

## CMS (HK) Research Highlights

### 2H14 Hong Kong Property Sector Investment Outlook

We are short-term bullish for Hong Kong-listed property sector amid bearish sentiment

Control policies for industry: Policies of the current government mainly market-based; some local governments have gradually eased administrative measures and relied more on market forces

Liquidity: Still tighter than that of last year but already improved from the beginning of 2014. We expect drop in RRR within 2H14.

Overall market turnover: Expect 2H volume to improve HoH, and the YoY decline to moderate

Regional markets: Inventory and future prospects of 1st & 2nd tier cities were and will be better than the 3rd tier cities. Companies with bigger exposures there will benefit.

Price outlook: We expect sequential improvement in overall property prices by the end of 3Q and 4Q. Again, 1st and 2nd tier cities will fare better than the 3rd tier cities.

Leaders will prevail: Expanding foothold and driving away competitors in the better segment, i.e. 1st & 2nd tier cities.

2015-2016E market forecasts: We expect overall turnover in 2015-2016E to be relatively stable than 2014 (around +5% p.a. growth), with more stable prices than 2014 (2-3% p.a. growth), of which 1st- & 2nd-tier cities will fare better than that of the 3rd tier cities.

Sector valuation: Valuation of Hong Kong-listed mainland property stocks around 10-year low with 4.1x FY14E PE and 0.69x FY14E P/B.

Stock picks: Within traditional property companies we like Sunac (1918 HK), China Merchants Land (978 HK), Greentown China (3900 HK), China Resources Land (1109 HK), China Overseas (0688 HK), and Kaisa (1638 HK); Within industrial part developers/operators, we like Hydoo International (1396 HK) and OVU (798 HK). (Duan Feiqin, Li Yiqian)

### Huaneng Renewables (958HK, BUY, TP HK\$3.2)

#### Aggressive capacity expansion, execution to monitor

- 2014-2016E capacity expansion CAGR to be 21%, higher than HK listed peers
- 2014-2016E net profit CAGR to be 38%, higher than HK listed peers
- 1.5GW wind power turbines expected to be out of warranty in 2014
- Huge capex, our concerns on execution of new capacity expansion
- Impairment of 300 mn CDM receivables an uncertainty for results

#### What's new

HNR's 1Q14 wind power generation fell 6.9% YoY, with Inner Mongolia (-25.9%) and Liaoning (-26.2%) as the main dragging factors, which reflected the dissatisfactory wind resources of the northern region in 1Q. Longyuan's wind power generation in May grew 17% YoY, which was a proof of improving wind resources.

#### Our views

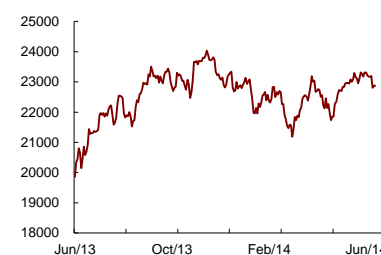
Capacity expansion is expected to be faster than Longyuan and Datang according to the management guidance. HNR's asset/liability ratio has a rising trend (as of the end of 2013: 75.4%) as huge expected capex in 2014. HNR still has RMB300 mn CDM (Clean Development Mechanism) receivables, an uncertainty for its results. In 2014, 24% of wind power turbines are expected to be out of warranty (only 4% in 2013), hence O&M expenses would rise significantly.

HK Indices	Last price	chg	% chg
HSI	22,866.70	-13.94	-0.06
Finance	30,728.74	-105.0	-0.34
Properties	28,779.04	36.76	0.13
Utilities	50,985.40	116.80	0.23
Commerce&Industr	14,014.79	24.81	0.18
HSCEI	10,180.05	-70.11	-0.68
HSCCI	4,294.59	17.01	0.40
HKSPGEM	509.70	-1.62	-0.32

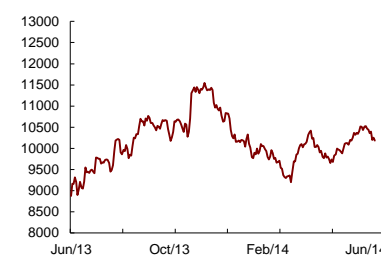
World Indices	Last price	chg	% chg
FTSE 100	6,747.39	-39.68	-0.58
DAX 30	9,883.17	-54.91	-0.55
CAC 40	4,489.96	-28.38	-0.63
DJIA	16,818.13	-119.13	-0.70
S&P500	1,949.98	-12.63	-0.64
Nasdaq Composite	4,350.36	-18.32	-0.42
Nikkei 225	15,266.61	-109.63	-0.71

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,981.77	-12.58	-0.63
TWSE	9,242.16	-4.04	-0.04
STI	3,263.35	1.32	0.04
India BSE 30	25,355.34	-13.56	-0.05
S&P/ASX 200	5,402.01	-30.78	-0.57

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

#### Earnings forecast

We expect HNR's 2014 new installed capacity of wind power is 1.6GW, lower than market expectation by 11%; not much improvement is expected for the utilization hours in 2014-2015, and up 5% YoY to 2,173 hours in 2016. We believe improvement of grid curtailment in 2016 may be even more significant. In addition, we expect HNR's 300 mn CDM receivables may undertake impairments in 2014. Our revenue forecast for 2014-2016 is higher than market consensus by 3.6%/2.1%/4.2%; net profit forecast for 2014-2016 is higher than market consensus by -25.5%/-10.6%/4.4%.

#### Valuation/ Key risks

We initiate coverage of HNR, with DCF TP at HK\$3.20, which implies 2014-2015 P/E of 21.5x and 13.3x respectively, with potential upside of 24%. The company has current valuation of 17.3x2014P/E and 1.2x2014P/B, which is at its historical average. Its 2014-2016 net profit CAGR is 38%, higher than Longyuan's 32.4%. Our reminders for investors include: 1) Impairment situation of 2014 CDM receivables; 2) Execution of 2014 new capacity; 3) Hike of maintenance expenses. (Yin Lei)

#### **Sunny Optical (2382 HK) Reverse Roadshow Takeaways: Stronger HCM/lens outlook in 2H despite near-term margin pressure**

We attended Sunny Optical reserve roadshow at their Yuyao headquarter. We are positive on Sunny's latest product development and shipment/ASP trends, given stronger product offerings, faster spec migration, better insourcing ratio, and improving 3D and auto lens business. We are now reviewing our rating and estimates.

1) Higher HCM volume but lower gross margin in 1H14. The management raised HCM shipment guidance from 30% YoY to 30%-35% on more project wins with local customers (esp. Coolpad and Xiaomi) due to more aggressive pricing strategy. The company believes 1H14 HCM gross margin will be lower than previous guidance range of 12-13%, but their share gains with these two customers will lead to improving margin in 2H14 since management believe their high-end models in 2H14 will increase adoption of high-end camera spec (e.g. OIS, 13MP+) following iPhone/Samsung product launches in 3Q14. The management targets HCM 5MP/8MP/13MP+ spec mix of 30-35%/25-30%/15% in 2014.

2) Handset lens momentum remains strong on higher insourcing ratio and China/Korea/Japan project wins. The management maintains their positive outlook on handset lens business in 2014 (100% YoY shipment growth to 1.1mn units), with 1) higher insourcing ratio (maintain 30-40% target), 2) more project wins with local customers given high-end lens supply tightness in 2H14, 3) Samsung orders expected to ramp up in 2H14, and 4) new Sony high-end shipment (13MP+) after acquisition of Konica Minolta with new patents and R&D resources.

3) Solid product roadmap ahead to solidify China leadership. The management reiterated that OIS/13MP HCM products will further strengthen China leadership and widen technology gap with competitors (eg. OFilm) which gained share in 2013 through COB capacity expansion and lower pricing strategy. The management cited an example that ASP of OIS HCM is 60% higher than that without OIS and COB technology/product line is no longer the key barrier for OIS/13MP products given higher R&D requirement and limited VCM resources. The company believes its self-developed AA (auto alignment) equipments will allow Sunny to rapidly capture growing market demand of OIS/13MP+ HCM in 2H14. (Alex Ng)

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

### Semiconductor Industry Report I – National Strategy: Assisting Semiconductor Industry to Move on Long-Term Turning Point

[Yan Fan, June 25, 2014] Supporting measures to the integrated circuit industry in China has been underway before the release of the Interim Evaluation Report on the Implementation of the Outlines of the Twelfth Five-Year Plan, including the privatization of Spreadtrum Communications, RDA Microelectronics and Montage Technology, as well as the establishment of industry funds in Beijing and by SMIC. The development pattern of the integrated circuit industry has been streamlined at a national strategic level. We believe that the semiconductor industry in China will be moving to a long-term turning point under favorable government policies.

In 2013, the imports and trade deficit of the integrated circuit industry in China amounted to US\$231.3 bn and US\$143.6 bn respectively, which were comparable to the oil imports of US\$250 bn. The transformation of integrated circuit industry is becoming inevitable under the strong challenge to national security of information and the emergence of the manufacturing industry and demand of China. Based on the relevant national planning of accomplishing sales of RMB350 bn in 2015, a CAGR of 20% by 2020 and meeting internationally advanced level by 2030, we can estimate a considerable development potential.

Missions and guidelines are set in relevant national planning on the design, manufacture, testing, equipment and materials of the semiconductor industry. We have also analyzed the gap in the size and technology between China and the world in these areas using extensive data. In 2013, the design, manufacture and testing of chips in China accounted for 5.2%, 5.6% and 7.3% of the relevant global markets of US\$83.5, US\$37.0 and US\$26.0 bn respectively, suggesting a considerable potential for substitution and the gap was rapidly diminishing.

The Outlines of the Twelfth Five-Year Plan have comprehensively provided guidance on protecting the development of the industry: (1) support from the government; (2) provision of comprehensive investment and financing plans, including the establishment of national and local investment funds, supporting policies and credit from commercial banks as well as supportive measures in the listing of companies; (3) improving profitability of companies through taxation policies, including income tax, value-added tax, business tax and duty-free imports; (4) improving demand by government purchases and promoting the use of domestic products, in particular the increase of usage of domestic products in the application of information technology in the government and the information security departments; (5) reinforcing the long-term foundation of industrial development, including the reinforcement of innovation and personnel training, the introduction of collaboration and cooperation with overseas parties.

Recommendation: Exploration on semiconductor industry chain in China. We initial a rating of OVERWEIGHT on the semiconductor industry with selection ideas as follows: (1) leaders in sub-sectors: including Hisilicon and Spreadtrum in IC design; SMIC (00981 HK) in manufacturing, Changjiang Electronics (600584 CH) and Nantong Fujitsu Microelectronics (002156 CH) in testing; Sevenstar Electronics (002371 CH) in equipment and Fastprint Circuit (002436 CH) in IC substrate; (2) companies in the chips sector that benefit from the national security of information and the application of information technology, including those engage in IC chips

Global Commodity	Last price	chg	% chg
Brent Oil	113.38	-0.28	-0.25
Gold	1,314.3	-4.01	-0.30
LME Aluminum	1,896.0	6.00	0.32
LME Copper	6,885.0	0.00	0.00
BDI	867.00	-19.00	-2.14
API Coal	78.95	0.05	0.06

Exchange /Bond Market	/Currency	Last price	chg	% chg
USD/RMB		6.16	0.00	0.00
USD/HKD		7.75	0.00	0.00
1-YR RMB NDF		6.24	0.00	0.00
EUR/USD		1.36	0.03	0.02
3-M Libor		0.55	0.00	0.00
3-M Shibor		4.76	-0.01	-0.21
10 YR US T-Note Yield		2.58	0.00	0.00

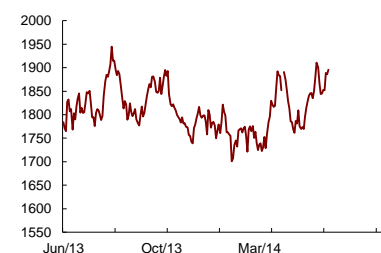
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

for financial industry, healthcare and information chips and military supplies, including Tongfang Guoxin (002049 CH), Datang Telecom (600198 CH), Gotecom Electronic (300101 CH), Nationz Technologies (300077 CH) and Fudan Microelectronics (01385 HK); (3) companies target at niche markets with advanced technology, including Wafer Level CSP (603005 CH), Huatian Technology (002185 CH) and Speed Wireless (300322 CH), which have presence in WLP; Universal Scientific (601231 CH) which engages in SIP packaging; Tongfang Guoxin (002049 CH), which engages in NFC; GoerTek (002241 CH) and Suzhou Good-Ark (002079 CH), which engages in MEMS; Ingenic Semiconductor (300223 CH), which engages in wearable MIPS; CSR Times (03898 HK), Huahongjt (300330 CH), Zhonghuan Semiconductor (002129 CH) and Sino-Microelectronics (600360 CH), which are related to IGBT and power semiconductor, as well as Fastprint Circuit Tech (002436 CH) and Shanghai Sinyang (300236 CH), which engage in large wafer projects; (4) companies capable of integration and being M&A platform, including Tsinghua Unigroup, Shanghai Belling (600171 CH), P&S Information Technology (300184 CH) and Nationz Technologies (300077 CH).

Key risks: (1) lower-than-expected demand for IC due to economic fluctuation; (2) execution of policies differs from schedule.

## What to Watch

Economic Data	HK: Nil US: Initial Claims		
Date	Ticker	Stock Name	Earnings Results
2014/06/26	00022	MEXAN	
2014/06/26	00035	FE CONSORT INTL	
2014/06/26	00052	FAIRWOOD HOLD	
2014/06/26	00064	GET NICE	
2014/06/26	00084	STELUX HOLDINGS	
2014/06/26	00104	ASIA COMM HOLD	
2014/06/26	00105	ASSO INT HOTELS	
2014/06/26	00129	ASIA STANDARD	
2014/06/26	00160	HON KWOK LAND	
2014/06/26	00167	IDT INT'L	
2014/06/26	00178	SA SA INT'L	
2014/06/26	00202	EVERCHINAINT'L	
2014/06/26	00214	ASIA ORIENT	
2014/06/26	00216	CHINNEY INV	
2014/06/26	00234	NEW CENTURY GP	
2014/06/26	00237	SAFETY GODOWN	
2014/06/26	00266	TIAN TECK LAND	
2014/06/26	00278	WAH HA REALTY	
2014/06/26	00283	GOLDIN PPT	
2014/06/26	00292	ASIA STD HOTEL	
2014/06/26	00298	CHUANG'S CHINA	
2014/06/26	00320	COMPUTIME	
2014/06/26	03998	BOSIDENG	
Date	Ticker	Stock Name	Issue Price
2014/06/26	01588	CHANJET	17.15
2014/06/26	02229	CG DUNXIN	1.40
2014/06/26	02298	COSMO LADY	4.42

LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly  
 2014-6-26

Company	Ticker	Rating	Share px Jun. 25	12-month TP	% Upside	Mkt cap (US\$m)	2013E	EPS 2014E	2015E	P/E 2013E	2014E	2015E	Analyst
<b>Auto &amp; Auto Parts</b>													
Brilliance China	1114 HK	BUY	HK\$13.62	HK\$12.0	-12	8,830	0.71	0.80	0.89	15.4	13.7	12.3	Colleen LI
BYD Company	1211 HK	NEUTRAL	HK\$44.95	HK\$32.9	-27	4,599	0.27	0.69	1.03	133.7	52.3	35.0	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.39	HK\$5.85	33	1,252	0.55	0.81	1.11	6.4	4.4	3.2	Colleen LI
Geely Automobile	175 HK	BUY	HK\$2.72	HK\$5.04	85	3,088	0.32	0.36	0.38	6.8	6.1	5.8	Colleen LI
CSR	1766 HK	BUY	HK\$5.79	HK\$8.08	40	1,512	0.31	0.40	0.45	18.7	14.5	12.9	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$28.9	HK\$43.4	50	3,852	2.74	3.40	3.82	8.5	6.8	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$23.8	HK\$32.03	35	1,680	1.10	1.35	1.62	21.6	17.6	14.7	Colleen LI
Minth Group	425 HK	BUY	HK\$14.84	HK\$13.2	-11	2,092	0.78	0.87	0.97	15.3	13.7	12.3	Colleen LI
Dongfeng Motor	489 HK	BUY	HK\$13.5	HK\$14.17	5	4,973	1.13	1.26	1.29	9.6	8.6	8.4	Colleen LI
Zhongsheng Group	881 HK	NEUTRAL	HK\$9.78	HK\$10.3	5	2,709	0.58	0.71	0.99	13.5	11.1	7.9	Colleen LI
<b>Oil and Gas</b>													
SPT Energy	1251 HK	BUY	HK\$4.35	HK\$6.2	43	860	0.20	0.23	0.32	17.5	15.2	10.9	Michael YUK
Hilong Holding	1623 HK	NEUTRAL	HK\$4.12	HK\$5.1	24	901	0.21	0.28	0.33	15.8	11.8	10.0	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.64	HK\$3.8	44	344	0.04	0.28	0.40	53.0	7.6	5.3	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$18.46	HK\$21.0	14	4,313	1.49	1.52	1.61	10.0	9.8	9.2	Michael YUK
Jutal Offshore Oil Serv	3303 HK	BUY	HK\$1.77	HK\$1.9	7	167	0.08	0.10	0.11	17.8	14.2	12.9	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$5.31	HK\$5.5	4	1,502	0.18	0.22	0.29	23.7	19.4	14.7	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.88	HK\$9.83	67	1,125	0.55	0.56	0.75	10.7	10.5	7.8	Michael YUK
Sinopec	386 HK	BUY	HK\$7.18	HK\$7.52	5	23,631	0.57	0.66	0.68	10.1	8.7	8.5	Michael YUK
CIMC Enric	3899 HK	NEUTRAL	HK\$10.26	HK\$13.88	35	2,507	0.50	0.59	0.68	16.5	14.0	12.1	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.16	HK\$2.0	72	1,953	0.09	0.12	0.16	12.9	9.7	7.3	Michael YUK
China Oil And Gas Group	603 HK	NEUTRAL	HK\$1.38	HK\$1.45	5	890	0.08	0.10	0.13	17.3	13.8	10.6	Michael YUK
Petrochina	857 HK	BUY	HK\$9.62	HK\$11.2	16	26,183	0.71	0.74	0.78	10.9	10.4	9.9	Michael YUK
CNOOC	883 HK	BUY	HK\$13.56	HK\$17.0	25	78,099	1.26	1.40	1.50	8.6	7.8	7.3	Michael YUK
<b>Property</b>													
CHINA RES LAND	1109 HK	NEUTRAL	HK\$13.8	HK\$17.0	23	10,380	2.52	2.11	2.28	5.5	6.5	6.1	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$4.07	HK\$6.7	65	1,747	0.96	1.14	1.34	3.4	2.9	2.4	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$2.97	HK\$4.38	47	5,566	0.79	0.79	0.80	3.0	3.0	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$7.3	HK\$15.8	116	2,033	2.18	2.49	2.19	2.7	2.4	2.7	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$19.14	HK\$22.56	18	20,179	2.82	2.91	3.50	6.8	6.6	5.5	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$7.42	HK\$19.1	157	2,148	2.10	2.00	2.22	3.5	3.7	3.3	Feiqin DUAN

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Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jun. 25	12-month TP			2013E	2014E	2015E	2013E	2014E	2015E	
OVU	798 HK	BUY	HK\$0.77	HK\$1.06	38	397	0.08	0.15	0.23	7.7	4.1	2.7	Feiqin DUAN
Ch Mercha	978 HK	BUY	HK\$1.0	HK\$2.3	130	633	0.11	0.17	0.19	7.3	4.7	4.2	Feiqin DUAN
<b>Metals and Mining</b>													
China Hongqiao	1378 HK	BUY	HK\$5.5	HK\$6.2	13	4,175	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.42	HK\$4.7	6	499	0.25	0.24	0.17	14.2	14.8	20.9	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$2.81	HK\$2.8	-0	1,430	0.07	-0.07	-0.06	32.2	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$1.74	HK\$1.57	-10	1,349	0.10	0.10	0.08	14.0	14.0	17.5	Shawn LEE
Jiangxi Copper	358 HK	SELL	HK\$12.16	HK\$10.2	-16	2,176	1.03	0.81	0.66	9.5	12.1	14.8	Shawn LEE
China Molybdenum	3993 HK	NEUTRAL	HK\$4.05	HK\$3.1	-23	685	0.19	0.20	0.21	17.1	16.3	15.5	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.73	HK\$3.1	-17	7,250	-0.21	0.04	0.05	N.A.	12.0	9.6	Shawn LEE
<b>Technology, Media &amp; Telecom</b>													
China Telecom	728 HK	NEUTRAL	HK\$3.84	HK\$3.45	-10	6,874	0.22	0.25	0.28	14.0	12.3	11.0	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$11.7	HK\$11.34	-3	35,900	0.44	0.65	0.76	21.4	14.5	12.4	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$74.25	HK\$78.0	5	193,612	6.02	5.34	5.27	9.9	11.2	11.3	Alex NG
Wisdom	1661 HK	BUY	HK\$4.31	HK\$7.0	62	895	0.14	0.20	0.29	24.7	17.3	11.9	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.58	HK\$1.4	-46	849	0.05	0.08	0.10	41.4	25.9	20.7	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.17	HK\$2.0	-8	520	0.08	0.10	0.13	21.8	17.4	13.4	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$22.85	HK\$37.05	62	3,487	0.55	0.63	0.95	33.4	29.1	19.3	Jeff HAO
SinoMedia	623 HK	BUY	HK\$5.85	HK\$8.07	38	438	0.64	0.73	0.83	7.3	6.4	5.7	Jeff HAO
Tencent	700 HK	BUY	HK\$114.9	HK\$127.6	11	27,638	1.66	2.45	3.15	55.6	37.7	29.3	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.12	HK\$20.34	44	926	0.32	0.65	0.82	35.4	17.4	13.8	Jeff HAO
<b>Hardware Technology</b>													
AAC Technologies	2018 HK	NEUTRAL	HK\$50.75	HK\$40.0	-21	8,039	1.83	2.16	2.48	22.3	18.9	16.4	Alex NG
Coolpad	2369 HK	BUY	HK\$2.04	HK\$2.73	34	560	0.13	0.21	0.26	15.7	9.7	7.9	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.3	HK\$8.37	-19	1,458	0.41	0.54	0.73	20.2	15.3	11.3	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.15	HK\$12.5	37	1,372	0.28	0.98	1.34	32.7	9.3	6.8	Alex NG
Truly	732 HK	BUY	HK\$4.48	HK\$7.15	60	1,684	0.56	0.67	0.79	8.0	6.7	5.7	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.26	HK\$10.5	2	13,773	0.06	0.07	0.11	22.1	18.9	12.0	Alex NG
<b>Textile &amp; Garment</b>													
China Lilang	1234 HK	BUY	HK\$5.0	HK\$5.14	3	775	0.43	0.41	0.44	9.3	9.8	9.1	Ivy ZHAO
361 Degrees	1361 HK	NEUTRAL	HK\$1.8	HK\$1.76	-2	480	0.12	0.12	0.13	12.1	12.1	11.1	Ivy ZHAO
Xtep International	1368 HK	BUY	HK\$3.27	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.5	HK\$7.89	-7	9,248	0.52	0.52	0.54	13.1	13.1	12.6	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$1.93	HK\$2.72	41	522	0.12	0.16	0.17	12.9	9.7	9.1	Ivy ZHAO

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jun. 25	12-month TP			2013E	2014E	2015E	2013E	2014E	2015E	
ANTA Sports Products	2020 HK	BUY	HK\$12.26	HK\$13.47	10	3,947	0.53	0.57	0.63	18.6	17.3	15.6	Ivy ZHAO
Li Ning	2331 HK	BUY	HK\$5.86	HK\$5.2	-11	1,036	-0.05	0.27	0.30	N.A.	17.4	15.7	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.44	HK\$1.59	10	1,028	0.04	0.04	0.05	28.9	28.9	23.1	Ivy ZHAO
Ports Design	589 HK	NEUTRAL	HK\$3.52	HK\$4.0	14	252	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.68	HK\$2.0	19	376	0.18	0.16	0.18	9.3	10.5	9.3	Ivy ZHAO
<b>Food &amp; Beverage</b>													
Want Want China	151 HK	NEUTRAL	HK\$10.18	HK\$13.05	28	17,075	0.05	0.06	0.07	26.3	21.9	18.8	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$34.4	HK\$47.0	37	8,686	0.90	1.24	1.54	30.7	22.3	17.9	Ling HUA
Tingyi	322 HK	BUY	HK\$21.2	HK\$24.9	17	14,786	0.07	0.10	0.11	39.1	27.4	24.9	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$9.85	HK\$11.6	18	1,314	0.33	0.36	0.39	29.9	27.4	25.3	Ling HUA
<b>Retail</b>													
Haier Electronics	1169 HK	BUY	HK\$19.48	HK\$24.4	25	6,619	0.80	0.95	1.17	24.4	20.5	16.7	Gloria WANG
Sa Sa International	178 HK	BUY	HK\$5.15	HK\$8.2	59	1,889	0.35	0.41	0.47	14.7	12.6	11.0	Gloria WANG
Intime Retail (Group)	1833 HK	BUY	HK\$6.8	HK\$10.3	51	1,762	0.52	0.60	0.69	10.5	9.1	7.9	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.26	HK\$1.64	30	2,743	0.05	0.06	0.07	25.2	21.0	18.0	Gloria WANG
Bonjour Holdings	653 HK	NEUTRAL	HK\$1.2	HK\$1.58	32	481	0.09	0.11	0.12	13.3	10.9	10.0	Gloria WANG
<b>Alternative Energy</b>													
Datang Renewable Power	1798 HK	SELL	HK\$1.02	HK\$0.74	-27	329	0.03	0.03	0.04	27.3	27.3	20.5	Lei YIN
CHINA WIND POWER	182 HK	BUY	HK\$0.64	HK\$1.1	72	739	0.02	0.04	0.06	32.0	16.0	10.7	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$8.94	HK\$12.3	38	577	0.16	0.37	0.55	44.9	19.4	13.1	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.46	HK\$2.83	15	4,914	-0.04	0.11	0.18	N.A.	22.4	13.7	Lei YIN
Singyes Solar	750 HK	BUY	HK\$11.94	HK\$14.23	19	1,069	0.75	1.02	1.14	12.8	9.4	8.4	Lei YIN
Tianneng Renewables	819 HK	BUY	HK\$2.95	HK\$6.65	125	423	0.16	0.57	1.10	18.4	5.2	2.7	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$8.19	HK\$11.39	39	3,529	0.26	0.42	0.50	25.3	15.7	13.2	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.55	HK\$3.2	25	2,970	0.10	0.12	0.19	25.5	21.3	13.4	Lei YIN
<b>Port &amp; Shipping</b>													
COSCO Pacific	1199 HK	BUY	HK\$10.5	HK\$12.46	19	3,945	0.25	0.12	0.13	5.4	11.3	10.4	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$24.2	HK\$26.43	9	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI
CSC	2866 HK	NEUTRAL	HK\$1.95	HK\$1.82	-7	944	-0.22	0.01	0.05	N.A.	156.6	31.3	Kate LI
Orient Overseas	316 HK	BUY	HK\$38.1	HK\$51.0	34	3,076	0.08	0.21	0.37	61.4	23.4	13.3	Kate LI
Sinotrans Shipping	368 HK	NEUTRAL	HK\$2.25	HK\$2.4	7	1,159	0.00	0.01	0.01		29.0	29.0	Kate LI
<b>Machinery &amp; Equipment</b>													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$5.37	HK\$4.66	-13	991	0.51	0.49	0.52	8.5	8.8	8.3	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.58	HK\$7.01	53	537	0.54	0.63	0.68	8.5	7.3	6.7	Yiding JIAO



Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jun. 25	12-month TP			2013E	2014E	2015E	2013E	2014E	2015E	
LONKING	3339 HK	BUY	HK\$1.29	HK\$2.06	60	712	0.11	0.13	0.16	9.4	8.0	6.5	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.76	HK\$1.47	-16	690	0.12	0.12	0.13	11.8	11.8	10.9	Yiding JIAO
<b>Electric Power</b>													
HUADIAN POWER	1071 HK	BUY	HK\$4.33	HK\$4.4	2	799	0.56	0.61	0.65	7.7	7.1	6.7	Vera LIANG
CHINA POWER	2380 HK	BUY	HK\$2.9	HK\$3.6	24	2,409	0.40	0.41	0.47	7.3	7.1	6.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$8.36	HK\$9.65	15	3,834	0.74	0.77	0.86	9.1	8.7	7.8	Vera LIANG
Datang Power	991 HK	NEUTRAL	HK\$2.95	HK\$3.3	12	1,262	0.27	0.33	0.39	8.8	7.2	6.1	Vera LIANG
<b>Pharmaceutical &amp; Healthcare</b>													
Essex Bio-Technology	1061 HK	BUY	HK\$2.5	HK\$4.12	65	180	0.10	0.12	0.14	25.0	20.8	17.9	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.03	HK\$8.0	33	4,345	0.17	0.23	0.29	35.5	26.2	20.8	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$20.7	HK\$24.4	18	2,654	0.66	0.82	1.01	25.2	20.3	16.5	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.11	HK\$6.7	10	3,895	0.09	0.18	0.22	67.9	33.9	27.8	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$10.44	HK\$16.6	59	1,123	0.13	0.23	0.28	64.5	36.5	29.9	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$5.64	HK\$8.2	45	585	0.19	0.25	0.32	23.8	18.1	14.2	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$12.88	HK\$12.3	-5	1,374	0.91	0.78	0.89	11.4	13.3	11.6	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.69	HK\$5.5	17	6,262	0.13	0.15	0.18	29.0	25.1	20.9	Jonathan HSU
iKang Healthcare Group	KANG US	BUY		US\$21.3			0.33	0.50	0.71				Jonathan HSU
<b>Gaming</b>													
Wynn Macau	1128 HK	SELL	HK\$28.15	HK\$31.7	13	18,838	1.48	1.65	1.76	19.0	17.1	16.0	Angela Han Lee
Sands China	1928 HK	BUY	HK\$54.85	HK\$81.2	48	57,019	2.13	3.09	3.63	25.8	17.8	15.1	Angela Han Lee
MGM CHINA	2282 HK	BUY	HK\$24.3	HK\$42.9	77	11,912	1.40	1.70	1.88	17.4	14.3	12.9	Angela Han Lee
Galaxy Entertainment	27 HK	BUY	HK\$57.25	HK\$79.9	40	31,104	2.39	2.96	3.91	24.0	19.3	14.6	Angela Han Lee
Melco Crown	6883 HK	BUY	HK\$85.15	HK\$120.6	42	18,121	3.00	4.16	4.79	28.4	20.5	17.8	Angela Han Lee
SJM	880 HK	SELL	HK\$18.86	HK\$16.3	-14	13,504	1.39	1.51	1.71	13.6	12.5	11.0	Angela Han Lee
<b>Environmental Protection</b>													
CHINA EB INT'L	257 HK	BUY	HK\$10.72	HK\$12.2	14	6,200	0.30	0.38	0.48	35.7	28.2	22.3	Shawn LEE
DONGJIANG ENV	895 HK	BUY	HK\$25.95	HK\$34.1	31	1,163	0.60	0.84	1.28	34.7	24.8	16.3	Shawn LEE
<b>Industrial Good</b>													
TK group	2283 HK	BUY	HK\$1.12	HK\$1.74	55	119	0.14	0.18	0.21	8.0	6.2	5.3	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	135.7	1.0	168	TSINGTAO BREW-H	58.95	-0.9
2	CLP HLDGS LTD	63.00	0.0	177	JIANGSU EXPRES-H	9.30	2.1
3	HONG KG CHINA GS	16.64	-0.2	323	MAANSHAN IRON-H	1.58	-1.3
4	WHARF HLDG	55.20	-0.5	338	SINOPEC SHANG-H	2.12	2.4
5	HSBC HLDGS PLC	79.65	-0.4	347	ANGANG STEEL-H	4.75	-1.7
6	POWER ASSETS HOL	66.65	0.2	358	JIANGXI COPPER-H	12.12	-0.3
11	HANG SENG BK	125.6	-0.3	386	SINOPEC CORP-H	7.20	0.3
12	HENDERSON LAND D	46.00	1.6	390	CHINA RAIL GR-H	3.74	0.5
13	HUTCHISON WHAMPO	105.8	1.2	489	DONGFENG MOTOR-H	13.56	0.4
16	SHK PPT	105.3	-0.2	552	CHINA COMM SER-H	3.68	0.3
17	NEW WORLD DEV	8.78	-0.3	576	ZHEJIANG EXPRESS	7.79	1.0
19	SWIRE PACIFIC-A	94.05	-0.1	694	BEIJING CAP AI-H	5.11	0.8
23	BANK EAST ASIA	32.05	0.5	728	CHINA TELECOM-H	3.74	-2.6
66	MTR CORP	29.25	0.5	753	AIR CHINA LTD-H	4.44	-0.5
83	SINO LAND CO	12.38	0.0	857	PETROCHINA CO-H	9.58	-0.4
101	HANG LUNG PROPER	23.65	0.6	902	HUANENG POWER-H	8.35	-0.1
144	CHINA MERCHANT	23.95	-1.0	914	ANHUI CONCH-H	27.25	-1.8
267	CITIC PACIFIC	13.48	0.6	939	CHINA CONST BA-H	5.74	-0.2
291	CHINA RES ENTERP	21.45	1.2	991	DATANG INTL PO-H	2.95	0.0
293	CATHAY PAC AIR	14.26	-0.3	998	CHINA CITIC BK-H	4.61	-1.3
330	ESPRIT HLDGS	10.76	-0.4	1088	CHINA SHENHUA-H	22.05	-0.2
386	SINOPEC CORP-H	7.20	0.3	1133	HARBIN ELECTRIC	4.72	-0.6
388	HKEX	143.0	-0.7	1138	CHINA SHIPPING-H	4.64	-0.2
494	LI & FUNG LTD	11.12	0.4	1171	YANZHOU COAL-H	5.95	-1.0
551	YUE YUEN INDUS	25.35	1.8	1186	CHINA RAIL CN-H	6.88	0.2
688	CHINA OVERSEAS	18.86	-1.5	1398	IND & COMM BK-H	4.81	-0.6
700	TENCENT	115.1	0.2	1800	CHINA COM CONS-H	5.13	-0.2
762	CHINA UNICOM HON	11.62	-0.7	1898	CHINA COAL ENE-H	4.06	0.3
857	PETROCHINA CO-H	9.58	-0.4	1919	CHINA COSCO HO-H	2.99	-1.3
883	CNOOC LTD	13.48	-0.6	2318	PING AN INSURA-H	59.65	-0.7
939	CHINA CONST BA-H	5.74	-0.2	2328	PICC PROPERTY &	11.48	-1.4
941	CHINA MOBILE	74.55	0.4	2600	ALUMINUM CORP-H	2.78	-1.1
1088	CHINA SHENHUA-H	22.05	-0.2	2628	CHINA LIFE INS-H	20.30	-0.5
1199	COSCO PAC LTD	10.56	0.6	2727	SHANGHAI ELECT-H	3.07	-0.3
1398	IND & COMM BK-H	4.81	-0.6	2777	GUANGZHOU R&F -H	9.40	-0.1
2038	FIH MOBILE LTD	4.76	-4.8	2866	CHINA SHIPPING-H	1.93	-1.0
2318	PING AN INSURA-H	59.65	-0.7	2883	CHINA OILFIELD-H	18.48	0.1
2388	BOC HONG KONG HO	22.50	0.0	2899	ZIJIN MINING-H	1.74	0.0
2600	ALUMINUM CORP-H	2.78	-1.1	3323	CHINA NATL BDG-H	6.85	0.0
2628	CHINA LIFE INS-H	20.30	-0.5	3328	BANK OF COMMUN-H	5.27	-0.8
3328	BANK OF COMMUN-H	5.27	-0.8	3968	CHINA MERCH BK-H	15.30	0.0
3988	BANK OF CHINA-H	3.42	0.0	3988	BANK OF CHINA-H	3.42	0.0
				3993	CMOC-H	4.01	-1.0

## A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NORTHEAST ELEC-H	42	1.32	000585	2.28	114.7
JINGCHENG MAC	187	3.34	600860	5.58	107.7
SHANDONG XINHU-H	719	3.21	000756	5.36	107.6
CHONGQING IRON-H	1053	1.34	601005	2.20	104.1
SHENJI GROUP-H	300	2.61	600806	4.25	102.4
SINOPEC YIZHEN-H	1033	1.77	600871	2.78	95.3
TIANJIN CAP-H	1065	5.07	600874	7.84	92.2
SINOPEC SHANG-H	338	2.12	600688	3.22	88.8
JINGWEI TEXTIL-H	350	6.76	000666	9.90	82.1
BEIJING NORTH-H	588	1.88	601588	2.41	59.4
DATANG INTL PO-H	991	2.95	601991	3.55	49.6
YANZHOU COAL-H	1171	5.95	600188	7.01	46.5
ALUMINUM CORP-H	2600	2.78	601600	3.05	36.4
BAIYUNSHAN PH-H	874	23.15	600332	25.14	35.0
JIANGXI COPPER-H	358	12.12	600362	12.19	25.0
MAANSHAN IRON-H	323	1.58	600808	1.53	20.4
CHINA SOUTHERN-H	1055	2.37	600029	2.26	18.6
HISENSE KELON -H	921	8.79	000921	8.36	18.2
CHINA CITIC BK-H	998	4.61	601998	4.25	14.6
SHENZHEN EXPRE-H	548	3.93	600548	3.55	12.3
DONGFANG ELECT-H	1072	12.88	600875	11.48	10.8
ANHUI EXPRESS-H	995	4.85	600012	4.31	10.5
GUANGSHEN RAIL-H	525	2.85	601333	2.50	9.1
CHINA SHIPPING-H	1138	4.64	600026	4.00	7.2
ZTE CORP-H	763	15.30	000063	12.83	4.3
BANK OF CHINA-H	3988	3.42	601988	2.77	0.7
GUANGZHOU SHIP-H	317	13.73	600685	0.00	0.0
LUOYANG GLASS-H	1108	4.00	600876	7.62	0.0
NANJING PANDA-H	553	4.52	600775	0.00	0.0
BANK OF COMMUN-H	3328	5.27	601328	3.85	-9.2
AIR CHINA LTD-H	753	4.44	601111	3.24	-9.3
SINOPEC CORP-H	386	7.20	600028	5.18	-10.6
IND & COMM BK-H	1398	4.81	601398	3.38	-12.6
HUADIAN POWER-H	1071	4.36	600027	2.98	-15.0
TSINGTAO BREW-H	168	58.95	600600	40.00	-15.7
CHINA LIFE INS-H	2628	20.30	601628	13.51	-17.3
CHINA MERCH BK-H	3968	15.30	600036	10.14	-17.6
HUANENG POWER-H	902	8.35	600011	5.52	-17.8
PING AN INSURA-H	2318	59.65	601318	39.42	-17.9
JIANGSU EXPRES-H	177	9.30	600377	5.95	-20.5
ANGANG STEEL-H	347	4.75	000898	2.92	-23.6
WEICHAIR POWER-H	2338	29.95	000338	17.46	-27.5
ANHUI CONCH-H	914	27.25	600585	15.74	-28.2

## Recently Published Research

Date published	Name of report	Analyst
24-Jun-14	HK Market Strategy Bi-weekly	Cliff Zhao, George Chen, Zi chen Xu
24-Jun-14	2H14 Hong Kong Metal&Mining Sector Investment	Li Xiang
24-Jun-14	2H14 Hong Kong Food&Beverage Sector Investment	Hua Ling
24-Jun-14	June Eurozone Flash Composite PMI	Lynn Song, Cliff Zhao, David Xie
23-Jun-14	Dongjiang Environmental (895 HK)	Li Xiang
20-Jun-14	iKang Healthcare Group (KANG US)	Jonathan Hsu
20-Jun-14	2014 Hong Kong TMT Sector Investment Outlook	Jeff Hao
20-Jun-14	2014 Hong Kong Thermal Power Sector Investment	Vera Liang
17-Jun-14	2H14 Hong Kong Stock Market Investment Outlook	Cliff Zhao, George Chen, Zi chen Xu
17-Jun-14	2H14 Hong Kong Shipping and Port Sector Investment	Kate Li
16-Jun-14	2H14 China Healthcare Equity Strategy	Jonathan Hsu
13-Jun-14	2H14 Oil & Gas Industry Outlook	Michael Yuk
12-Jun-14	HK Stock Market Machinery Sector Outlook	Yiding JIAO
10-Jun-14	Eurozone Monthly Chart Book (June 2014)	Lynn Song, Cliff Zhao, David Xie
10-Jun-14	China Wind Power Operator	Yin Lei
9-Jun-14	Truly International (732 HK)	Alex Ng
5-Jun-14	China Dongxiang (3818 HK )	Ivy Zhao
4-Jun-14	Belle(1880 HK)	Ivy Zhao
4-Jun-14	Environmental protection	Li Xiang
4-Jun-14	May Eurozone Flash HICP inflation	Lynn Song, Cliff Zhao, David Xie
3-Jun-14	Macau Gaming	Angela Han Lee
3-Jun-14	iKang Healthcare Group (KANG US)	Jonathan Hsu
30-May-14	Kingsoft (3888.HK)	Jeff Hao
30-May-14	SPT Energy (1251.HK)	Michael Yuk
30-May-14	HK Stock Market Fund Flows	Lynn Song, Cliff Zhao, David Xie
28-May-14	HK Market Strategy Bi-weekly	Cliff Zhao, Zi chen Xu, George Chen
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
15-May-14	Japan 1Q14 GDP exceeded forecasts	Lynn Song, Cliff Zhao, David Xie
14-May-14	Zoomlion (1157 HK)	Yiding Jiao
14-May-14	Takeaways from the Expert Conference of the Ministry of	Ivy Zhao
12-May-14	HK Market Strategy Bi-weekly_(Vol. 08,2014)	Cliff Zhao, Zi chen Xu, George Chen
12-May-14	Chinese Property	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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