

A-share Research Highlights (CMS Research Center)

China Real Estate Market Weekly (140621-140627) - Steady, waiting for continuously relaxed policy

[Xie Yaxuan, Liao Shuang, July 1, 2014]

1H14 transactions declined significantly YoY: during the first half, new residential transactions declined 32% YoY in the first-tier cities and declined 24% YoY in the second-tier cities; second-hand residential transactions declined 51% YoY in the first-tier cities and declined 39% YoY in the second-tier cities; among which, new residential transactions declined 50% YoY in Beijing, 17% in Shanghai, 31% in Guangzhou and 40% in Shenzhen.

Transactions in June were influenced by the base numbers, with significant declines YoY: for first-hand residential transactions in the key cities, 7 were up MoM while 13 were down MoM, affected by the base numbers, and it was up 6% MoM and down 30% YoY for the first-tier cities. For the second-tier cities, it was down 26% MoM and down 34% YoY.

Inventory uptrend slowing down: for the 11 top cities, the residential salable area was 86.51mn sq.m. this week, which was basically in line with the previous week; for the residential inventory in the key cities, 6 were up and 5 were down; among the key monitoring cities, the salable area declined 1.2% MoM in the first-tier cities and rose 0.7% MoM in the second-tier cities. The momentum of inventory uptrend was suppressed, and inventory could go down in 2H.

Significant cooling in the land market: Land transactions in May were lower than the same period last year, dragged by the gloomy property market. Among the top 40 cities in the nation, the area of urban land transactions was 21.57mn sq.m., down 22% YoY; the sum of transactions was 95.6bn, down 13% YoY. The selection of land tends to be cautious, with structural inclination continuously towards the first-tier and large/medium cities.

Investment advice for the sector: With transaction volume showing signs of stabilization, the relaxation of macroeconomic policy and property policy would still provide opportunities for a confirmed rally; the gradual recovery of credit would help stabilize the weakening transactions in 3Q and rebound in 4Q; the number of cities for fine-tuning the purchase quota policy would still increase in 2H, which could support demand to a certain extent; short-term allocations on industry leaders with uptrend of revaluation amid the game of policy relaxation, while main themes for mid/long-term investment surrounding new types of companies at the outer edge of real estate industry inclining towards industrial, medical, pension etc., with key attention on thematic transition stocks which possess wide room for growth and are hopeful beneficiaries of policies including Beijing-Tianjin-Hebei, land reform, pension and so on. Key recommendations: Vanke (000002 CH), Poly (600048 CH), China Fortune Land (600340 CH), Gree Real Estate (600185 CH), Macrolink (000620 CH);

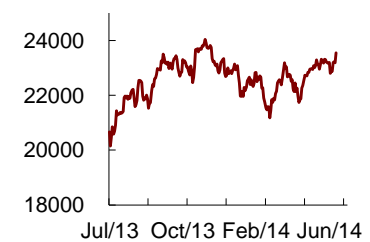
Risk reminder: liquidity risk, downtrend of property prices more than expectation.

HK Indices	Last price	chg	% chg
HSI	23,549.62	358.9	1.55
Finance	31,151.93	301.2	0.98
Properties	29,776.34	723.5	2.49
Utilities	52,440.56	526.9	1.01
Commerce&Industrv	14,674.23	291.0	2.02
HSCEI	10,448.17	113.14	1.09
HSCCI	4,418.19	49.18	1.13
HKSPGEM	518.21	4.10	0.80

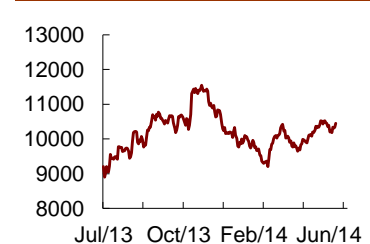
World Indices	Last price	chg	% chg
FTSE 100	6,822.53	19.61	0.29
DAX 30	9,931.57	29.16	0.29
CAC 40	4,460.60	-0.52	-0.01
DJIA	16,956.07	129.47	0.77
S&P500	1,973.32	13.09	0.67
Nasdaq Composite	4,458.65	50.47	1.14
Nikkei 225	15,369.97	43.77	0.29

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	2,015.28	16.28	0.81
TWSE	9,484.96	43.04	0.46
STI	3,262.47	19.83	0.61
India BSE 30	25,810.48	294.13	1.15
S&P/ASX 200	5,455.40	79.50	1.48

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

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China PMI Data Comment June 2014 – Divergence between Small and Medium Enterprise Index and HSBC PMI

[Xie Yaxuan, Zhao Wenli, Zhang Yiping, Yan Ling and Zhao Ke, July 2, 2014]

On July 1, 2014, China Federation of Logistics & Purchasing (CFLP) announced that the Manufacturing Purchasing Managers' Index (PMI) for June 2014 registered at 51.0%, up 0.2 ppt MoM.

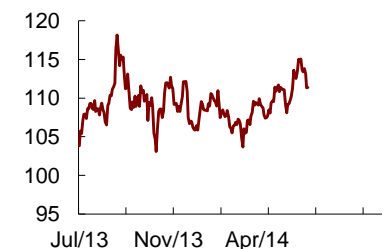
1. The CFLP PMI for June improved by 0.2 ppt to 51.0%, in line with the average of Reuters survey. However, the Small and Medium Enterprise Index diverged with the HSBC Flash PMI reported earlier, and the performance of pro-cyclical industries mixed, suggesting that the recovery was not steady. The June PMI data moved up for four consecutive months. In addition, the annualized index has begun to turn around after consolidating in the previous period, indicating that the overall recovery was still less than the HSBC Flash PMI for the same period. In terms of size of enterprises, large ones were recovering, whilst small and medium ones were still falling. And small enterprises were still below the watershed dividing positive and negative growth. This is contradictory to the strong recovery indicated by the HSBC PMI reported earlier, which has 70% of samples in small and medium enterprises in coastal areas and may be benefited from the recent depreciation in RMB. From what we were informed in a conference call of CFLP, performance of pro-cyclical industries mixed and black metal industries have bottomed, which was mainly benefited from the improvement in infrastructure investment as a result of growth stabilization policies. On the other hand, pro-cyclical industries such as petrochemical and coking were still sluggish due to over-capacity. In general, a short-term recovery is certain, but the strength of recovery as indicated by the CFLP PMI was not higher than HSBC, and improvement in small and medium enterprises was rather weak. In addition, whether benefits from government policies can be spread effectively from large and leading enterprises to the real economy is to be observed.

2. Data of sub-categories indicated slow improvement in the balance of demand and supply. Significant improvement in New Export Orders justified the surge in HSBC PMI, whilst businesses were still not optimistic to sustained recovery in demand and stocking has been conservative. In terms of production and demand, the Output Index slightly improved by 0.2 ppt to 53.0%, highly matched with high-frequency data such as power generation, whilst New Orders climbed 0.5 ppt to 52.8%, both were the key contributors to the steady increase in the composite index, reflecting the support of the growth stabilization policies introduced earlier. Difference between New Orders and Output continued to narrow, but Output was still higher, indicating slow improvement in the balance of demand and supply. The New Export Orders index, which reflects foreign trades of manufacturing industry, and the Imports index registered at 50.3% and 49.2% respectively, up 1.0 and 0.2 ppt MoM, which justified the judgment that the surge in HSBC PMI was export-driven. In the meantime, imports were still weak due to weak domestic demand. In terms of stocks, Stocks of Major Inputs was flat, whilst Stocks of Finished Goods slightly improved. In addition, the drop in purchases proved that the improvement in demand was not significant and businesses were conservative in stocking and not optimistic to the upside potential of demand. The Input Prices index slightly increased by 0.1 ppt to 50.1%, mainly due to recovery in global bulk commodities, which may result in a YoY improvement in PPI to around -1.0%.

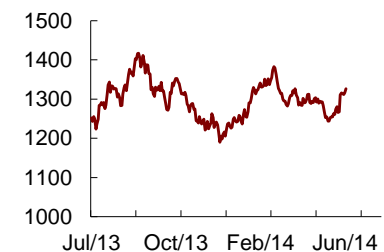
Global Commodity	Last price	chg	% chg
Brent Oil	111.38	0.06	0.05
Gold	1,326.1	-0.30	-0.02
LME Aluminum	1,884.0	-7.00	-0.37
LME Copper	7,020.0	5.00	0.07
BDI	894.00	44.00	5.18
API Coal	78.50	-0.35	-0.44

Exchange /Bond /Market	/Currency	Last price	chg	% chg
USD/RMB		6.15	0.00	0.00
USD/HKD		7.75	0.00	0.00
1-YR RMB NDF		6.23	0.00	0.00
EUR/USD		1.37	-0.15	-0.11
3-M Libor		0.55	0.00	0.00
3-M Shibor		4.75	0.00	0.00
10 YR US T-Note Yield		2.55	-0.01	-0.39

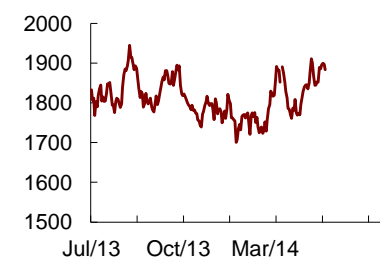
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

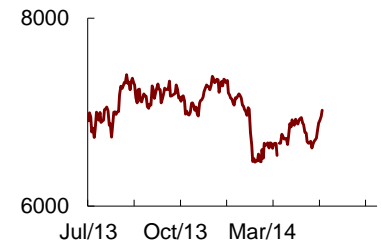
3. The Employment index for June improved on MoM basis, with lower elasticity in the increase in employment in downstream businesses. The Employment Index rose 0.4 ppt MoM to 48.6%, in line with the trend of HSBC PMI, thanks to the temporary economic consolidation in 2Q, and employment in 3Q may improve as well. Under the substitution by machinery, employment elasticity in downstream automobile, textile and food industries were becoming lower. In addition, the peak of pressure on employment was not over yet, and the data will still be ranging at low levels.

4. In general, the CFLP PMI consolidated continually, indicating short-term economic consolidation. However, divergence in pro-cyclical industries was rather high and the appetite of businesses in stocking was not strong. In addition, the Small and Medium Enterprise Index diverged with the HSBC PMI, suggesting unsteady economic recovery. Growth stabilization policies may hardly be reinforced, together with the continual deleveraging in the economy as a whole, downside risks for the 3Q may still exist.

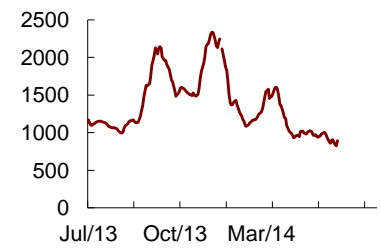
What to Watch

Economic Data	HK: Nil US : Unemployment Rate		
Date	Ticker	Stock Name	Earnings Results
Nil			
Date	Ticker	Stock Name	Issue Price

LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014-7-3

Company	Ticker	Rating	Share px	12-month TP	% Upside	Mkt cap	EPS			P/E			Analyst
			Jul. 2			(US\$m)	2014E	2015E	2016E	2014E	2015E	2016E	
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$14.68	HK\$12.0	-17	9,427	0.71	0.80	0.89	16.4	14.6	13.1	Colleen LI
BYD Company	1211 HK	NEUTRAL	HK\$45.75	HK\$32.9	-26	4,558	0.27	0.69	1.03	132.5	51.9	34.7	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.47	HK\$5.85	35	1,237	0.55	0.81	1.11	6.3	4.3	3.1	Colleen LI
Geely Automobile	175 HK	BUY	HK\$2.81	HK\$5.04	85	3,100	0.32	0.36	0.38	6.9	6.1	5.8	Colleen LI
CSR	1766 HK	BUY	HK\$6.02	HK\$8.08	39	1,522	0.31	0.40	0.45	15.1	11.7	10.4	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$29.95	HK\$43.4	51	3,838	2.74	3.40	3.82	8.4	6.8	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$23.9	HK\$32.03	36	1,663	1.10	1.35	1.62	17.2	14.0	11.7	Colleen LI
Minth Group	425 HK	BUY	HK\$15.44	HK\$13.2	-12	2,123	0.78	0.87	0.97	15.5	13.9	12.5	Colleen LI
Dongfeng Motor	489 HK	BUY	HK\$14.02	HK\$14.17	2	5,113	1.13	1.26	1.29	9.9	8.9	8.6	Colleen LI
Zhongsheng Group	881 HK	NEUTRAL	HK\$10.16	HK\$10.3	2	2,797	0.58	0.71	0.99	14.0	11.4	8.2	Colleen LI
Oil and Gas													
SPT Energy	1251 HK	BUY	HK\$4.22	HK\$6.2	52	807	0.20	0.23	0.32	16.4	14.2	10.2	Michael YUK
Hilong Holding	1623 HK	NEUTRAL	HK\$3.93	HK\$5.1	32	842	0.21	0.28	0.33	14.7	11.0	9.4	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.74	HK\$3.8	42	350	0.04	0.28	0.40	53.8	7.7	5.4	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$18.98	HK\$21.0	13	4,355	1.49	1.52	1.61	10.1	9.9	9.3	Michael YUK
Jutal Offshore Oil Serv	3303 HK	BUY	HK\$1.79	HK\$1.9	4	173	0.08	0.10	0.11	18.4	14.7	13.4	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$5.33	HK\$5.5	4	1,493	0.18	0.22	0.29	23.6	19.3	14.6	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.76	HK\$9.83	69	1,110	0.55	0.56	0.75	10.6	10.4	7.7	Michael YUK
Sinopec	386 HK	BUY	HK\$7.38	HK\$7.52	2	24,322	0.57	0.66	0.68	10.4	9.0	8.7	Michael YUK
CIMC Enric	3899 HK	NEUTRAL	HK\$10.3	HK\$13.88	36	2,492	0.50	0.59	0.68	16.4	13.9	12.1	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.16	HK\$2.0	74	1,936	0.09	0.12	0.16	12.8	9.6	7.2	Michael YUK
China Oil And Gas Group	603 HK	NEUTRAL	HK\$1.4	HK\$1.45	1	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$9.93	HK\$11.2	14	26,646	0.71	0.74	0.78	11.1	10.6	10.1	Michael YUK
CNOOC	883 HK	BUY	HK\$14.08	HK\$17.0	22	80,173	1.26	1.40	1.50	8.9	8.0	7.5	Michael YUK
Property													
CHINA RES LAND	1109 HK	NEUTRAL	HK\$14.36	HK\$17.0	20	10,666	2.52	2.11	2.28	5.6	6.7	6.2	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$4.6	HK\$6.7	53	1,884	0.96	1.14	1.34	3.7	3.1	2.6	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$3.08	HK\$4.38	46	5,641	0.79	0.79	0.80	3.1	3.1	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$7.31	HK\$15.8	104	2,155	2.18	2.49	2.19	2.9	2.5	2.8	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$19.58	HK\$22.56	20	19,820	2.82	2.91	3.50	6.7	6.5	5.4	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$7.46	HK\$19.1	153	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 2	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
OVU	798 HK	BUY	HK\$0.77	HK\$1.06	39	392	0.08	0.15	0.23	7.6	4.1	2.7	Feiqin DUAN
Ch Mercha	978 HK	BUY	HK\$1.06	HK\$2.3	125	645	0.11	0.17	0.19	7.5	4.8	4.3	Feiqin DUAN
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$5.78	HK\$6.2	11	4,229	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.47	HK\$4.7	6	500	0.25	0.24	0.17	14.2	14.8	20.9	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$2.87	HK\$2.8	1	1,414	0.07	-0.07	-0.06	31.9	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$1.76	HK\$1.57	-11	1,364	0.10	0.10	0.08	14.1	14.1	17.7	Shawn LEE
Jiangxi Copper	358 HK	SELL	HK\$13.14	HK\$10.2	-17	2,194	1.03	0.81	0.66	9.6	12.2	14.9	Shawn LEE
China Molybdenum	3993 HK	NEUTRAL	HK\$4.06	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.63	HK\$3.1	-12	6,822	-0.21	0.04	0.05	N.A.	11.3	9.1	Shawn LEE
Technology, Media & Telecom													
China Telecom	728 HK	NEUTRAL	HK\$3.95	HK\$3.45	-9	6,785	0.22	0.25	0.28	13.8	12.2	10.9	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$12.24	HK\$11.34	-5	36,759	0.44	0.65	0.76	21.9	14.8	12.7	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$76.4	HK\$78.0	4	196,089	6.02	5.34	5.27	10.0	11.3	11.5	Alex NG
Wisdom	1661 HK	BUY	HK\$4.35	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.64	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.27	HK\$2.0	-10	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.95	HK\$37.05	59	3,563	0.55	0.63	0.95	34.1	29.8	19.7	Jeff HAO
SinoMedia	623 HK	BUY	HK\$5.92	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$122.8	HK\$127.6	8	28,432	1.66	2.45	3.15	57.2	38.7	30.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.88	HK\$20.34	42	940	0.32	0.65	0.82	35.9	17.7	14.0	Jeff HAO
Hardware Technology													
AAC Technologies	2018 HK	NEUTRAL	HK\$52.5	HK\$40.0	-21	7,992	1.83	2.16	2.48	22.1	18.8	16.3	Alex NG
Coolpad	2369 HK	BUY	HK\$2.16	HK\$2.73	28	588	0.13	0.21	0.26	16.5	10.2	8.2	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$11.02	HK\$8.37	-24	1,551	0.41	0.54	0.73	21.5	16.3	12.1	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.16	HK\$12.5	33	1,406	0.28	0.98	1.34	33.5	9.6	7.0	Alex NG
Truly	732 HK	BUY	HK\$4.75	HK\$7.15	51	1,775	0.56	0.67	0.79	8.4	7.0	6.0	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.5	HK\$10.5	-1	14,203	0.06	0.07	0.11	22.8	19.5	12.4	Alex NG
Textile & Garment													
China Lilang	1234 HK	BUY	HK\$4.95	HK\$5.14	4	766	0.43	0.41	0.44	9.2	9.7	9.0	Ivy ZHAO
361 Degrees	1361 HK	NEUTRAL	HK\$1.78	HK\$1.76	-1	472	0.12	0.12	0.13	11.8	11.8	10.9	Ivy ZHAO
Xtep International	1368 HK	BUY	HK\$3.22	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.75	HK\$7.89	-8	9,357	0.52	0.52	0.54	13.3	13.3	12.8	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$1.96	HK\$2.72	44	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 2	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
ANTA Sports Products	2020 HK	BUY	HK\$12.22	HK\$13.47	9	3,966	0.53	0.57	0.63	18.7	17.4	15.7	Ivy ZHAO
Li Ning	2331 HK	BUY	HK\$6.23	HK\$5.2	-16	1,096	-0.05	0.27	0.30	N.A.	18.4	16.6	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.46	HK\$1.59	9	1,043	0.04	0.04	0.05	29.3	29.3	23.5	Ivy ZHAO
Ports Design	589 HK	NEUTRAL	HK\$3.6	HK\$4.0	14	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.68	HK\$2.0	21	369	0.18	0.16	0.18	9.2	10.3	9.2	Ivy ZHAO
Food & Beverage													
Want Want China	151 HK	NEUTRAL	HK\$11.24	HK\$13.05	17	18,685	0.05	0.06	0.07	28.7	24.0	20.5	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$35.3	HK\$47.0	31	9,052	0.90	1.24	1.54	32.0	23.2	18.7	Ling HUA
Tingyi	322 HK	BUY	HK\$21.8	HK\$24.9	15	15,134	0.07	0.10	0.11	40.0	28.0	25.5	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$10.08	HK\$11.6	17	1,319	0.33	0.36	0.39	30.0	27.5	25.4	Ling HUA
Retail													
Haier Electronics	1169 HK	BUY	HK\$20.8	HK\$24.4	20	6,881	0.80	0.95	1.17	20.3	17.1	13.9	Gloria WANG
Sa Sa International	178 HK	BUY	HK\$5.73	HK\$8.2	53	1,962	0.35	0.41	0.47	15.3	13.1	11.4	Gloria WANG
Intime Retail (Group)	1833 HK	BUY	HK\$6.82	HK\$10.3	52	1,759	0.52	0.60	0.69	10.5	9.1	7.9	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.28	HK\$1.64	29	2,765	0.05	0.06	0.07	20.4	17.0	14.6	Gloria WANG
Bonjour Holdings	653 HK	NEUTRAL	HK\$1.28	HK\$1.58	31	485	0.09	0.11	0.12	13.4	11.0	10.1	Gloria WANG
Alternative Energy													
Datang Renewable Power	1798 HK	SELL	HK\$1.01	HK\$0.74	-24	316	0.03	0.03	0.04	26.2	26.2	19.7	Lei YIN
CHINA WIND POWER	182 HK	BUY	HK\$0.6	HK\$1.1	77	716	0.02	0.04	0.06	31.0	15.5	10.3	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$9.25	HK\$12.3	36	582	0.16	0.37	0.55	45.3	19.6	13.2	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.61	HK\$2.83	9	5,174	-0.04	0.11	0.18	N.A.	23.6	14.4	Lei YIN
Singyes Solar	750 HK	BUY	HK\$13.08	HK\$14.23	9	1,169	0.75	1.02	1.14	14.0	10.3	9.2	Lei YIN
Tianneng Power	819 HK	BUY	HK\$2.94	HK\$6.65	128	419	0.16	0.57	1.10	14.7	4.1	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$8.41	HK\$11.39	35	3,624	0.26	0.42	0.50	26.0	16.1	13.5	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.57	HK\$3.2	25	2,982	0.10	0.12	0.19	20.6	17.1	10.8	Lei YIN
Port & Shipping													
COSCO Pacific	1199 HK	BUY	HK\$10.96	HK\$12.46	16	4,035	0.25	0.12	0.13	5.5	11.6	10.7	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$24.7	HK\$26.43	9	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI
CSCCL	2866 HK	NEUTRAL	HK\$1.99	HK\$1.82	-9	968	-0.22	0.01	0.05	N.A.	160.6	32.1	Kate LI
Orient Overseas	316 HK	BUY	HK\$38.8	HK\$51.0	34	3,064	0.08	0.21	0.37	61.2	23.3	13.2	Kate LI
Sinotrans Shipping	368 HK	NEUTRAL	HK\$2.2	HK\$2.4	8	1,143	0.00	0.01	0.01		28.6	28.6	Kate LI
Machinery & Equipment													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$4.69	HK\$4.66	-3	885	0.51	0.49	0.52	7.6	7.9	7.4	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.35	HK\$7.01	53	537	0.54	0.63	0.68	6.8	5.8	5.4	Yiding JIAO

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 2	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
LONKING	3339 HK	BUY	HK\$1.32	HK\$2.06	55	734	0.11	0.13	0.16	9.7	8.2	6.7	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.72	HK\$1.47	-15	675	0.12	0.12	0.13	11.5	11.5	10.6	Yiding JIAO
Electric Power													
HUADIAN POWER	1071 HK	BUY	HK\$4.71	HK\$4.4	-6	866	0.56	0.61	0.65	6.7	6.2	5.8	Vera LIANG
CHINA POWER	2380 HK	BUY	HK\$3.17	HK\$3.6	18	2,542	0.40	0.41	0.47	6.1	6.0	5.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$9.05	HK\$9.65	10	4,013	0.74	0.77	0.86	9.5	9.1	8.2	Vera LIANG
Datang Power	991 HK	NEUTRAL	HK\$0.0	HK\$3.3	9	1,296	0.27	0.33	0.39	9.0	7.4	6.2	Vera LIANG
Pharmaceutical & Healthcare													
Essex Bio-Technology	1061 HK	BUY	HK\$2.5	HK\$4.12	63	181	0.10	0.12	0.14	25.2	21.0	18.0	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.2	HK\$8.0	29	4,461	0.17	0.23	0.29	36.4	26.9	21.3	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$21.6	HK\$24.4	14	2,750	0.66	0.82	1.01	26.1	21.0	17.1	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.37	HK\$6.7	7	4,003	0.09	0.18	0.22	69.8	34.9	28.6	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$11.7	HK\$16.6	42	1,256	0.13	0.23	0.28	72.2	40.8	33.5	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$5.65	HK\$8.2	45	586	0.19	0.25	0.32	23.9	18.2	14.2	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$13.8	HK\$12.3	-10	1,451	0.91	0.78	0.89	12.0	14.0	12.3	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.89	HK\$5.5	16	6,329	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG US	BUY	US\$18.61	US\$21.3	14	1,219	0.33	0.50	0.71	56.4	37.2	26.2	Jonathan HSU
Gaming													
Wynn Macau	1128 HK	SELL	HK\$31.0	HK\$31.7	4	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela Han Lee
Sands China	1928 HK	BUY	HK\$60.3	HK\$81.2	39	60,865	2.13	3.09	3.63	27.5	19.0	16.1	Angela Han Lee
MGM CHINA	2282 HK	BUY	HK\$27.85	HK\$42.9	59	13,187	1.40	1.70	1.88	19.2	15.8	14.3	Angela Han Lee
Galaxy Entertainment	27 HK	BUY	HK\$65.0	HK\$79.9	29	33,685	2.39	2.96	3.91	25.9	21.0	15.9	Angela Han Lee
Melco Crown	6883 HK	BUY	HK\$95.3	HK\$120.6	28	20,004	3.00	4.16	4.79	31.3	22.6	19.6	Angela Han Lee
SJM	880 HK	SELL	HK\$20.1	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela Han Lee
Environmental Protection													
CHINA EB INT'L	257 HK	BUY	HK\$11.24	HK\$12.2	10	6,409	0.30	0.38	0.48	36.9	29.2	23.1	Shawn LEE
DONGJIANG ENV	895 HK	BUY	HK\$26.0	HK\$34.1	36	1,125	0.60	0.84	1.28	33.6	24.0	15.8	Shawn LEE
Industrial Good													
TK group	2283 HK	BUY	HK\$1.17	HK\$1.74	41	131	0.14	0.18	0.21	8.8	6.8	5.9	Ling HUA

HSI Index Components Performance

HSCEI Index Components Performance

Last price

Code	Name	Price	Chg 1D (%)	Code	Name	Price	Chg 1D (%)
1	CHEUNG KONG	142.3	3.5	168	TSINGTAO BREW-H	60.95	0.6
2	CLP HLDGS LTD	63.70	0.2	177	JIANGSU EXPRES-H	9.26	1.0
3	HONG KG CHINA GS	17.16	1.2	323	MAANSHAN IRON-H	1.71	6.2
4	WHARF HLDG	56.45	1.2	338	SINOPEC SHANG-H	2.20	1.9
5	HSBC HLDGS PLC	80.00	1.8	347	ANGANG STEEL-H	5.29	5.8
6	POWER ASSETS HOL	68.95	1.8	358	JIANGXI COPPER-H	13.14	7.2
11	HANG SENG BK	128.3	1.3	386	SINOPEC CORP-H	7.38	-0.1
12	HENDERSON LAND D	47.00	3.6	390	CHINA RAIL GR-H	3.79	0.0
13	HUTCHISON WHAMPO	107.8	1.7	489	DONGFENG MOTOR-H	14.02	1.0
16	SHK PPT	107.7	1.3	552	CHINA COMM SER-H	3.83	1.6
17	NEW WORLD DEV	9.06	2.7	576	ZHEJIANG EXPRESS	7.98	1.7
19	SWIRE PACIFIC-A	97.90	2.6	694	BEIJING CAP AI-H	5.28	-0.9
23	BANK EAST ASIA	32.55	1.2	728	CHINA TELECOM-H	3.95	4.2
66	MTR CORP	30.00	0.5	753	AIR CHINA LTD-H	4.51	-0.7
83	SINO LAND CO	13.00	1.9	857	PETROCHINA CO-H	9.93	1.4
101	HANG LUNG PROPER	24.30	1.7	902	HUANENG POWER-H	9.05	3.4
144	CHINA MERCHANT	24.70	2.1	914	ANHUI CONCH-H	27.55	3.6
267	CITIC PACIFIC	13.60	0.2	939	CHINA CONST BA-H	5.60	1.9
291	CHINA RES ENTERP	21.80	1.4	991	DATANG INTL PO-H	3.03	0.0
293	CATHAY PAC AIR	14.64	1.1	998	CHINA CITIC BK-H	4.80	2.1
330	ESPRIT HLDGS	11.18	1.6	1088	CHINA SHENHUA-H	23.05	2.9
386	SINOPEC CORP-H	7.38	-0.1	1133	HARBIN ELECTRIC	4.84	3.0
388	HKEX	147.1	1.8	1138	CHINA SHIPPING-H	4.69	3.3
494	LI & FUNG LTD	11.66	1.6	1171	YANZHOU COAL-H	5.90	0.7
551	YUE YUEN INDUS	26.75	3.1	1186	CHINA RAIL CN-H	6.84	0.3
688	CHINA OVERSEAS	19.58	4.2	1398	IND & COMM BK-H	4.97	1.4
700	TENCENT	122.8	3.9	1800	CHINA COM CONS-H	5.26	1.2
762	CHINA UNICOM HON	12.24	2.2	1898	CHINA COAL ENE-H	4.10	1.7
857	PETROCHINA CO-H	9.93	1.4	1919	CHINA COSCO HO-H	3.02	0.0
883	CNOOC LTD	14.08	1.2	2318	PING AN INSURA-H	60.80	1.3
939	CHINA CONST BA-H	5.60	1.9	2328	PICC PROPERTY &	11.62	1.4
941	CHINA MOBILE	76.40	1.6	2600	ALUMINUM CORP-H	2.87	3.2
1088	CHINA SHENHUA-H	23.05	2.9	2628	CHINA LIFE INS-H	20.80	2.5
1199	COSCO PAC LTD	10.96	2.1	2727	SHANGHAI ELECT-H	3.20	2.6
1398	IND & COMM BK-H	4.97	1.4	2777	GUANGZHOU R&F -H	9.83	2.7
2038	FIH MOBILE LTD	4.77	-3.1	2866	CHINA SHIPPING-H	1.99	-0.5
2318	PING AN INSURA-H	60.80	1.3	2883	CHINA OILFIELD-H	18.98	1.8
2388	BOC HONG KONG HO	23.20	3.3	2899	ZIJIN MINING-H	1.76	0.0
2600	ALUMINUM CORP-H	2.87	3.2	3323	CHINA NATL BDG-H	7.09	3.8
2628	CHINA LIFE INS-H	20.80	2.5	3328	BANK OF COMMUN-H	5.50	2.8
3328	BANK OF COMMUN-H	5.50	2.8	3968	CHINA MERCH BK-H	15.58	2.0
3988	BANK OF CHINA-H	3.53	1.7	3988	BANK OF CHINA-H	3.53	1.7
				3993	CMOC-H	4.06	2.3

A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NORTHEAST ELEC-H	42	1.37	000585	2.38	116.8
CHONGQING IRON-H	1053	1.41	601005	2.38	110.7
SHENJI GROUP-H	300	2.74	600806	4.42	101.3
SHANDONG XINHU-H	719	3.46	000756	5.58	101.3
JINGCHENG MAC	187	3.55	600860	5.71	100.7
SINOPEC YIZHEN-H	1033	1.77	600871	2.78	96.0
TIANJIN CAP-H	1065	5.10	600874	7.99	95.5
JINGWEI TEXTIL-H	350	6.88	000666	10.45	89.6
SINOPEC SHANG-H	338	2.20	600688	3.18	80.4
BEIJING NORTH-H	588	1.89	601588	2.47	63.1
YANZHOU COAL-H	1171	5.90	600188	7.06	49.3
DATANG INTL PO-H	991	3.03	601991	3.56	46.6
BAIYUNSHAN PH-H	874	22.80	600332	25.17	37.8
ALUMINUM CORP-H	2600	2.87	601600	3.07	33.5
CHINA SOUTHERN-H	1055	2.39	600029	2.32	21.1
JIANGXI COPPER-H	358	13.14	600362	12.65	20.1
HISENSE KELON -H	921	9.15	000921	8.70	18.7
MAANSHAN IRON-H	323	1.71	600808	1.58	15.3
ANHUI EXPRESS-H	995	4.79	600012	4.41	14.9
CHINA CITIC BK-H	998	4.80	601998	4.27	11.0
CHINA SHIPPING-H	1138	4.69	600026	4.12	9.6
DONGFANG ELECT-H	1072	13.50	600875	11.85	9.5
SHENZHEN EXPRE-H	548	4.25	600548	3.66	7.5
GUANGSHEN RAIL-H	525	2.99	601333	2.55	6.4
ZTE CORP-H	763	15.62	000063	13.22	5.6
GUANGZHOU SHIP-H	317	13.73	600685	0.00	0.0
LUOYANG GLASS-H	1108	3.80	600876	7.24	0.0
NANJING PANDA-H	553	4.52	600775	0.00	0.0
AIR CHINA LTD-H	753	4.51	601111	3.30	-8.7
BANK OF CHINA-H	3988	3.53	601988	2.58	-8.8
BANK OF COMMUN-H	3328	5.50	601328	3.90	-11.5
SINOPEC CORP-H	386	7.38	600028	5.11	-13.6
IND & COMM BK-H	1398	4.97	601398	3.41	-14.4
CHINA MERCH BK-H	3968	15.58	600036	10.26	-17.8
CHINA LIFE INS-H	2628	20.80	601628	13.67	-18.0
TSINGTAO BREW-H	168	60.95	600600	39.96	-18.2
HUADIAN POWER-H	1071	4.71	600027	3.07	-18.7
PING AN INSURA-H	2318	60.80	601318	39.44	-19.1
HUANENG POWER-H	902	9.05	600011	5.67	-21.8
JIANGSU EXPRES-H	177	9.26	600377	5.51	-25.7
WEICHAJ POWER-H	2338	30.50	000338	17.80	-27.2
ANGANG STEEL-H	347	5.29	000898	3.07	-27.6
ANHUI CONCH-H	914	27.55	600585	15.76	-28.6

Recently Published Research

Date published	Name of report	Analyst
2-Jul-14	Macau Gaming	Angela Han Lee
30-Jun-14	Lenovo Group (992 HK)	Alex Ng
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26-Jun-14	2014 China Clean Energy Sector Investment Outlook	Yin Lei
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23-Jun-14	Dongjiang Environmental (895 HK)	Li Xiang
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20-Jun-14	2014 Hong Kong Thermal Power Sector Investment	Vera Liang
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3-Jun-14	iKang Healthcare Group (KANG US)	Jonathan Hsu
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30-May-14	HK Stock Market Fund Flows	Lynn Song, Cliff Zhao, David Xie
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27-May-14	SinoMedia(623 HK)	Jeff Hao
26-May-14	Tingyi Holding (322 HK)	Hua Ling
23-May-14	Dongjiang Environmental(895 HK)	Li Xiang
23-May-14	May Eurozone Flash Composite PMI	Lynn SONG
22-May-14	China Gas Distributors	Michael Yuk
21-May-14	Sunac China Holdings Limited (1918 HK)	Kate Li, Duan Feiqin
19-May-14	GCL -Poly Energy (3800 HK)	Yin Lei
19-May-14	China Hardware Technology	Alex Ng
16-May-14	Environmental protection– solid waste treatment	Li Xiang
16-May-14	Eurozone 1Q14 GDP unchanged	Lynn Song, Cliff Zhao, David Xie

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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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