

CMS (HK) Research Highlights

Lenovo (992 HK, HK\$10.36, BUY, TP HK\$10.50)

Solid 4G/Moto strategy ahead easing market concerns; Reiterate BUY

During China Telecom's trade show yesterday, Lenovo's Vice President, Zhang Hui, revealed further details on Lenovo's 4G and Moto strategy, which we believe will reduce market concerns on its China 4G pipeline and uncertainties on Lenovo/Moto integration. We maintain our BUY rating with TP of HK\$10.50, based on FY16 P/E of 12.75x (15% discount to historical avg. P/E of 15x). Our FY15-16E EPS are US\$0.066/0.109.

1. Well-planned China 4G pipeline to ramp up in 3Q; Moto 4G ready to ship this year. The management reiterated FY15 smartphone shipment target of 80mn (vs 50mn in FY14) with China/overseas for 60mn/20mn units, and stated that Lenovo's core 4G roadmap is to follow operators' 4G subsidy and infrastructure schedule in 2H14, which we believe should ease market concerns on Lenovo's 4G weakness in 1H14. The company expects to launch more than 60 new models in FY15, with 4G accounting for 50% in July and 90% by end of year. The management expressed that handset brands will need to compete on supply chain capability instead of branding in initial stage of China 4G market, given supply tightness of 4G chipsets in 2H14. Lenovo expects to launch three waves of 4G models this year, ranging from low-cost series (S860s), mid/high-end series (Vibe X2), to high-end series (with Moto brand).

2. Moto deal expected to close by Aug; Moto brand on RMB2K+ high-end models. We are positive on the management's reinforced confidence on Moto deal close by Aug, and expect recent hire of ex-Nokia and Huawei global executive, Colin Giles, will help accelerate Lenovo's overseas expansion and Motorola's integration synergy. Under a dual-brand strategy, we believe the Moto brand will focus on high-end models (RMB2K+) in China, capturing replacement demand of high-end segment in China 4G market, while will continue to penetrate into mid/low-end segments overseas.

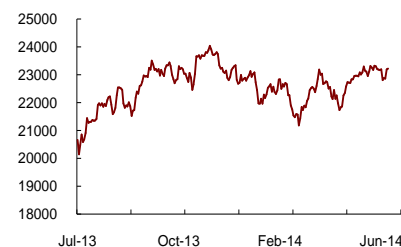
3. Stronger PC demand on WinXP refresh; IBM server deal extension risk priced in. We expect Lenovo PC to benefit from commercial PC recovery in 2014 on stronger WinXP refresh cycle, as evidenced by Intel's recent upward guidance revision for 2014. We also note that Lenovo's planned IBM x86 deal may face potential risk of delays while it was scrutinized by Committee on Foreign investment in US (CFIUS). Our current model assumed deal close in CY4Q14, with IBM server business contributing 3%/7% and 6%/14% of our FY15-16E revenue and net profit respectively. We expect the deal will ultimately be approved given the deal mainly involved low-end server products. Also, Lenovo just established a new office in Japan to take over IBM x86 server business in the country, supporting our view that the deal is on track to close by year end. (Alex Ng)

HK Indices	Last price	chg	% chg
HSI	23,221.52	23.69	0.10
Finance	30,959.75	-35.03	-0.11
Properties	29,141.07	83.80	0.29
Utilities	52,122.97	256.2	0.49
Commerce&Industrv	14,357.00	36.11	0.25
HSCEI	10,307.51	-29.51	-0.29
HSCCI	4,340.05	-7.05	-0.16
HKSPGEM	514.56	4.95	0.97

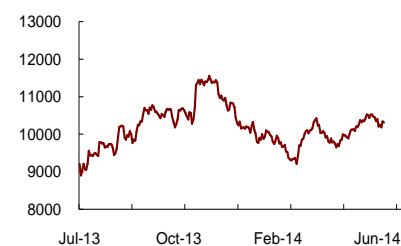
World Indices	Last price	chg	% chg
FTSE 100	6,747.20	12.08	0.18
DAX 30	9,825.77	20.87	0.21
CAC 40	4,456.80	17.17	0.39
DJIA	16,846.13	-21.38	-0.13
S&P500	1,957.22	-2.31	-0.12
Nasdaq Composite	4,379.05	-0.71	-0.02
Nikkei 225	15,095.00	-213.49	-1.39

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,988.51	-6.54	-0.33
TWSE	9,306.83	-14.11	-0.15
STI	3,272.11	-6.46	-0.20
India BSE 30	25,098.30	35.63	0.14
S&P/ASX 200	5,445.06	-19.26	-0.35

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

FDD-LTE trial licenses issued**Positive to CU (728 HK), CT (762 HK) and Coolpad (2369 HK), TCLC (2618 HK)**

MIIT announced to issue the FDD-LTE trial license to China telecom (762 HK) and China Unicom (728 HK) in 16 cities after market close on Friday. We believe this is a major positive to the sector, due to recent weakness in YTD net adds, incremental ARPU improvement, and accelerating 4G penetration. In particular, we believe CU and CT will be the major beneficiaries from FDD-LTE license issuance.

We expect both operators to start large-scale 4G deployment and increase marketing expense to promote 4G service and drive 4G net adds in coming months. CT/CU have deployed FDD-LTE trial network in 60/56 cities so far, and we expect both CU/CT will build a hybrid 4G network (mostly FDD-LTE) for better 4G network quality. We believe TD/FD-LTE supply chain (esp terminals) will become mature rapidly, and increasing number of 4G products and aggressive subsidy policy would help accelerate 4G penetration and drive up APRU/net adds in 2H14.

Among the three telcos, we expect China Unicom will be the key beneficiary, given its recent weakness in 3G/4G net adds and limited upgrade capex in FDD-LTE infrastructure. We believe this is also positive to China Telecom, due to less CAPEX on FDD-LTE upgrade (vs TD-LTE) and faster 3G-to-4G migration with its high 3G penetration, but less-established supply chain on FDD-LTE/CDMA-2000 compatibility will limit near-term 4G net-add upside. As for China Mobile (941 HK), we expect near-term pressure on CM as its sole 4G service will become less attractive, which may lead higher marketing cost in acquiring new 4G subscribers.

In the meantime, our order of preference is CU, CT and CM, and we maintain our neutral rating on the three operators, with CM's TP HK\$78.0, CU's TP HK\$11.34 and CT's TP HK\$3.86, due to their weak earnings visibility on reforms/policy uncertainties in near term.

We also believe this news is positive to Chinese leading handset brands, such as Coolpad (2369 HK, BUY, TP HK\$2.73) and TCLC (2618 HK, BUY, TP HK\$12.50), due to operators' increasing subsidy on 4G handsets, strengthening partnership with Chinese operators, and their well-established FDD-LTE product pipeline.

HK Stock Market Fund Flows (Issue of June 2014)

- The CMS Capital Flow Index indicated that there was a persistent inflow of capital in June; through June 23rd, the total inflow was slightly smaller than the comparable period in May.

- According to historical data, the prediction of market turning points can be made by observing the difference between trend of CMS Capital Flow Index and the HK equity market, with relatively reliable results. (See Focus Chart 2) Recently, the difference between the trend of liquidity and the stock market index is quite low and we expect it to widen further.

- June's FOMC meeting was in line with our expectations. We maintain our views on the tapering schedule in the US, and expect the tapering to proceed as scheduled and end around September or October, with rate hikes in 2015. Short-term rates may rise and global capital flow is expected to be more volatile in 4Q14.

The state of Hong Kong's FX reserves maintained the status quo in May, as the nominal value of reserves as well as the proportion of reserves relative to the total money supply at about the same pace as previously. The HKMA conducted no major operations in May as the USDHKD rate stabilized shy of the strong side convertibility value. We continue to expect the HKD to remain on the edge of 7.75.

The growth of the money supply rose in April. After seasonal adjustment in April, M1 grew 9.2% YoY (up from 7.3% YoY), M2 grew 8.6% YoY (up from 7.1% YoY), and M3 grew by 8.6% YoY (up from 7.1% YoY).

At the end of April, HK investment funds registered a net investment of USD 1.48 bn, up from March but mostly due to less fund redemptions. A breakdown of fund flows showed that the large inflow was primarily from Europe, while overall other Asian countries had a net outflow of funds.

In the past month, emerging economies of India, Korea, and Taiwan all continued to receive capital inflow. India continues to benefit from a headwind of favorable domestic policy from the new Modi administration.

On the month, volatility indices have also shown increased risk appetite in June, with the VIX and the Emerging Market Volatility index both declining on the month. However, the transaction volume in the HK stock market continued to slightly decline from the previous month.

The CMS CF Index indicated that capital continues to flow into HK despite the dip of the HSI, indicating funds may be going to bonds. Moving forward, using the index as a leading indicator, it would appear that there is likely still some further downward pressure on the HSI moving forward.

A-share Research Highlights (CMS Research Center)

Tsingtao Brewery (600600 CH) – Pressing Ahead with Products Refinement and Market Development

[Dong Guangyang, Yang Yongsheng and Long Jun, June 23, 2014]

We invited Tsingtao Brewery to our CMS 2H14 Strategy Seminar and the main ideas of our discussion are mentioned below. The company basically maintained its steady double-drive strategy. It also continued exploration on product mix and regional markets. The company does not have plenty of highlights in the short term, but its long-term development trend has become more visible. We maintain 2014-2015E EPS at RMB1.71 and RMB1.92 and a 2014 TP of RMB42.70, with a Buy-A rating.

1. Temporary over-capacity leads to excessive competition and distressed ASP whilst potential for industry still exists

The per capita consumption of beer in China just reached the global average of 36-37 liter/year, but is still far below the 100+ liter of developed countries, suggesting certain development potential. The most important factor at the moment is price. Compared to global major enterprises, the equipment used by domestic enterprises is also advanced – Krones of Germany, raw materials are mainly imported from Australia, and wage, land and plants are a little bit cheaper. However, this does not justify much lower prices than the global peers. Instead, this is led by excessive competition due to temporary over-capacity. In the long run, the potential of price and profit is still promising.

2. Consolidation in industry almost complete whilst company maintains double-drive strategy with annual sales target of 10 mn tonnes

The market share of the company reached 17.2% last year, and the top 5 domestic companies already exceeded 70%, indicating that the consolidation in the industry is almost complete. This year, the company will keep its management, strategy (double-drive: organic growth + M&A) and brands (currently 1+3 and 1+3+N in future) unchanged. The target of the company for the year is still 10 mn tonnes with a sales target of at least +10%. 1Q performance was satisfactory.

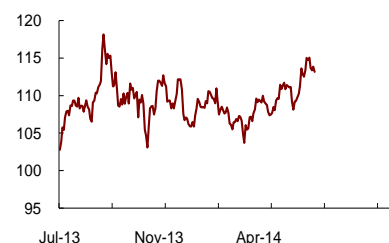
3. Product mix moved to higher end with higher proportion of canned products, short-term benefits offset by increased turnover in low-end products

Growth in major brands was not strong, but rapid growth of high-end brands still maintained. The brands are leading and high-end ones. Sales of major brands reached 4.50 mn hl, representing a fair growth rate of 5.1%. However, growth of high-end brands was very fast, with Tsingtao Draft, Augersta and canned products at a gross margin of 50% and growth rate of 12.6%. 60-70% of larger bottled products were sold through the channels of dinning. The smaller 330 ml bottled products mainly targeted at family consumption. The growth of draft will slow down in the short term, but its future potential is still significant. Canned beer is becoming more popular, which can help improving the gross profit of the company. In order to accomplish the target of 10 mn tonnes, products of 2nd-tier brands will be increased in the short term, mainly through external growth, which may temporarily offset the improvement in the profitability of the company.

Global Commodity	Last price	chg	% chg
Brent Oil	113.15	0.25	0.22
Gold	1,315.7	-0.81	-0.06
LME Aluminum	1,897.0	-3.00	-0.16
LME Copper	6,955.0	40.00	0.58
BDI	824.00	-22.00	-2.60
API Coal	78.75	0.00	0.00

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	-0.01	-0.16
EUR/USD		1.36	0.01	0.01
3-M Libor		0.55	0.00	0.00
3-M Shibor		4.75	0.00	0.00
10 YR US T-Note Yield		2.52	-0.01	-0.40

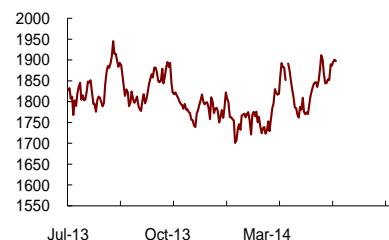
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

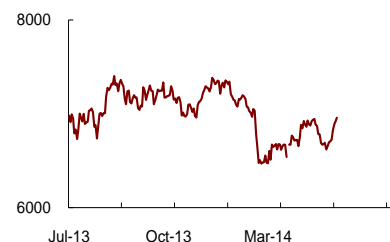
4. Maintaining base markets and pressing ahead with corridor along Yellow River

Among the base markets of the company, Shandong and Shaanxi are becoming more important, while the Guangdong market is under pressure. The market in Shandong further strengthened, with a share of 60-70% and an overall growth rate of 16-17%, with significant synergy following the acquisition of Immense Brewery. Market share in Shaanxi was still above 75%, but the proportion of major brands was not high, with Hans accounting for 90%. The market in Guangdong decreased last year and was flat for the first 5 months of the year. It may still be under pressure for the year. The company is committed to developing a corridor along the Yellow River, and the prospect of the development is promising. With its strength in Shandong and Shaanxi, the company is pressing ahead with its development in Hebei, Shanxi and Henan, and the growth there so far has been satisfactory.

What to Watch

Economic Data	HK: Nil US: Nil		
Date	Ticker	Stock Name	Earnings Results
2014/06/30	00030	ABC COM	
2014/06/30	00275	HANNY HOLDINGS	
2014/06/30	00279	FREEMAN FIN	
2014/06/30	00306	KWOON CHUNG BUS	
2014/06/30	00309	XH NEWS MEDIA	
2014/06/30	00313	RICHLI FIELD	
2014/06/30	00332	YUANHENG GAS	
2014/06/30	00345	VITASOY INT'L	
2014/06/30	00399	United Gene Gp	
2014/06/30	00485	STARLIGHT INT'L	
2014/06/30	00499	HYCOMM WIRELESS	
2014/06/30	00621	TAUNG GOLD	
2014/06/30	00628	SINO CREDIT-2K	
2014/06/30	00645	ARES ASIA	
2014/06/30	00650	SHUN CHEONG	
2014/06/30	00673	CHINA HEALTH	
2014/06/30	00687	TYSAN HOLDINGS	
2014/06/30	00690	UNI-BIO GROUP	
2014/06/30	00723	SUSTAIN FOREST	
2014/06/30	00727	VXL CAPITAL	
2014/06/30	00766	SINO PROSPER GP	
2014/06/30	00794	COME SURE GROUP	
2014/06/30	00858	EXTRAWEILL PHAR	
2014/06/30	00919	MODERN BEAUTY	
2014/06/30	00923	IWS	
2014/06/30	00948	Z-OBEE	
2014/06/30	00997	CHINLINK INTL	
2014/06/30	01001	VAN SHUNG CHONG	
Date	Ticker	Stock Name	Issue Price
2014/06/30	08396	MERDEKA MOB RTS	0.04

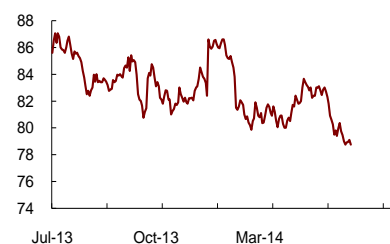
LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014-6-30

Company	Ticker	Rating	Share px Dec. 18	12-month TP	% Upside	Mkt cap (US\$m)	2013E	EPS 2014E	2015E	2013E	P/E 2014E	2015E	Analyst
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$14.34	HK\$12.0	-16	9,297	0.71	0.80	0.89	16.2	14.4	12.9	Colleen LI
BYD Company	1211 HK	NEUTRAL	HK\$45.9	HK\$32.9	-28	4,696	0.27	0.69	1.03	136.5	53.4	35.8	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.3	HK\$5.85	36	1,226	0.55	0.81	1.11	6.3	4.3	3.1	Colleen LI
Geely Automobile	175 HK	BUY	HK\$2.75	HK\$5.04	83	3,122	0.32	0.36	0.38	6.9	6.1	5.8	Colleen LI
CSR	1766 HK	BUY	HK\$5.88	HK\$8.08	37	1,535	0.31	0.40	0.45	15.2	11.8	10.5	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$29.15	HK\$43.4	49	3,885	2.74	3.40	3.82	8.5	6.9	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$24.4	HK\$32.03	31	1,723	1.10	1.35	1.62	17.8	14.5	12.1	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\$13.88	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\$9.95	HK\$10.3	4	2,756	0.58	0.71	0.99	13.8	11.3	8.1	Colleen LI
Oil and Gas													
SPT Energy	1251 HK	BUY	HK\$4.2	HK\$6.2	48	830	0.20	0.23	0.32	16.9	14.7	10.5	Michael YUK
Hilong Holding	1623 HK	NEUTRAL	HK\$3.95	HK\$5.1	29	864	0.21	0.28	0.33	15.1	11.3	9.6	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.66	HK\$3.8	43	347	0.04	0.28	0.40	53.4	7.6	5.3	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$18.76	HK\$21.0	12	4,383	1.49	1.52	1.61	10.1	9.9	9.4	Michael YUK
Jutal Offshore Oil Serv	3303 HK	BUY	HK\$1.76	HK\$1.9	8	166	0.08	0.10	0.11	17.7	14.1	12.9	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$5.29	HK\$5.5	4	1,496	0.18	0.22	0.29	23.6	19.3	14.7	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.81	HK\$9.83	69	1,112	0.55	0.56	0.75	10.6	10.4	7.8	Michael YUK
Sinopec	386 HK	BUY	HK\$7.38	HK\$7.52	2	24,289	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	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\$1.45	HK\$1.45	0	935	0.08	0.10	0.13	18.1	14.5	11.2	Michael YUK
Petrochina	857 HK	BUY	HK\$9.82	HK\$11.2	14	26,728	0.71	0.74	0.78	11.1	10.7	10.1	Michael YUK
CNOOC	883 HK	BUY	HK\$13.82	HK\$17.0	23	79,597	1.26	1.40	1.50	8.8	7.9	7.4	Michael YUK
Property													
CHINA RES LAND	1109 HK	NEUTRAL	HK\$13.94	HK\$17.0	22	10,486	2.52	2.11	2.28	5.5	6.6	6.1	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$4.15	HK\$6.7	61	1,781	0.96	1.14	1.34	3.5	2.9	2.5	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$2.96	HK\$4.38	48	5,547	0.79	0.79	0.80	3.0	3.0	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$7.35	HK\$15.8	115	2,047	2.18	2.49	2.19	2.7	2.4	2.7	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$18.9	HK\$22.56	19	19,926	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	156	2,159	2.10	2.00	2.22	3.6	3.7	3.4	Feiqin DUAN

Company	Ticker	Rating	Share px Dec. 18	12-month TP	% Upside	Mkt cap (US\$m)	2013E	EPS 2014E	2015E	P/E 2013E	2014E	2015E	Analyst
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
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$5.69	HK\$6.2	9	4,320	0.95	1.08	1.32	4.8	4.2	3.5	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.33	HK\$4.7	9	488	0.25	0.24	0.17	13.9	14.5	20.5	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$2.79	HK\$2.8	0	1,419	0.07	-0.07	-0.06	32.0	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\$12.42	HK\$10.2	-18	2,223	1.03	0.81	0.66	9.7	12.3	15.1	Shawn LEE
China Molybdenum	3993 HK	NEUTRAL	HK\$4.02	HK\$3.1	-23	680	0.19	0.20	0.21	17.0	16.1	15.4	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.61	HK\$3.1	-14	7,016	-0.21	0.04	0.05	N.A.	11.6	9.3	Shawn LEE
Technology, Media & Telecom													
China Telecom	728 HK	NEUTRAL	HK\$3.77	HK\$3.45	-8	6,749	0.22	0.25	0.28	13.8	12.1	10.8	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$11.94	HK\$11.34	-5	36,636	0.44	0.65	0.76	21.8	14.8	12.6	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$75.35	HK\$78.0	4	196,480	6.02	5.34	5.27	10.1	11.3	11.5	Alex NG
Wisdom	1661 HK	BUY	HK\$4.39	HK\$7.0	59	911	0.14	0.20	0.29	25.2	17.6	12.2	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.59	HK\$1.4	-46	852	0.05	0.08	0.10	41.6	26.0	20.8	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.24	HK\$2.0	-11	537	0.08	0.10	0.13	22.5	18.0	13.8	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.4	HK\$37.05	58	3,571	0.55	0.63	0.95	34.2	29.8	19.8	Jeff HAO
SinoMedia	623 HK	BUY	HK\$5.7	HK\$8.07	42	427	0.64	0.73	0.83	7.2	6.3	5.5	Jeff HAO
Tencent	700 HK	BUY	HK\$118.4	HK\$127.6	8	28,480	1.66	2.45	3.15	57.3	38.8	30.2	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.4	HK\$20.34	41	945	0.32	0.65	0.82	36.1	17.8	14.1	Jeff HAO
Hardware Technology													
AAC Technologies	2018 HK	NEUTRAL	HK\$51.7	HK\$40.0	-23	8,190	1.83	2.16	2.48	22.7	19.2	16.7	Alex NG
Coolpad	2369 HK	BUY	HK\$2.15	HK\$2.73	27	590	0.13	0.21	0.26	16.5	10.2	8.3	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.4	HK\$8.37	-20	1,472	0.41	0.54	0.73	20.4	15.5	11.4	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.27	HK\$12.5	35	1,390	0.28	0.98	1.34	33.1	9.5	6.9	Alex NG
Truly	732 HK	BUY	HK\$4.62	HK\$7.15	55	1,737	0.56	0.67	0.79	8.3	6.9	5.9	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.3	HK\$10.5	2	13,827	0.06	0.07	0.11	22.2	19.0	12.1	Alex NG
Textile & Garment													
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\$3.34	HK\$3.31	-1	938	0.28	0.29	0.31	9.6	9.3	8.7	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.56	HK\$7.89	-8	9,313	0.52	0.52	0.54	13.2	13.2	12.7	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$1.95	HK\$2.72	39	528	0.12	0.16	0.17	13.1	9.8	9.2	Ivy ZHAO

Company	Ticker	Rating	Share px Dec. 18	12-month TP	% Upside	Mkt cap (US\$m)	2013E	EPS 2014E	2015E	2013E	P/E 2014E	2015E	Analyst
ANTA Sports Products	2020 HK	BUY	HK\$12.44	HK\$13.47	8	4,005	0.53	0.57	0.63	18.9	17.5	15.9	Ivy ZHAO
Li Ning	2331 HK	BUY	HK\$6.18	HK\$5.2	-16	1,092	-0.05	0.27	0.30	N.A.	18.4	16.5	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.45	HK\$1.59	10	1,036	0.04	0.04	0.05	29.1	29.1	23.3	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\$10.66	HK\$13.05	22	17,880	0.05	0.06	0.07	27.5	22.9	19.6	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$35.75	HK\$47.0	31	9,026	0.90	1.24	1.54	31.9	23.2	18.6	Ling HUA
Tingyi	322 HK	BUY	HK\$21.65	HK\$24.9	15	15,100	0.07	0.10	0.11	39.9	27.9	25.4	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$9.9	HK\$11.6	17	1,320	0.33	0.36	0.39	30.0	27.5	25.4	Ling HUA
Retail													
Haier Electronics	1169 HK	BUY	HK\$19.92	HK\$24.4	22	6,769	0.80	0.95	1.17	20.0	16.8	13.7	Gloria WANG
Sa Sa International	178 HK	BUY	HK\$5.3	HK\$8.2	55	1,944	0.35	0.41	0.47	15.1	12.9	11.3	Gloria WANG
Intime Retail (Group)	1833 HK	BUY	HK\$6.91	HK\$10.3	49	1,790	0.52	0.60	0.69	10.7	9.3	8.0	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.26	HK\$1.64	30	2,743	0.05	0.06	0.07	20.2	16.9	14.5	Gloria WANG
Bonjour Holdings	653 HK	NEUTRAL	HK\$1.24	HK\$1.58	27	497	0.09	0.11	0.12	13.8	11.3	10.3	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\$0.64	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\$9.3	HK\$12.3	32	600	0.16	0.37	0.55	46.7	20.2	13.6	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.54	HK\$2.83	11	5,074	-0.04	0.11	0.18	N.A.	23.1	14.1	Lei YIN
Singyes Solar	750 HK	BUY	HK\$12.82	HK\$14.23	11	1,148	0.75	1.02	1.14	13.7	10.1	9.0	Lei YIN
Tianneng Power	819 HK	BUY	HK\$2.82	HK\$6.65	136	405	0.16	0.57	1.10	14.2	4.0	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$8.24	HK\$11.39	38	3,550	0.26	0.42	0.50	25.5	15.8	13.2	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.52	HK\$3.2	27	2,935	0.10	0.12	0.19	20.2	16.9	10.7	Lei YIN
Port & Shipping													
COSCO Pacific	1199 HK	BUY	HK\$10.7	HK\$12.46	16	4,020	0.25	0.12	0.13	5.5	11.5	10.6	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$24.25	HK\$26.43	9	7,905	1.67	1.75	2.05	14.5	13.9	11.8	Kate LI
CSC	2866 HK	NEUTRAL	HK\$1.97	HK\$1.82	-8	953	-0.22	0.01	0.05	N.A.	158.2	31.6	Kate LI
Orient Overseas	316 HK	BUY	HK\$38.05	HK\$51.0	34	3,072	0.08	0.21	0.37	61.4	23.4	13.3	Kate LI
Sinotrans Shipping	368 HK	NEUTRAL	HK\$2.24	HK\$2.4	7	1,154	0.00	0.01	0.01		28.9	28.9	Kate LI
Machinery & Equipment													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$5.14	HK\$4.66	-9	948	0.51	0.49	0.52	8.1	8.4	7.9	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.6	HK\$7.01	52	539	0.54	0.63	0.68	6.8	5.9	5.4	Yiding JIAO

Company	Ticker	Rating	Share px Dec. 18	12-month TP	% Upside	Mkt cap (US\$m)	2013E	EPS 2014E	2015E	2013E	P/E 2014E	2015E	Analyst
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\$1.71	HK\$1.47	-14	671	0.12	0.12	0.13	11.4	11.4	10.6	Yiding JIAO
Electric Power													
HUADIAN POWER	1071 HK	BUY	HK\$4.5	HK\$4.4	-2	831	0.56	0.61	0.65	6.5	5.9	5.6	Vera LIANG
CHINA POWER	2380 HK	BUY	HK\$3.02	HK\$3.6	19	2,509	0.40	0.41	0.47	6.1	5.9	5.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$8.5	HK\$9.65	14	3,898	0.74	0.77	0.86	9.2	8.9	7.9	Vera LIANG
Datang Power	991 HK	NEUTRAL	HK\$3.03	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\$2.51	HK\$4.12	64	180	0.10	0.12	0.14	25.1	20.9	17.9	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.05	HK\$8.0	32	4,360	0.17	0.23	0.29	35.6	26.3	20.9	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$21.0	HK\$24.4	16	2,693	0.66	0.82	1.01	25.6	20.6	16.7	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.22	HK\$6.7	8	3,965	0.09	0.18	0.22	69.1	34.6	28.3	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$11.26	HK\$16.6	47	1,211	0.13	0.23	0.28	69.6	39.3	32.3	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$5.62	HK\$8.2	46	583	0.19	0.25	0.32	23.8	18.1	14.1	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$13.2	HK\$12.3	-7	1,408	0.91	0.78	0.89	11.7	13.6	11.9	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.75	HK\$5.5	16	6,342	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG US	BUY	US\$17.14	US\$21.3	24	1,123	0.33	0.50	0.71	51.9	34.3	24.1	Jonathan HSU
Gaming													
Wynn Macau	1128 HK	SELL	HK\$29.6	HK\$31.7	7	19,808	1.48	1.65	1.76	20.0	17.9	16.8	Angela Han Lee
Sands China	1928 HK	BUY	HK\$57.2	HK\$81.2	42	59,462	2.13	3.09	3.63	26.9	18.5	15.8	Angela Han Lee
MGM CHINA	2282 HK	BUY	HK\$25.4	HK\$42.9	69	12,451	1.40	1.70	1.88	18.1	14.9	13.5	Angela Han Lee
Galaxy Entertainment	27 HK	BUY	HK\$59.5	HK\$79.9	34	32,327	2.39	2.96	3.91	24.9	20.1	15.2	Angela Han Lee
Melco Crown	6883 HK	BUY	HK\$90.25	HK\$120.6	34	19,206	3.00	4.16	4.79	30.1	21.7	18.8	Angela Han Lee
SJM	880 HK	SELL	HK\$19.58	HK\$16.3	-17	14,019	1.39	1.51	1.71	14.1	13.0	11.5	Angela Han Lee
Environmental Protection													
CHINA EB INT'L	257 HK	BUY	HK\$11.02	HK\$12.2	11	6,374	0.30	0.38	0.48	36.7	29.0	23.0	Shawn LEE
DONGJIANG ENV	895 HK	BUY	HK\$25.3	HK\$34.1	35	1,134	0.60	0.84	1.28	33.9	24.2	15.9	Shawn LEE
Industrial Good													
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	138.0	0.7	168	TSINGTAO BREW-H	58.90	-1.4
2	CLP HLDGS LTD	63.90	0.1	177	JIANGSU EXPRES-H	9.22	-0.1
3	HONG KG CHINA GS	16.94	0.4	323	MAANSHAN IRON-H	1.62	0.6
4	WHARF HLDG	56.15	0.5	338	SINOPEC SHANG-H	2.14	0.0
5	HSBC HLDGS PLC	79.05	-0.8	347	ANGANG STEEL-H	5.08	3.0
6	POWER ASSETS HOL	68.35	0.6	358	JIANGXI COPPER-H	12.36	-0.5
11	HANG SENG BK	128.0	0.6	386	SINOPEC CORP-H	7.43	0.7
12	HENDERSON LAND D	46.00	-0.3	390	CHINA RAIL GR-H	3.75	-1.3
13	HUTCHISON WHAMPO	107.4	0.5	489	DONGFENG MOTOR-H	13.78	-0.7
16	SHK PPT	106.9	1.1	552	CHINA COMM SER-H	3.69	-0.5
17	NEW WORLD DEV	8.85	-0.7	576	ZHEJIANG EXPRESS	7.84	-0.8
19	SWIRE PACIFIC-A	96.05	0.7	694	BEIJING CAP AI-H	5.30	0.4
23	BANK EAST ASIA	32.25	0.2	728	CHINA TELECOM-H	3.73	-1.1
66	MTR CORP	29.70	0.3	753	AIR CHINA LTD-H	4.46	-0.7
83	SINO LAND CO	12.82	0.5	857	PETROCHINA CO-H	9.75	-0.7
101	HANG LUNG PROPER	24.05	0.4	902	HUANENG POWER-H	8.53	0.4
144	CHINA MERCHANT	24.25	0.0	914	ANHUI CONCH-H	26.80	-0.7
267	CITIC PACIFIC	13.52	-0.3	939	CHINA CONST BA-H	5.83	-0.2
291	CHINA RES ENTERP	21.50	-0.5	991	DATANG INTL PO-H	3.02	-0.3
293	CATHAY PAC AIR	14.46	0.4	998	CHINA CITIC BK-H	4.69	-0.4
330	ESPRIT HLDGS	10.90	0.4	1088	CHINA SHENHUA-H	22.35	0.0
386	SINOPEC CORP-H	7.43	0.7	1133	HARBIN ELECTRIC	4.70	-1.1
388	HKEX	143.9	-0.1	1138	CHINA SHIPPING-H	4.61	-0.4
494	LI & FUNG LTD	11.34	0.5	1171	YANZHOU COAL-H	5.86	-1.2
551	YUE YUEN INDUS	26.00	2.2	1186	CHINA RAIL CN-H	6.82	-1.0
688	CHINA OVERSEAS	18.64	-1.4	1398	IND & COMM BK-H	4.90	0.0
700	TENCENT	118.4	0.0	1800	CHINA COM CONS-H	5.14	-0.6
762	CHINA UNICOM HON	11.88	-0.5	1898	CHINA COAL ENE-H	4.05	-0.3
857	PETROCHINA CO-H	9.75	-0.7	1919	CHINA COSCO HO-H	3.02	1.0
883	CNOOC LTD	13.86	0.3	2318	PING AN INSURA-H	59.75	-0.8
939	CHINA CONST BA-H	5.83	-0.2	2328	PICC PROPERTY &	11.64	0.0
941	CHINA MOBILE	75.60	0.3	2600	ALUMINUM CORP-H	2.79	0.0
1088	CHINA SHENHUA-H	22.35	0.0	2628	CHINA LIFE INS-H	20.40	-0.5
1199	COSCO PAC LTD	10.74	0.4	2727	SHANGHAI ELECT-H	3.10	0.3
1398	IND & COMM BK-H	4.90	0.0	2777	GUANGZHOU R&F -H	9.44	-0.2
2038	FIH MOBILE LTD	4.89	0.0	2866	CHINA SHIPPING-H	1.99	1.0
2318	PING AN INSURA-H	59.75	-0.8	2883	CHINA OILFIELD-H	18.52	-1.3
2388	BOC HONG KONG HO	22.60	-0.2	2899	ZIJIN MINING-H	1.75	0.6
2600	ALUMINUM CORP-H	2.79	0.0	3323	CHINA NATL BDG-H	6.81	-0.6
2628	CHINA LIFE INS-H	20.40	-0.5	3328	BANK OF COMMUN-H	5.34	-0.2
3328	BANK OF COMMUN-H	5.34	-0.2	3968	CHINA MERCH BK-H	15.24	-0.5
3988	BANK OF CHINA-H	3.49	0.3	3988	BANK OF CHINA-H	3.49	0.3
				3993	CMOC-H	3.98	-1.0

A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NORTHEAST ELEC-H	42	1.29	000585	2.33	125.2
JINGCHENG MAC	187	3.30	600860	5.68	114.6
CHONGQING IRON-H	1053	1.32	601005	2.24	111.5
SHENJI GROUP-H	300	2.55	600806	4.29	109.7
SHANDONG XINHU-H	719	3.29	000756	5.44	106.1
TIANJIN CAP-H	1065	5.00	600874	7.89	96.7
SINOPEC YIZHEN-H	1033	1.77	600871	2.78	95.8
SINOPEC SHANG-H	338	2.14	600688	3.27	90.5
JINGWEI TEXTIL-H	350	6.80	000666	10.06	84.4
BEIJING NORTH-H	588	1.88	601588	2.44	61.8
DATANG INTL PO-H	991	3.02	601991	3.55	46.5
YANZHOU COAL-H	1171	5.86	600188	6.85	45.7
BAIYUNSHAN PH-H	874	22.65	600332	24.92	37.2
ALUMINUM CORP-H	2600	2.79	601600	3.05	36.3
JIANGXI COPPER-H	358	12.36	600362	12.26	23.7
CHINA SOUTHERN-H	1055	2.38	600029	2.32	21.5
MAANSHAN IRON-H	323	1.62	600808	1.57	20.8
HISENSE KELON -H	921	8.86	000921	8.48	19.3
ANHUI EXPRESS-H	995	4.78	600012	4.37	14.0
CHINA CITIC BK-H	998	4.69	601998	4.26	13.2
GUANGSHEN RAIL-H	525	2.84	601333	2.54	11.5
DONGFANG ELECT-H	1072	13.16	600875	11.73	11.1
SHENZHEN EXPRE-H	548	4.09	600548	3.60	9.7
CHINA SHIPPING-H	1138	4.61	600026	4.03	9.0
ZTE CORP-H	763	15.28	000063	13.06	6.5
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	4.46	601111	3.26	-8.9
BANK OF CHINA-H	3988	3.49	601988	2.54	-9.3
BANK OF COMMUN-H	3328	5.34	601328	3.87	-9.7
SINOPEC CORP-H	386	7.43	600028	5.24	-12.1
IND & COMM BK-H	1398	4.90	601398	3.39	-13.8
TSINGTAO BREW-H	168	58.90	600600	40.00	-15.3
CHINA MERCH BK-H	3968	15.24	600036	10.18	-16.7
CHINA LIFE INS-H	2628	20.40	601628	13.49	-17.6
HUADIAN POWER-H	1071	4.58	600027	3.02	-17.8
HUANENG POWER-H	902	8.53	600011	5.59	-18.3
PING AN INSURA-H	2318	59.75	601318	38.87	-18.9
ANGANG STEEL-H	347	5.08	000898	3.09	-24.2
JIANGSU EXPRES-H	177	9.22	600377	5.52	-25.4
WEICHAIR POWER-H	2338	30.15	000338	17.65	-27.0
ANHUI CONCH-H	914	26.80	600585	15.65	-27.2

Recently Published Research

Date published	Name of report	Analyst
26-Jun-14	2014 China Clean Energy Sector Investment Outlook	Yin Lei
26-Jun-14	2014 China Property Sector Investment Outlook	Duan Feiqin
24-Jun-14	HK Market Strategy Bi-weekly	Cliff Zhao, George Chen, Zi chen Xu
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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

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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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