

CMS (HK) Research Highlights

2H2014 Hong Kong Metals and Mining Sector Investment Outlook

The worst is yet to come on the demand side; industry still lacks LT investment value

China's economic growth continued to moderate

Real estate is the swing factor for downstream base metals demand, accounting for a decent proportion of metal consumption. With key downstream sectors like real estate remain weak, slowing China's metal consumption growth is inevitable. Supply is still a concern, with new capacity pouring into the market continuously. With weak demand, supply side development is critical to commodity prices. We are positive on nickel and aluminum, but negative on copper and gold

Nickel: Prices could rise as Indonesia's supply restriction remains in place in the short-term. We expect 2014/15E LME nickel price to rise 25%/7%

Aluminum: We expect oversupply to depress price by 4% this year. That said, 2014 is the last year with massive new capacity from the Western region, and we expect supply/demand balance will improve after 2015, hence driving up price by then.

Copper: Trend of oversupply confirmed. The recent tightness in the spot market is unsustainable. We expect 2014/15 LME copper price to fall 10%/6%

Gold: Given falling consumption and rising interest rates, we are bearish on 2H14 gold price and expect gold price to fall 6% this year

Earnings and Valuations

Non-ferrous metals industry still in earnings downtrend in 2014 due to moderating demand and falling prices

Valuations of some stocks close to 2008 financial crisis levels, but de-rating could continue as industry is still in cyclical downturn

"Neutral" industry rating with two main investment themes

Business contraction and strategic transformation: Chalco (2600 HK, HK\$2.77, NEUTRAL, TP HK\$2.80)

Winners in oversupply industry: China Hongqiao (1378HK, HK\$5.39, BUY, TP HK\$6.20) (Li Xiang)

HK Market Strategy Bi-weekly

HSI already hit its short-term peak, time to lock in profit

Our Strategy

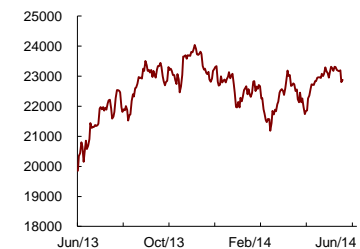
In recent two weeks, HSI fluctuated around 23,000 with diminished trading volume and volatility. The cumulated rally of HSI was 1.06% in the past

HK Indices	Last price	chg	% chg
HSI	22,880.64	75.83	0.33
Finance	30,833.76	141.8	0.46
Properties	28,742.28	-14.23	-0.05
Utilities	50,868.60	580.9	1.16
Commerce&Industrv	13,989.98	24.96	0.18
HSCEI	10,250.16	52.06	0.51
HSCCI	4,277.58	13.53	0.32
HKSPGEM	511.32	2.47	0.49

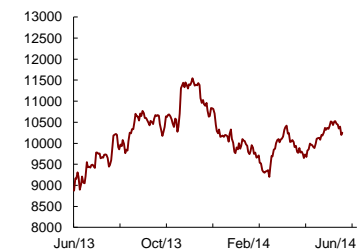
World Indices	Last price	chg	% chg
FTSE 100	6,787.07	-13.49	-0.20
DAX 30	9,938.08	17.16	0.17
CAC 40	4,518.34	2.77	0.06
DJIA	16,818.13	-119.13	-0.70
S&P500	1,949.98	-12.63	-0.64
Nasdaq Composite	4,350.36	-18.32	-0.42
Nikkei 225	15,376.24	6.96	0.05

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,994.35	19.43	0.98
TWSE	9,246.20	17.85	0.19
STI	3,262.03	4.63	0.14
India BSE 30	25,368.90	337.58	1.35
S&P/ASX 200	5,432.78	-20.52	-0.38

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

two weeks while the amplitude was only 1.5%. HSCEI rallied before trending down under the influence of A shares, and ended up with 0.53% rally as well as 2.23% amplitude. As we mentioned in our 2H strategy outlook, from now on until the 4th Plenary Session of CPC Central Committee, Chinese government will temporarily hold back from rolling out more stimulus policies and focus on inspecting the effect of previous policies. Given the previous mini-stimulus policies, risk of another credit crunch is largely diminished, while other smaller contingent risks (for example, a new round of credit default risk) will also be unlikely to affect overall financial stability. Therefore, market may consolidate further in the short run. However, moving into 3Q, risks such as lower-than-expected policy stimulus, further downturn of property market, earnings downward revision as well as a new round of refinancing (A share IPO + preferred shares issuance + state bank refinancing) will put pressure on the market.

Thus, we recommend investors to continue deploying a defensive strategy, take profit and limit holding positions. Sector wise, we recommend sectors with fair valuation, good earnings results and clear growth prospect, such as environmental protection (China Everbright International 257 HK, Dongjiang Environment 895 HK), healthcare (CSPC 1093 HK, Dawnrays Pharmaceutical 2348 HK), oil and oilfield service (PetroChina 857 HK, SPT Energy 1251 HK); we also recommend defensive sectors such as utilities (Huadian Power 1071 HK, Huaneng Power 902 HK). Moreover, we prefer stocks with good and stable earnings prospects (Coolpad 2369 HK, China Hongqiao 1378 HK, GoldWind 2208 HK, Singyes Solar 750 HK).

Market Watch

HSBC China flash PMI of June beat market expectation on June 23. Nevertheless, HSI dipped more than 300 points to below 23,000 on that day. Since PMI has continuously rebounded and is back to the expansion territory, market may expect policy easing to temporarily pause in the short run. In our view, HSI has already hit its 4th peak YTD, and may trend down in the coming few weeks. Market will take a breather before announcement of 2Q GDP and June economic data in mid-July. (Cliff Zhao, George Chen, Zi chen Xu)

2H2014 Hong Kong Food & Beverage Sector Investment Outlook

Investment thesis

Traditional consumer demand growth moderating; sales growth in some sub-sectors down to single digits

- High-end consumer demand negatively affected by factors like anti-corruption policies
- Demand for low end consumer goods suffered from overcapacity and

lack of product differentiation. This leads to intense competition, and even price war, in industries like instant noodle.

- Dairy and beverage industries are estimated to maintain low double-digit growth.

Revenue growth depending more on products upgrade and price hike

- With rising income levels, the improvement in affordability supports products upgrade and price hike
- This is obvious in dairy products, beer and beverage industries

2H14 industry outlook:

- Instant noodle: fight for market share and price will continue; 2014-16E growth at around 7%.
- Dairy products: products upgrade drive profitable growth; 2014-2016E growth at 12%.
- Soft drink: volume and price rising together; 2014-2016E growth at 12%
- Beer: single-digit growth in sales but high potential for price hike; 2014-2016E growth at 7%
- Wine: both revenue and profit to decline further, outlook remains bleak

2H14 investment strategy

- Sub-sectors we like: beverage, dairy products and beer
- Prefer industry leaders with economies of scale and/or M&A capabilities
- Buy Mengniu Dairy(2319 HK, HK\$35.2, BUY, TP HK\$47.0), Tingyi Holding(322 HK, HK\$21.4, BUY, TP HK\$24.9) (Hua Ling)

A-share Research Highlights (CMS Research Center)

Property Sector Weekly (June 14 - June 20)

[Xie Yaxuan and Liao Shuang, June 23, 2014] 10 of the key cities reported increase in transacted area of new homes from the prior week, while nine reported decline: first-tier cities +6% WoW, key second-tier cities +0%. Different cities have varied performance. Wait-and-see attitude permeates the market, with no significant fluctuation in housing prices.

Inventory increased in key cities: Inventory in 11 key cities rose 2.1% from the prior week to 86.51 million square meters. Eight reported increase in inventory, while three reported decline. First-tier cities +3.1% WoW, second-tier cities +1.5%. Inventory surged in Beijing.

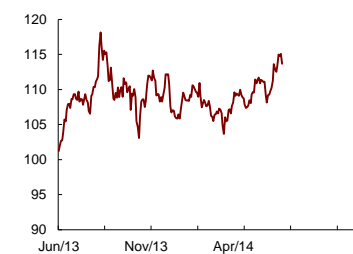
Land market transaction depressed: Transaction averaged 21.57 million square meters (-22% YoY) or RMB95.6 billion (-13% YoY) in May. Land transaction mainly concentrated in large and medium-sized cities.

Investment strategy: We believe the bottom supported by policies has emerged. Gradual credit recovery will help stabilize and boost the real estate transaction data in Q3 and Q4. Considering higher local fiscal risk and risks from capital chain break of real estate companies, we believe it is more possible to see mini-stimulus. Some cities with large inventory have fine-tuned the purchase quota policies, and we expect more cities to do so in the second half of the year. In the short term, allocate to industry leaders to reap the gains from revaluation amid looser policy. In the medium to long term, pay attention to companies in transition to new type of property business related to industry, healthcare, etc. We recommend China Vanke (000002 CH), Poly Real Estate Group (600048 CH), China Fortune Land (600340 CH), Gree Real Estate (600185 CH) and Macrolink Real Estate (000620 CH).

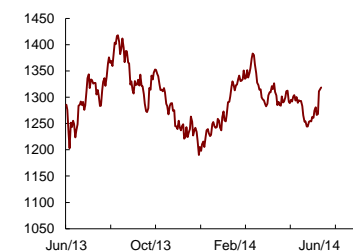
Global Commodity	Last price	chg	% chg
Brent Oil	113.66	0.00	0.00
Gold	1,318.5	0.16	0.01
LME Aluminum	1,896.0	6.00	0.32
LME Copper	6,885.0	0.00	0.00
BDI	867.00	-19.00	-2.14
API Coal	78.90	0.45	0.57

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		6.24	0.00	0.00
EUR/USD		1.36	0.83	0.61
3-M Libor		0.55	0.00	0.00
3-M Shibor		4.77	-0.01	-0.21
10 YR US T-Note Yield		2.58	-0.05	-1.90

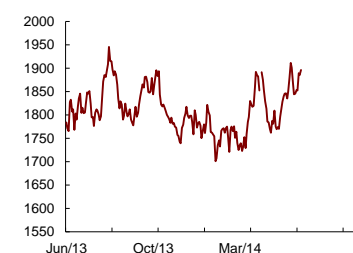
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year

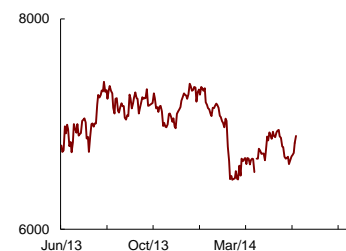


Source: Bloomberg

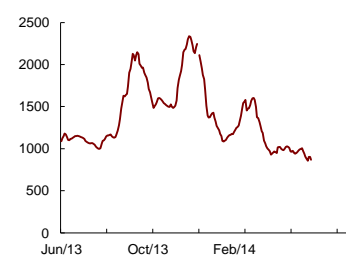
What to Watch

Economic Data	HK: Nil US: GDP - Third Estimate		
Date	Ticker	Stock Name	Earnings
2014/06/25	00057	CHEN HSONG HOLD	
2014/06/25	00130	MOISELLE INT'L	
2014/06/25	00199	ITC PROPERTIES	
2014/06/25	00239	PAK FAH YEOW	
2014/06/25	00287	WINFAIR INV	
2014/06/25	00372	ITC CORPORATION	
2014/06/25	00384	CHINA GAS HOLD	
2014/06/25	00401	WANJIA GROUP	
2014/06/25	00403	STARLITE HOLD	
2014/06/25	00439	CLIMAX INT'L	
2014/06/25	00480	HKR INT'L	
2014/06/25	00497	CSI PROPERTIES	
2014/06/25	00590	LUK FOOK HOLD	
2014/06/25	00627	U-RIGHT INT'L	
2014/06/25	00684	ALLAN INT'L	
2014/06/25	00727	VXL CAPITAL	
2014/06/25	00912	SUGA INT'L	
2014/06/25	01031	KINGSTON FIN	
2014/06/25	01131	AGRITRADE RES	
2014/06/25	01218	EASYKNIT INT'L	
2014/06/25	01235	TRAVEL EXPERT	
2014/06/25	01240	SUNLEY HLDGS	
2014/06/25	01868	NEO-NEON	
Date	Ticker	Stock Name	Issue Price
2014/06/25	01375	CC SECURITIES	3.14
2014/06/25	06128	EARTHASIA	1.20

LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014/6/25

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	
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$13.08	HK\$12.0	-8	8,480	0.71	0.80	0.89	14.8	13.1	11.8	Colleen LI
BYD Company	1211 HK	NEUTRAL	HK\$43.1	HK\$32.9	-24	4,410	0.27	0.69	1.03	128.2	50.2	33.6	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.36	HK\$5.85	34	1,243	0.55	0.81	1.11	6.4	4.3	3.2	Colleen LI
Geely Automobile	175 HK	BUY	HK\$2.71	HK\$5.04	86	3,077	0.32	0.36	0.38	6.8	6.0	5.7	Colleen LI
CSR	1766 HK	BUY	HK\$5.76	HK\$8.08	40	1,504	0.31	0.40	0.45	18.6	14.4	12.8	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$28.45	HK\$43.4	53	3,792	2.74	3.40	3.82	8.3	6.7	6.0	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$23.25	HK\$32.03	38	1,642	1.10	1.35	1.62	21.1	17.2	14.4	Colleen LI
Minth Group	425 HK	BUY	HK\$14.98	HK\$13.2	-12	2,111	0.78	0.87	0.97	15.4	13.8	12.4	Colleen LI
Dongfeng Motor	489 HK	BUY	HK\$13.3	HK\$14.17	7	4,900	1.13	1.26	1.29	9.5	8.5	8.3	Colleen LI
Zhongsheng Group	881 HK	NEUTRAL	HK\$9.96	HK\$10.3	3	2,759	0.58	0.71	0.99	13.8	11.3	8.1	Colleen LI
Oil and Gas													
SPT Energy	1251 HK	BUY	HK\$4.63	HK\$6.2	34	915	0.20	0.23	0.32	18.6	16.2	11.6	Michael YUK
Hilong Holding	1623 HK	NEUTRAL	HK\$4.11	HK\$5.1	24	899	0.21	0.28	0.33	15.7	11.8	10.0	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.6	HK\$3.8	46	339	0.04	0.28	0.40	52.2	7.5	5.2	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$18.5	HK\$21.0	14	4,322	1.49	1.52	1.61	10.0	9.8	9.2	Michael YUK
Jutal Offshore Oil Serv	3303 HK	BUY	HK\$1.73	HK\$1.9	10	163	0.08	0.10	0.11	17.4	13.9	12.6	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$5.23	HK\$5.5	5	1,479	0.18	0.22	0.29	23.3	19.1	14.5	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.61	HK\$9.83	75	1,074	0.55	0.56	0.75	10.2	10.0	7.5	Michael YUK
Sinopec	386 HK	BUY	HK\$7.24	HK\$7.52	4	23,829	0.57	0.66	0.68	10.2	8.8	8.6	Michael YUK
CIMC Enric	3899 HK	NEUTRAL	HK\$10.3	HK\$13.88	35	2,517	0.50	0.59	0.68	16.5	14.0	12.2	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.15	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\$1.39	HK\$1.45	4	897	0.08	0.10	0.13	17.4	13.9	10.7	Michael YUK
Petrochina	857 HK	BUY	HK\$9.66	HK\$11.2	16	26,292	0.71	0.74	0.78	10.9	10.5	9.9	Michael YUK
CNOOC	883 HK	BUY	HK\$13.76	HK\$17.0	24	79,251	1.26	1.40	1.50	8.8	7.9	7.4	Michael YUK
Property													
CHINA RES LAND	1109 HK	NEUTRAL	HK\$13.76	HK\$17.0	24	10,350	2.52	2.11	2.28	5.5	6.5	6.0	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$4.08	HK\$6.7	64	1,751	0.96	1.14	1.34	3.4	2.9	2.4	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$2.95	HK\$4.38	48	5,528	0.79	0.79	0.80	3.0	3.0	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$7.27	HK\$15.8	117	2,024	2.18	2.49	2.19	2.7	2.3	2.7	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$19.18	HK\$22.56	18	20,221	2.82	2.91	3.50	6.8	6.6	5.5	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$7.3	HK\$19.1	162	2,113	2.10	2.00	2.22	3.5	3.7	3.3	Feiqin DUAN

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jun. 25	12-month TP	% Upside		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\$1.01	HK\$2.3	128	639	0.11	0.17	0.19	7.4	4.8	4.3	Feiqin DUAN
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$5.39	HK\$6.2	15	4,092	0.95	1.08	1.32	4.6	4.0	3.3	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\$2.77	HK\$2.8	1	1,409	0.07	-0.07	-0.06	31.8	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$1.73	HK\$1.57	-9	1,341	0.10	0.10	0.08	13.9	13.9	17.4	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\$4.09	HK\$3.1	-24	692	0.19	0.20	0.21	17.3	16.4	15.6	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.74	HK\$3.1	-17	7,269	-0.21	0.04	0.05	N.A.	12.1	9.7	Shawn LEE
Technology, Media & Telecom													
China Telecom	728 HK	NEUTRAL	HK\$3.75	HK\$3.45	-8	6,713	0.22	0.25	0.28	13.7	12.1	10.8	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$11.72	HK\$11.34	-3	35,961	0.44	0.65	0.76	21.4	14.5	12.4	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$74.0	HK\$78.0	5	192,960	6.02	5.34	5.27	9.9	11.1	11.3	Alex NG
Wisdom	1661 HK	BUY	HK\$4.42	HK\$7.0	58	917	0.14	0.20	0.29	25.4	17.8	12.2	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.51	HK\$1.4	-44	826	0.05	0.08	0.10	40.3	25.2	20.2	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.16	HK\$2.0	-7	518	0.08	0.10	0.13	21.7	17.3	13.3	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$22.65	HK\$37.05	64	3,456	0.55	0.63	0.95	33.1	28.9	19.2	Jeff HAO
SinoMedia	623 HK	BUY	HK\$5.8	HK\$8.07	39	434	0.64	0.73	0.83	7.3	6.4	5.6	Jeff HAO
Tencent	700 HK	BUY	HK\$114.2	HK\$127.6	12	27,469	1.66	2.45	3.15	55.2	37.4	29.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.16	HK\$20.34	44	929	0.32	0.65	0.82	35.5	17.5	13.9	Jeff HAO
Hardware Technology													
AAC Technologies	2018 HK	NEUTRAL	HK\$49.2	HK\$40.0	-19	7,794	1.83	2.16	2.48	21.6	18.3	15.9	Alex NG
Coolpad	2369 HK	BUY	HK\$1.8	HK\$2.73	52	494	0.13	0.21	0.26	13.9	8.6	6.9	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.24	HK\$8.37	-18	1,449	0.41	0.54	0.73	20.1	15.2	11.3	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.03	HK\$12.5	38	1,354	0.28	0.98	1.34	32.3	9.2	6.7	Alex NG
Truly	732 HK	BUY	HK\$4.5	HK\$7.15	59	1,692	0.56	0.67	0.79	8.0	6.7	5.7	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.14	HK\$10.5	4	13,612	0.06	0.07	0.11	21.8	18.7	11.9	Alex NG
Textile & Garment													
China Lilang	1234 HK	BUY	HK\$5.03	HK\$5.14	2	780	0.43	0.41	0.44	9.4	9.9	9.2	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\$3.3	HK\$3.31	0	927	0.28	0.29	0.31	9.5	9.1	8.6	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.42	HK\$7.89	-6	9,161	0.52	0.52	0.54	13.0	13.0	12.5	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$1.94	HK\$2.72	40	525	0.12	0.16	0.17	13.0	9.7	9.2	Ivy ZHAO

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jun. 25	12-month TP	% Upside		2013E	2014E	2015E	2013E	2014E	2015E	
ANTA Sports Products	2020 HK	BUY	HK\$11.96	HK\$13.47	13	3,850	0.53	0.57	0.63	18.1	16.9	15.2	Ivy ZHAO
Li Ning	2331 HK	BUY	HK\$5.7	HK\$5.2	-9	1,008	-0.05	0.27	0.30	N.A.	17.0	15.3	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\$3.47	HK\$4.0	15	248	0.54	0.55	0.66	5.2	5.1	4.2	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
Food & Beverage													
Want Want China	151 HK	NEUTRAL	HK\$10.22	HK\$13.05	28	17,142	0.05	0.06	0.07	26.4	22.0	18.8	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$34.85	HK\$47.0	35	8,799	0.90	1.24	1.54	31.1	22.6	18.2	Ling HUA
Tingyi	322 HK	BUY	HK\$21.05	HK\$24.9	18	14,681	0.07	0.10	0.11	38.8	27.2	24.7	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$9.89	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\$19.4	HK\$24.4	26	6,592	0.80	0.95	1.17	24.3	20.4	16.6	Gloria WANG
Sa Sa International	178 HK	BUY	HK\$5.17	HK\$8.2	59	1,896	0.35	0.41	0.47	14.8	12.6	11.0	Gloria WANG
Intime Retail (Group)	1833 HK	BUY	HK\$6.75	HK\$10.3	53	1,749	0.52	0.60	0.69	10.4	9.0	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
Alternative Energy													
Datang Renewable Power	1798 HK	SELL	HK\$1.04	HK\$0.74	-29	336	0.03	0.03	0.04	27.8	27.8	20.9	Lei YIN
CHINA WIND POWER	182 HK	BUY	HK\$0.65	HK\$1.1	69	750	0.02	0.04	0.06	32.5	16.3	10.8	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$8.72	HK\$12.3	41	562	0.16	0.37	0.55	43.8	18.9	12.7	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.45	HK\$2.83	16	4,894	-0.04	0.11	0.18	N.A.	22.3	13.6	Lei YIN
Singyes Solar	750 HK	BUY	HK\$11.76	HK\$14.23	21	1,053	0.75	1.02	1.14	12.6	9.3	8.3	Lei YIN
Tianneng Renewables	819 HK	BUY	HK\$2.84	HK\$6.65	134	407	0.16	0.57	1.10	17.8	5.0	2.6	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$8.29	HK\$11.39	37	3,572	0.26	0.42	0.50	25.6	15.9	13.3	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.58	HK\$3.2	24	3,005	0.10	0.12	0.19	25.8	21.5	13.6	Lei YIN
Port & Shipping													
COSCO Pacific	1199 HK	BUY	HK\$10.4	HK\$12.46	20	3,907	0.25	0.12	0.13	5.4	11.2	10.3	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$23.85	HK\$26.43	11	7,775	1.67	1.75	2.05	14.3	13.6	11.6	Kate LI
CSCCL	2866 HK	NEUTRAL	HK\$1.94	HK\$1.82	-6	939	-0.22	0.01	0.05	N.A.	155.8	31.2	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
Machinery & Equipment													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$5.31	HK\$4.66	-12	980	0.51	0.49	0.52	8.4	8.7	8.2	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.46	HK\$7.01	57	523	0.54	0.63	0.68	8.3	7.1	6.6	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\$1.27	HK\$2.06	62	701	0.11	0.13	0.16	9.3	7.8	6.4	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.78	HK\$1.47	-17	698	0.12	0.12	0.13	11.9	11.9	11.0	Yiding JIAO
Electric Power													
HUADIAN POWER	1071 HK	BUY	HK\$4.24	HK\$4.4	4	783	0.56	0.61	0.65	7.6	7.0	6.5	Vera LIANG
CHINA POWER	2380 HK	BUY	HK\$2.88	HK\$3.6	25	2,392	0.40	0.41	0.47	7.2	7.0	6.1	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$8.24	HK\$9.65	17	3,779	0.74	0.77	0.86	8.9	8.6	7.7	Vera LIANG
Datang Power	991 HK	NEUTRAL	HK\$2.93	HK\$3.3	13	1,253	0.27	0.33	0.39	8.7	7.1	6.0	Vera LIANG
Pharmaceutical & Healthcare													
Essex Bio-Technology	1061 HK	BUY	HK\$2.54	HK\$4.12	62	182	0.10	0.12	0.14	25.4	21.2	18.1	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.11	HK\$8.0	31	4,403	0.17	0.23	0.29	35.9	26.6	21.1	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$20.72	HK\$24.4	18	2,657	0.66	0.82	1.01	25.2	20.3	16.5	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.24	HK\$6.7	7	3,978	0.09	0.18	0.22	69.3	34.7	28.4	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$10.5	HK\$16.6	58	1,129	0.13	0.23	0.28	64.9	36.7	30.1	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$5.63	HK\$8.2	46	584	0.19	0.25	0.32	23.8	18.1	14.1	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$12.8	HK\$12.3	-4	1,366	0.91	0.78	0.89	11.3	13.2	11.6	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.7	HK\$5.5	17	6,275	0.13	0.15	0.18	29.0	25.2	21.0	Jonathan HSU
iKang Healthcare Group	KANG US	BUY		US\$21.3			0.33	0.50	0.71				Jonathan HSU
Gaming													
Wynn Macau	1128 HK	SELL	HK\$27.9	HK\$31.7	14	18,671	1.48	1.65	1.76	18.9	16.9	15.9	Angela Han Lee
Sands China	1928 HK	BUY	HK\$54.2	HK\$81.2	50	56,343	2.13	3.09	3.63	25.5	17.5	14.9	Angela Han Lee
MGM CHINA	2282 HK	BUY	HK\$24.25	HK\$42.9	77	11,888	1.40	1.70	1.88	17.3	14.3	12.9	Angela Han Lee
Galaxy Entertainment	27 HK	BUY	HK\$56.95	HK\$79.9	40	30,941	2.39	2.96	3.91	23.8	19.2	14.6	Angela Han Lee
Melco Crown	6883 HK	BUY	HK\$86.1	HK\$120.6	40	18,323	3.00	4.16	4.79	28.7	20.7	18.0	Angela Han Lee
SJM	880 HK	SELL	HK\$18.68	HK\$16.3	-13	13,375	1.39	1.51	1.71	13.4	12.4	10.9	Angela Han Lee
Environmental Protection													
CHINA EB INT'L	257 HK	BUY	HK\$10.76	HK\$12.2	13	6,224	0.30	0.38	0.48	35.9	28.3	22.4	Shawn LEE
DONGJIANG ENV	895 HK	BUY	HK\$26.0	HK\$34.1	31	1,165	0.60	0.84	1.28	34.8	24.9	16.3	Shawn LEE
Industrial Good													
TK group	2283 HK	BUY	HK\$1.13	HK\$1.74	54	120	0.14	0.18	0.21	8.1	6.3	5.4	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	134.3	0.4	168	TSINGTAO BREW-H	59.50	1.0
2	CLP HLDGS LTD	63.00	1.1	177	JIANGSU EXPRES-H	9.11	-1.6
3	HONG KG CHINA GS	16.68	1.0	323	MAANSHAN IRON-H	1.60	0.6
4	WHARF HLDG	55.45	-0.5	338	SINOPEC SHANG-H	2.13	0.5
5	HSBC HLDGS PLC	79.95	0.2	347	ANGANG STEEL-H	4.83	0.4
6	POWER ASSETS HOL	66.50	1.9	358	JIANGXI COPPER-H	12.16	0.0
11	HANG SENG BK	126.0	0.2	386	SINOPEC CORP-H	7.18	-0.8
12	HENDERSON LAND D	45.30	-0.1	390	CHINA RAIL GR-H	3.72	1.6
13	HUTCHISON WHAMPO	104.6	0.2	489	DONGFENG MOTOR-H	13.50	1.5
16	SHK PPT	105.5	-0.1	552	CHINA COMM SER-H	3.67	0.0
17	NEW WORLD DEV	8.81	-0.2	576	ZHEJIANG EXPRESS	7.71	0.4
19	SWIRE PACIFIC-A	94.15	0.2	694	BEIJING CAP AI-H	5.07	-0.4
23	BANK EAST ASIA	31.90	0.6	728	CHINA TELECOM-H	3.84	2.4
66	MTR CORP	29.10	0.5	753	AIR CHINA LTD-H	4.46	0.2
83	SINO LAND CO	12.38	-0.5	857	PETROCHINA CO-H	9.62	-0.4
101	HANG LUNG PROPER	23.50	-0.2	902	HUANENG POWER-H	8.36	1.5
144	CHINA MERCHANT	24.20	1.5	914	ANHUI CONCH-H	27.75	2.4
267	CITIC PACIFIC	13.40	0.5	939	CHINA CONST BA-H	5.75	0.5
291	CHINA RES ENTERP	21.20	1.4	991	DATANG INTL PO-H	2.95	0.7
293	CATHAY PAC AIR	14.30	0.3	998	CHINA CITIC BK-H	4.67	0.7
330	ESPRIT HLDGS	10.80	1.1	1088	CHINA SHENHUA-H	22.10	0.7
386	SINOPEC CORP-H	7.18	-0.8	1133	HARBIN ELECTRIC	4.75	0.6
388	HKEX	144.0	1.1	1138	CHINA SHIPPING-H	4.65	2.7
494	LI & FUNG LTD	11.08	1.5	1171	YANZHOU COAL-H	6.01	0.0
551	YUE YUEN INDUS	24.90	-0.6	1186	CHINA RAIL CN-H	6.87	1.3
688	CHINA OVERSEAS	19.14	-0.2	1398	IND & COMM BK-H	4.84	0.0
700	TENCENT	114.9	0.6	1800	CHINA COM CONS-H	5.14	0.4
762	CHINA UNICOM HON	11.70	-0.2	1898	CHINA COAL ENE-H	4.05	0.0
857	PETROCHINA CO-H	9.62	-0.4	1919	CHINA COSCO HO-H	3.03	0.7
883	CNOOC LTD	13.56	-1.5	2318	PING AN INSURA-H	60.65	0.8
939	CHINA CONST BA-H	5.75	0.5	2328	PICC PROPERTY &	11.64	1.0
941	CHINA MOBILE	74.25	0.3	2600	ALUMINUM CORP-H	2.81	1.4
1088	CHINA SHENHUA-H	22.10	0.7	2628	CHINA LIFE INS-H	20.40	0.3
1199	COSCO PAC LTD	10.50	1.0	2727	SHANGHAI ELECT-H	3.08	0.7
1398	IND & COMM BK-H	4.84	0.0	2777	GUANGZHOU R&F -H	9.41	0.3
2038	FIH MOBILE LTD	5.00	8.0	2866	CHINA SHIPPING-H	1.95	0.5
2318	PING AN INSURA-H	60.65	0.8	2883	CHINA OILFIELD-H	18.46	-0.2
2388	BOC HONG KONG HO	22.50	-0.2	2899	ZIJIN MINING-H	1.74	0.6
2600	ALUMINUM CORP-H	2.81	1.4	3323	CHINA NATL BDG-H	6.85	0.6
2628	CHINA LIFE INS-H	20.40	0.3	3328	BANK OF COMMUN-H	5.31	1.0
3328	BANK OF COMMUN-H	5.31	1.0	3968	CHINA MERCH BK-H	15.30	1.9
3988	BANK OF CHINA-H	3.42	1.2	3988	BANK OF CHINA-H	3.42	1.2
				3993	CMOC-H	4.05	-1.0

A+H Company Performance
 Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
JINGCHENG MAC	187	3.30	600860	5.58	110.4
NORTHEAST ELEC-H	42	1.35	000585	2.27	109.2
CHONGQING IRON-H	1053	1.35	601005	2.22	104.6
SHANDONG XINHU-H	719	3.29	000756	5.38	103.4
SHENJI GROUP-H	300	2.62	600806	4.24	101.3
SINOPEC YIZHEN-H	1033	1.77	600871	2.78	95.4
TIANJIN CAP-H	1065	5.12	600874	7.89	91.7
SINOPEC SHANG-H	338	2.13	600688	3.12	82.2
JINGWEI TEXTIL-H	350	6.81	000666	9.89	80.7
BEIJING NORTH-H	588	1.89	601588	2.43	60.0
DATANG INTL PO-H	991	2.95	601991	3.52	48.4
YANZHOU COAL-H	1171	6.01	600188	6.92	43.2
ALUMINUM CORP-H	2600	2.81	601600	3.08	36.4
BAIYUNSHAN PH-H	874	23.00	600332	24.63	33.2
JIANGXI COPPER-H	358	12.16	600362	12.33	26.2
MAANSHAN IRON-H	323	1.60	600808	1.54	19.7
CHINA SOUTHERN-H	1055	2.37	600029	2.28	19.7
HISENSE KELON -H	921	8.88	000921	8.33	16.7
SHENZHEN EXPRE-H	548	3.79	600548	3.54	16.2
CHINA CITIC BK-H	998	4.67	601998	4.25	13.2
DONGFANG ELECT-H	1072	12.88	600875	11.68	12.8
GUANGSHEN RAIL-H	525	2.80	601333	2.52	12.0
ANHUI EXPRESS-H	995	4.90	600012	4.29	8.9
CHINA SHIPPING-H	1138	4.65	600026	4.00	7.0
ZTE CORP-H	763	15.20	000063	12.83	5.0
BANK OF CHINA-H	3988	3.42	601988	2.75	0.0
GUANGZHOU SHIP-H	317	13.73	600685	0.00	0.0
LUOYANG GLASS-H	1108	4.00	600876	7.49	0.0
NANJING PANDA-H	553	4.52	600775	0.00	0.0
AIR CHINA LTD-H	753	4.46	601111	3.26	-9.1
BANK OF COMMUN-H	3328	5.31	601328	3.87	-9.3
IND & COMM BK-H	1398	4.84	601398	3.42	-12.1
SINOPEC CORP-H	386	7.18	600028	5.07	-12.2
HUADIAN POWER-H	1071	4.33	600027	2.97	-14.7
CHINA LIFE INS-H	2628	20.40	601628	13.90	-15.2
TSINGTAO BREW-H	168	59.50	600600	39.69	-17.0
CHINA MERCH BK-H	3968	15.30	600036	10.18	-17.2
HUANENG POWER-H	902	8.36	600011	5.50	-18.2
PING AN INSURA-H	2318	60.65	601318	39.74	-18.5
JIANGSU EXPRES-H	177	9.11	600377	5.90	-19.4
ANGANG STEEL-H	347	4.83	000898	2.91	-25.1
WEICHAJ POWER-H	2338	29.95	000338	17.60	-26.9
ANHUI CONCH-H	914	27.75	600585	15.79	-29.2

Recently Published Research

Date published	Name of report	Analyst
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
8-May-14	Dawnrays Pharma (2348.HK)	Jonathan Hsu
8-May-14	Metals and Mining Sector	Li Xiang
8-May-14	Optics Valley Union(798 HK)	Duan Feiqin
8-May-14	Retail Remains Slump, E-comm Grows quickly	Ivy Zhao

RATING DEFINITION & DISCLAIMER

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

DISCLAIMER

This document is prepared by China Merchants Securities (HK) Co., Limited ("CMS HK"). CMS HK is a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571). This document is for information purpose only. Neither the information nor opinion expressed shall be construed, expressly or impliedly, as an advice, offer or solicitation of an offer, invitation, advertisement, inducement, recommendation or representation of any kind or form whatsoever to buy or sell any security, financial instrument or any investment or other specific product. The securities, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to participate in some or all of them. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors.

The information and opinions, and associated estimates and forecasts, contained herein have been obtained from or are based on sources believed to be reliable. CMS HK, its holding or affiliated companies, or any of its or their directors, officers or employees ("CMS Group") do not represent or warrant, expressly or impliedly, that it is accurate, correct or complete and it should not be relied upon. CMS Group will not accept any responsibility or liability whatsoever for any use of or reliance upon this document or any of the content thereof. The contents and information in this document are only current as of the date of their publication and will be subject to change without prior notice. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realized. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Opinions expressed herein may differ or be contrary to those expressed by other business divisions or other members of CMS Group as a result of using different assumptions and/or criteria.

This document has been prepared without regard to the individual financial circumstances and investment objectives of the persons who receive it. Use of any information herein shall be at the sole discretion and risk of the user. Investors are advised to independently evaluate particular investments and strategies, take financial and/or tax advice as to the implications (including tax) of investing in any of the securities or products mentioned in this document, and make their own investment decisions without relying on this publication.

CMS Group may have a long or short position, make markets, act as principal or agent, or engage in transactions in securities of companies referred to in this document and may also perform or seek to perform investment banking services or provide advisory or other services for those companies. This document is for the use of intended recipients only and this document may not be reproduced, distributed or published in whole or in part for any purpose without the prior consent of CMS Group. CMS Group will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This document is for distribution only under such circumstances as may be permitted by applicable law. This document is not directed at you if CMS Group is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. In particular, this document is only made available to certain US persons to whom CMS Group is permitted to make available according to US securities laws, but cannot otherwise be made available, distributed or transmitted, whether directly or indirectly, into the US or to any US person. This document also cannot be distributed or transmitted, whether directly or indirectly, into Japan and Canada and not to the general public in the People's Republic of China (for the purpose of this document, excluding Hong Kong, Macau and Taiwan).