06	0.07	20.1	16.7	14.3	-2.3%	Gloria Wang
<b>Telecommunication</b>															

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		
941	China Mobile	Neutral	HKD	84.65	78.00	-8%	RMB	6.37	6.26	6.27	10.5	10.7	10.7	4.2%	Jeff Hao
762	China Unicom	Buy	HKD	12.06	14.08	17%	RMB	0.45	0.58	0.69	21.2	16.4	13.8	0.8%	Jeff Hao
728	China Telecom	Buy	HKD	4.04	4.67	16%	RMB	0.24	0.27	0.31	13.3	11.8	10.3	1.3%	Jeff Hao
<b>Information Technology</b>															
700	Tencent	Buy	HKD	460.00	455.00	-1%	RMB	8.58	11.47	15.37	42.3	31.7	23.6	11.7%	Jeff Hao
3888	Kingsoft	Buy	HKD	21.20	24.37	15%	RMB	0.50	0.66	0.83	33.5	25.4	20.2	11.8%	Jeff Hao
1661	Wisdom	Buy	HKD	4.00	2.90	-28%	RMB	0.13	0.20	0.25	24.3	15.8	12.6	23.1%	Jeff Hao
777	Netdragon	Buy	HKD	14.86	26.27	77%	RMB	0.78	0.89	1.12	15.0	13.2	10.5	-15.4%	Jeff Hao
354	Chinasoft	Neutral	HKD	2.12	2.00	-6%	RMB	0.10	0.12	0.15	16.7	14.0	11.2	-4.1%	Jeff Hao
268	Kingdee	Neutral	HKD	2.22	1.40	-37%	RMB	0.02	0.04	0.05	87.7	43.8	35.1	-9.8%	Jeff Hao
<b>Port</b>															
144	China Mer Hold	Neutral	HKD	27.30	26.43	-3%	HKD	1.55	1.75	2.05	17.6	15.6	13.3	-0.7%	Kate Li
1199	Cosco Pacific	Buy	HKD	11.18	12.58	13%	USD	0.26	0.13	0.14	5.6	11.1	10.3	-1.8%	Kate Li
<b>Shipping</b>															
368	Sinotrans Ship	Buy	HKD	2.59	2.40	-7%	USD	0.01	0.02	0.03	33.4	16.7	11.1	-3.0%	Kate Li
316	Ooil	Buy	HKD	40.50	51.00	26%	USD	0.17	0.23	0.41	30.7	22.7	12.7	-0.9%	Kate Li
2866	Cscl	Neutral	HKD	2.09	1.82	-13%	RMB	-0.06	0.03	0.07	N.A.	55.0	23.6	5.0%	Kate Li
<b>Alternative Energy</b>															
3800	Gcl-Poly Energy	Buy	HKD	2.46	1.97	-20%	HKD	0.01	0.05	0.07	246.0	49.2	35.1	-0.4%	Yin Lei
712	Comtec Solar	Buy	HKD	1.52	1.76	16%	RMB	0.05	0.11	0.16	24.0	10.9	7.5	-14.6%	Yin Lei
750	Singyes Solar	Buy	HKD	8.25	9.40	14%	RMB	0.81	0.91	1.04	8.0	7.2	6.3	-10.9%	Yin Lei
2208	Goldwind	Buy	HKD	7.51	10.04	34%	RMB	0.15	0.32	0.45	39.5	18.5	13.2	-5.5%	Yin Lei
916	Longyuan Power	Neutral	HKD	9.69	8.16	-16%	RMB	0.36	0.43	0.52	21.3	17.8	14.7	5.3%	Yin Lei
1798	Datang Power	Neutral	HKD	1.54	1.59	3%	RMB	0.05	0.08	0.13	24.3	15.2	9.4	-3.8%	Yin Lei

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		
816	Huadian Fuxin	Buy	HKD	2.84	2.99	5%	RMB	0.19	0.24	0.28	11.8	9.3	8.0	7.6%	Yin Lei
579	Jingneng	Buy	HKD	3.59	3.62	1%	RMB	0.18	0.24	0.29	15.8	11.8	9.8	6.9%	Yin Lei
<b>Food &amp; Beverage</b>															
322	Tingyi	Buy	HKD	23.05	21.10	-8%	USD	0.08	0.11	0.12	37.2	28.3	24.8	3.4%	Ling Hua
2319	Mengniu Dairy	Buy	HKD	35.95	33.26	-7%	RMB	0.85	1.10	1.48	33.4	25.8	19.2	6.8%	Ling Hua
506	China Foods	Neutral	HKD	3.74	4.25	14%	HKD	0.17	0.22	0.27	22.0	17.0	13.9	8.1%	Ling Hua
151	Want Want China	Neutral	HKD	11.48	12.10	5%	USD	0.05	0.06	0.07	29.6	24.7	21.2	3.1%	Ling Hua
345	Vitasoy	Buy	HKD	10.98	9.00	-18%	HKD	0.31	0.35	0.48	35.4	31.4	22.9	8.5%	Ling Hua
<b>Machinery &amp; Equipment</b>															
1157	Zoomlion	Neutral	HKD	7.78	7.20	-7%	RMB	0.60	0.67	0.80	10.2	9.2	7.7	9.6%	Jiao Yiding
631	Sany	Buy	HKD	2.69	3.40	26%	RMB	0.22	0.24	0.26	9.7	8.9	8.2	17.0%	Jiao Yiding
3339	Lonking	Buy	HKD	1.66	1.92	16%	RMB	0.12	0.13	0.16	10.9	10.1	8.2	3.1%	Jiao Yiding
<b>Electricity</b>															
902	Huaneng Power	Buy	HKD	7.44	11.00	48%	RMB	0.89	0.87	0.93	6.6	6.8	6.3	-10.4%	Vera Liang
991	Datang Power	Buy	HKD	3.60	3.90	8%	RMB	0.37	0.38	0.47	7.7	7.5	6.1	-1.1%	Vera Liang
1071	Huadian Power	Neutral	HKD	3.26	3.80	17%	RMB	0.46	0.45	0.55	5.6	5.7	4.7	-7.7%	Vera Liang
<b>Semi and Hardware Technology</b>															
992	Lenove	Buy	HKD	9.30	9.20	-1%	USD	0.06	0.08	0.09	20.0	15.0	13.3	10.5%	Alex Ng
2382	Sunny Optical	Neutral	HKD	7.41	8.37	13%	RMB	0.41	0.54	0.73	14.3	10.8	8.0	3.5%	Alex Ng
732	Truly	Buy	HKD	4.36	7.15	64%	HKD	0.56	0.67	0.79	7.8	6.5	5.5	-9.7%	Alex Ng
2018	Aac Tech	Neutral	HKD	37.30	40.00	7%	RMB	1.83	2.16	2.48	16.1	13.6	11.9	18.0%	Alex Ng
2618	Tcl Comm	Buy	HKD	8.29	8.52	3%	HKD	0.28	0.76	0.96	29.6	10.9	8.6	13.4%	Alex Ng
2369	China Wireless	Neutral	HKD	2.69	3.10	15%	HKD	0.20	0.24	0.30	13.5	11.2	9.0	-10.0%	Alex Ng
<b>Pharmaceuticals &amp; Medical Devices</b>															



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		
2348	Dawnrays Pharma	Buy	HKD	4.40	3.20	-27%	RMB	0.18	0.14	0.17	19.3	24.8	20.4	18.3%	Jonathan Hsu
460	Sihuan Pharm	Buy	HKD	6.47	8.00	24%	RMB	0.16	0.17	0.19	31.9	30.1	26.9	13.1%	Jonathan Hsu
1177	Sino Biopharm	Buy	HKD	6.18	6.70	8%	HKD	0.09	0.18	0.22	68.7	34.3	28.1	19.5%	Jonathan Hsu
1093	CSPC Pharm	Buy	HKD	5.20	5.70	10%	HKD	1.48	0.20	0.24	3.5	26.0	21.7	10.4%	Jonathan Hsu
1099	Sinopharm	Buy	HKD	23.65	24.40	3%	RMB	0.66	0.82	1.01	28.3	22.8	18.5	14.3%	Jonathan Hsu
2877	Shineway Pharm	Neutral	HKD	11.18	12.30	10%	RMB	0.91	0.78	0.89	9.7	11.3	9.9	-4.4%	Jonathan Hsu
<b>US Stock</b>															
BIDU	Baidu Inc	Buy	USD	168.71	151.10	-10%	USD	4.89	7.36	9.67	34.5	22.9	17.5	12.4%	Mike Chen
SINA	Sina Corp	Buy	USD	77.31	97.50	26%	USD	0.53	2.43	4.20	145.9	31.8	18.4	-4.7%	Mike Chen
SOHU	Sohu.Com Inc	Neutral	USD	68.80	61.40	-11%	USD	1.48	2.44	3.28	46.5	28.2	21.0	9.4%	Mike Chen
NTES	Netease Inc	Buy	USD	70.71	85.50	21%	USD	5.56	5.80	6.60	12.7	12.2	10.7	8.5%	Mike Chen
QIHU	Qihoo 360	Buy	USD	82.76	94.47	14%	USD	1.16	2.00	3.68	71.3	41.4	22.5	-1.9%	Mike Chen
YOKU	Youku Tudou Inc	Neutral	USD	30.25	23.82	-21%	USD	-0.47	-0.18	0.19	N.A.	N.A.	159.2	14.6%	Mike Chen
EDU	New Oriental Education	Buy	USD	29.98	24.50	-18%	USD	0.89	1.25	1.43	33.7	24.0	21.0	12.8%	Mike Chen
DANG	Dangdang	Neutral	USD	9.09	6.40	-30%	USD	-0.82	-0.52	-0.18	N.A.	N.A.	N.A.	10.3%	Mike Chen
CTRP	Ctrip	Buy	USD	47.39	25.70	-46%	USD	1.15	1.48	1.76	41.2	32.0	26.9	-10.7%	Mike Chen
HMIN	Home Inns	Neutral	USD	41.37	27.40	-34%	USD	1.09	1.62	2.04	38.0	25.5	20.3	14.8%	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	122.2	-0.7	168	TSINGTAO BREW-H	63.80	-1.9
2	CLP HLDGS LTD	62.40	-0.1	177	JIANGSU EXPRES-H	9.85	-0.4
3	HONG KG CHINA GS	18.10	0.1	323	MAANSHAN IRON-H	2.20	-2.2
4	WHARF HLDG	62.05	-1.0	338	SINOPEC SHANG-H	2.21	0.9
5	HSBC HLDGS PLC	84.20	0.0	347	ANGANG STEEL-H	5.69	-2.1
6	POWER ASSETS HOL	61.80	-0.9	358	JIANGXI COPPER-H	14.68	-0.8
11	HANG SENG BK	126.1	-0.1	386	CHINA PETROLEU-H	6.60	0.3
12	HENDERSON LAND D	44.15	-0.9	390	CHINA RAIL GR-H	4.41	0.2
13	HUTCHISON WHAMPO	101.5	-0.1	489	DONGFENG MOTOR-H	12.34	1.7
16	SUN HUNG KAI PRO	97.75	-0.3	552	CHINA COMM SER-H	4.95	-1.6
17	NEW WORLD DEV	10.18	0.4	576	ZHEJIANG EXPRESS	7.20	-2.7
19	SWIRE PACIFIC-A	92.65	-0.6	694	BEIJING CAP AI-H	6.46	0.3
23	BANK EAST ASIA	33.85	0.2	728	CHINA TELECOM-H	4.04	-1.0
66	MTR CORP	29.80	-0.3	753	AIR CHINA LTD-H	5.89	-2.6
83	SINO LAND CO	10.40	-0.2	857	PETROCHINA CO-H	9.14	0.9
101	HANG LUNG PROPER	25.45	-0.8	902	HUANENG POWER-H	7.44	-0.8
144	CHINA MERCHANT	27.30	-0.2	914	ANHUI CONCH-H	30.35	-2.7
267	CITIC PACIFIC	12.04	-1.2	939	CHINA CONST BA-H	6.27	1.0
291	CHINA RES ENTERP	26.95	-0.2	991	DATANG INTL PO-H	3.60	2.3
293	CATHAY PAC AIR	16.24	-1.0	998	CHINA CITIC BK-H	4.40	-0.9
330	ESPRIT HLDGS	16.02	1.9	1088	CHINA SHENHUA-H	25.45	-2.3
386	CHINA PETROLEU-H	6.60	0.3	1133	HARBIN ELECTRIC	5.47	0.4
388	HONG KONG EXCHNG	136.8	0.3	1138	CHINA SHIPPING-H	5.44	1.5
494	LI & FUNG LTD	10.24	-0.6	1171	YANZHOU COAL-H	8.03	-1.8
551	YUE YUEN INDUS	24.10	-3.2	1186	CHINA RAIL CN-H	8.70	0.8
688	CHINA OVERSEAS	23.05	-0.7	1398	IND & COMM BK-H	5.59	1.5
700	TENCENT HOLDINGS	460.0	2.3	1800	CHINA COM CONS-H	6.34	-0.9
762	CHINA UNICOM HON	12.06	0.8	1898	CHINA COAL ENE-H	5.06	-1.8
857	PETROCHINA CO-H	9.14	0.9	1919	CHINA COSCO HO-H	4.06	0.5
883	CNOOC LTD	15.58	-1.1	2318	PING AN INSURA-H	74.35	-0.9
939	CHINA CONST BA-H	6.27	1.0	2328	PICC PROPERTY &	12.86	-3.2
941	CHINA MOBILE	84.65	0.0	2600	ALUMINUM CORP-H	2.84	0.0
1088	CHINA SHENHUA-H	25.45	-2.3	2628	CHINA LIFE INS-H	25.35	-0.4
1199	COSCO PAC LTD	11.18	-0.4	2727	SHANGHAI ELECT-H	2.90	-0.7
1398	IND & COMM BK-H	5.59	1.5	2777	GUANGZHOU R&F -H	12.02	0.8
2038	FIH MOBILE LTD	3.97	-1.0	2866	CHINA SHIPPING-H	2.09	-1.4
2318	PING AN INSURA-H	74.35	-0.9	2883	CHINA OILFIELD-H	23.85	-1.0
2388	BOC HONG KONG HO	25.55	-0.6	2899	ZIJIN MINING-H	1.76	-0.6
2600	ALUMINUM CORP-H	2.84	0.0	3323	CHINA NATL BDG-H	8.96	-0.6
2628	CHINA LIFE INS-H	25.35	-0.4	3328	BANK OF COMMUN-H	5.61	-0.5
3328	BANK OF COMMUN-H	5.61	-0.5	3968	CHINA MERCH BK-H	16.26	-0.1
3988	BANK OF CHINA-H	3.73	1.1	3988	BANK OF CHINA-H	3.73	1.1
				3993	CHINA MOLYBDENUM	3.31	0.6

A+H Company Performance  
 Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
BEIREN PRINT-H	187	2.97	600860	8.22	252.9
NORTHEAST ELEC-H	42	0.93	000585	2.46	237.2
TIANJIN CAP-H	1065	3.27	600874	8.55	233.3
SHANDONG XINHU-H	719	2.13	000756	4.80	187.3
CHONGQING IRON-H	1053	1.22	601005	2.64	175.9
NANJING PANDA-H	553	3.86	600775	8.13	168.5
SHENJI GROUP-H	300	2.26	600806	4.73	166.8
SINOPEC YIZHEN-H	1033	1.49	600871	2.93	150.7
BEIJING NORTH-H	588	1.75	601588	2.89	110.5
JINGWEI TEXTIL-H	350	5.86	000666	9.45	105.6
ALUMINUM CORP-H	2600	2.84	601600	3.99	79.1
DATANG INTL PO-H	991	3.60	601991	4.74	67.9
SINOPEC SHANG-H	338	2.21	600688	2.82	62.7
YANZHOU COAL-H	1171	8.03	600188	10.10	60.4
SHENZHEN EXPRE-H	548	3.60	600548	3.96	40.2
HISENSE KELON -H	921	10.42	000921	11.29	38.1
JIANGXI COPPER-H	358	14.68	600362	15.41	33.8
GUANGZHOU BAIYUN	874	30.85	600332	32.17	32.9
HUADIAN POWER-H	1071	3.26	600027	3.25	27.1
CHINA CITIC BK-H	998	4.40	601998	4.09	18.5
DONGFANG ELECT-H	1072	14.18	600875	13.12	18.0
GUANGZHOU SHIP-H	317	17.94	600685	16.35	16.2
CHINA SHIPPING-H	1138	5.44	600026	4.95	16.0
ANHUI EXPRESS-H	995	4.57	600012	4.12	14.9
ZTE CORP-H	763	17.08	000063	15.24	13.8
CHINA SOUTHERN-H	1055	3.31	600029	2.93	12.9
MAANSHAN IRON-H	323	2.20	600808	1.81	4.9
GUANGSHEN RAIL-H	525	3.76	601333	3.01	2.1
LUOYANG GLASS-H	1108	1.40	600876	4.98	0.0
BANK OF CHINA-H	3988	3.73	601988	2.83	-3.3
BANK OF COMMUN-H	3328	5.61	601328	4.22	-4.1
HUANENG POWER-H	902	7.44	600011	5.56	-4.7
CHINA PETROLEU-H	386	6.60	600028	4.92	-5.0
TSINGTAO BREW-H	168	63.80	600600	46.21	-7.7
AIR CHINA LTD-H	753	5.89	601111	4.19	-9.3
IND & COMM BK-H	1398	5.59	601398	3.81	-13.1
CHINA MERCH BK-H	3968	16.26	600036	10.98	-13.9
CHINA LIFE INS-H	2628	25.35	601628	16.27	-18.2
WEICHAJ POWER-H	2338	33.40	000338	21.00	-19.8
ANHUI CONCH-H	914	30.35	600585	18.30	-23.1
JIANGSU EXPRES-H	177	9.85	600377	5.86	-24.2
ANGANG STEEL-H	347	5.69	000898	3.36	-24.7
PING AN INSURA-H	2318	74.35	601318	42.91	-26.4

## Recently Published Research

Date published	Name of report	Analyst
6-Dec-13	2014 China Metal and Mining Industry Outlook	Li Xiang
6-Dec-13	Monthly Report on HK Stock Market Fund Flows	Qing Li, Cliff Zhao, David Xie
5-Dec-13	2014 China Healthcare Equity Strategy	Jonathan Hsu
5-Dec-13	2014 Economic Outlook	David Xie, Cliff Zhao, Qing Li, Lynn Song
4-Dec-13	2014 Overseas Economic Outlook	Qing Li, Lynn Song, Cliff Zhao, David Xie
4-Dec-13	2014 Retail Industry HK Stock Market Investment Outlook	Wang Xiaodi
3-Dec-13	2014 Auto Industry HK Stock Market Investment Outlook	Colleen Li
2-Dec-13	Lonking Holdings (3339 HK)	Yiding Jiao
29-Nov-13	Comment on Chinese Railway Equipment Sector	Colleen Li
29-Nov-13	Wisdom Holdings Group (1661.HK)	Jeff Hao
27-Nov-13	Coal Industry Comment	Li Xiang
26-Nov-13	Gome Electrical (493 HK)	Wang Xiaodi
26-Nov-13	Truly International (732 HK)	Alex Ng
25-Nov-13	China Property Sector Comment	Duan Feiqin
25-Nov-13	China Datang (1798 HK)	Yin Lei
22-Nov-13	Kingsoft (03888.HK)	Jeff Hao
22-Nov-13	October FOMC meeting minutes	Qing Li, Cliff Zhao, David Xie
19-Nov-13	Comment on Chinese Railway	Colleen Li
19-Nov-13	Qihoo 360 Technology (QIHU.N)	Mike Chen
18-Nov-13	Comment on Fed monetary policy	Qing Li, Cliff Zhao, David Xie
18-Nov-13	China Property Sector Comment	Duan Feiqin
18-Nov-13	Comment on Eurozone 3Q13 GDP	Lynn Song, Cliff Zhao, David Xie
18-Nov-13	NewOcean Energy Ltd. (00342.HK)	Michael Yuk
14-Nov-13	Comment on Japan's 3Q13 GDP data	Lynn Song, Cliff Zhao, David Xie
13-Nov-13	HK Stock Market Strategy Comments	Cliff Zhao, George Chen
13-Nov-13	Comment on Communique of Third Plenum of 18TH CPC Central	David Xie, Cliff Zhao, Qing Li
13-Nov-13	NetDragon (00777.HK)	Jeff Hao
13-Nov-13	Nov.11 Online Sales Comment	Wang Xiaodi
12-Nov-13	Comment on the ECB benchmark interest rate cut	Lynn Song, Cliff Zhao, David Xie
12-Nov-13	XINJIANG Goldwind-H(2208.HK)	Yin Lei
8-Nov-13	China Dongxiang (3818 HK)	Ivy Zhao
8-Nov-13	Comment on U.S. GDP 3Q2013	Qing Li, Cliff Zhao, David Xie
8-Nov-13	Comment on the ECB benchmark interest rate cut	Lynn Song, Cliff Zhao, David Xie
7-Nov-13	Baidu Inc. (BIDU.O)	Mike Chen
5-Nov-13	ANTA Sports Products (2020.HK)	Ivy Zhao
5-Nov-13	361 DEGREES	Ivy Zhao
5-Nov-13	Monthly Review Nov 2013	Cliff Zhao, George Chen
4-Nov-13	Datang International (991.HK)	Vera Liang
4-Nov-13	TCL Communication (2618 HK)	Alex Ng
1-Nov-13	Huadian Power (1071HK)	Vera Liang
1-Nov-13	Zoomlion Heavy (1157 HK)	Yiding Jiao
1-Nov-13	CSR CORP LTD (1766.HK)	Colleen Li
1-Nov-13	China Property Sector Comment	Duan Feiqin

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

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

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