

CMS (HK) Research Highlights

Technology - Limited impact from operators' selling expense cut; 4G subsidy shift to benefit Chinese handset brands in 2H

News media (Sina) reported that 1) SASAC told China's three operators to cut selling expenses by a combined RMB40bn in 3 years, and 2) CU/CT will require all subsidized 4G-LTE handsets to support 4-mode standard instead of CM's required 5-mode standard.

We expect operators' recent move to accelerate share gains of domestic brands in 2H amid 4G-LTE product cycle in China, benefiting Coolpad (2369 HK), TCLC (2618 HK) and Truly (732 HK) in 2H14.

1) Operators' opex cut to negatively impact high-end overseas brands (Apple/Samsung) Following news report in March about operators' RMB 1bn handset subsidy cut in 2014, we believe further selling expense reduction (incl. handset subsidy and marketing expense) is in-line with market expectation, given near-term earnings pressure from VAT reform. We estimate CM/CU/CT's selling expense in 2013 will amount to RMB 92bn/54bn/70bn and total selling expense will decline by 5-7% YoY in the next three years. In view of the increasingly stronger branding and products from domestic brands, we expect operators to accelerate their handset subsidy shift to lower-priced domestic brands, in order to 1) reduce subsidy per device and 2) meet 4G sub adds and terminal shipment target in 2014. In fact, Samsung's recent 2Q results also indicated that its weakness in China handset sales was mainly due to pressure from Chinese brands and operators' reduced subsidy on high-end models.

2) Revised 4G strategy to benefit local brands with strong 4G pipeline (Coolpad, TCLC) and open sales channel (OPPO, BBK). Given reduced opex budget, we expect the operators to adjust 4G marketing strategy by 1) focusing on tariff plans with more allowance but no handset subsidies, 2) reducing advertising/subsidies for third-party sales channels, and 3) shifting from handset-price based subsidy to ARPU based subsidy to boost revenue. We believe less subsidy incentive on high-priced models will benefit lower-priced domestic 4G brands with strong branding and high performance-cost products, such as Coolpad and TCLC. In particular, we expect leading brands with high exposure to open/ecommerce channels will continue to outperform, such as OPPO, BBK Vivo and Huawei Honor. We believe Truly will be the major beneficiary amid 4G ramp up given its strong customer portfolio (50%+ revenue) with well-established open/ecommerce channels.

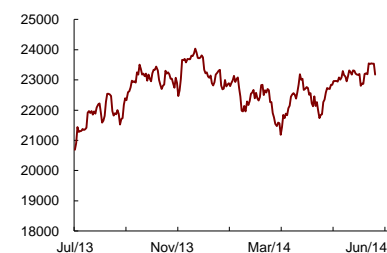
3) CU/CT's 4-mode subsidy requirement to reduce BOM cost for 4G models. News media (e.g. Sina) also reported that CU/CT will adopt 4-mode standard for all subsidized 4G-LTE handsets rather than CM's 5-mode requirements, implying lower BOM and R&D cost for handset makers. We believe CU will adopt FDD/TDD/WCDMA/GSM standard, while CT for FDD/TDD/EVDO/GSM standard. We expect this will alleviate market concerns on increasing margin pressure of 4G handsets due to higher royalty and R&D cost. In addition, we also believe CM is likely to reintroduce lower-cost 3-mode LTE handsets in to achieve aggressive 4G sub adds and terminal sales target in 2014. Given continued tight supply of LTE chipsets until MTK/SPRD SoC launch in 3Q/4Q14, we believe leading Chinese 4G brands, such as Coolpad (No.1 in China 4G), will continue to gain shares from Samsung/Apple in 3Q14, given their increasing scale and close partnership with chipset makers, Qualcomm/Marvell. (Alex Ng)

HK Indices	Last price	chg	% chg
HSI	23,176.07	-365.3	-1.55
Finance	30,844.33	-410.5	-1.31
Properties	29,445.20	-556.0	-1.85
Utilities	51,540.43	-734.5	-1.41
Commerce&Industrv	14,331.67	-256.8	-1.76
HSCEI	10,341.00	-163.9	-1.56
HSCCI	4,426.84	-52.69	-1.18
HKSPGEM	510.27	-3.47	-0.68

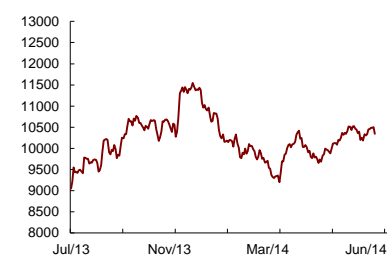
World Indices	Last price	chg	% chg
FTSE 100	6,715.83	-22.62	-0.34
DAX 30	9,771.28	-1.39	-0.01
CAC 40	4,341.76	-0.77	-0.02
DJIA	16,906.62	-117.59	-0.69
S&P500	1,963.71	-13.94	-0.70
Nasdaq Composite	4,391.46	-60.07	-1.35
Nikkei 225	15,302.65	-11.76	-0.08

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	2,000.50	-6.16	-0.31
TWSE	9,489.98	-41.00	-0.43
STI	3,273.53	-9.81	-0.30
India BSE 30	25,554.63	-27.48	-0.11
S&P/ASX 200	5,452.48	-58.46	-1.06

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

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Jutal Offshore Oil Services (3303 HK, HK\$2.03, NEUTRAL, TP HK\$1.8)
- Fairly valued considering recent rally and dilution

- Issuing new shares/warrants to finance Phase III construction of its Zhuhai manufacturing site. We expect no further fund raising
- FY14-16 EPS revised down 9% on dilution.
- Stocks is fairly valued after EPS dilution. Downgrade to Neutral

What's new

Jutal will be issuing 40mn new shares at HK\$1.85/share, thus enlarging share base by 5.44% to 775.9mn shares. 20mn warrants for subscription of 20mn new shares will also be issued that allows conversion after 7 to 36 months at a subscription price of HK\$2.10/share. Net proceed of approx. HK\$116mn is expected to be raised.

Our views

We believe that raised proceeds will be allocated to finance Phase III construction of Jutal's Zhuhai manufacturing site, which has been earmarked for fabricating FPSO top side equipment. A skid way and two covered construction bays will be built during the current construction phase. Since RMB100mn was used constructing Phase II, we expect at least this amount will be needed to complete Phase III. Hence, the amount raised should be sufficient and further fund raising should not be needed. Although a fund raising overhang has been removed we see little upside after the stock's 40% surge YTD. Current backlog stands at RMB1,000mn, 90% of our full-year sales estimates, leading us to believe that the company is close to full capacity and will close its books to focus on completing orders on hand during 2H14. Furthermore, we see little upside catalyst unless the company's associate, Penglai Jutal, makes a sooner and stronger recovery, which currently does not seem likely.

Valuation

We lower our FY14-FY16 EPS by 9% to RMB0.09/ RMB0.10/RMB0.11, reflecting dilution. Shares currently trade above +1std above its historical mean, and close to larger more reputable industry leaders. We continue to apply a 16.0x forward P/E multiple based on the average valuation multiple of domestic (13x fwd-P/E) and international oil equipment providers (19x fwd-P/E), to our FY14 EPS, putting Jutal's fair value at HK\$1.80/share (lowered from HK\$1.90/share). (Michael Yuk)

Greentown China (3900 HK, HK\$8.17, BUY, TP HK\$15.8) recorded sales of RMB5.5 bn for June, up 21.8% MoMCompany announcement:

Greentown China recorded monthly sales of RMB6.7 bn for June, up 21.82% MoM, with total saleable area of around 290,000 sqm, up 20.83% MoM; average selling price reached RMB22,700/sqm, down 1.3% MoM. A total of 1,739 units were sold for the month, up 17.03% MoM.

Comments:

1) For the six months ended June 30 2014, the company recorded total contracted sales of RMB27.6 bn, down 6.1% YoY, of which around RMB13.2 bn was attributable to the group, down 9.2% YoY. Total area sold by the company reached 1,240,000 sqm, down 10.1% YoY; average selling price reached RMB22,258/sqm, up 5.2% YoY.

2) We noted that the sales rate of projects newly launched in June was higher. Area of saleable projects newly launched by the company for the month reached 133,000 sqm, of which 44,000 sqm was sold, representing a sales rate of newly launched project of 32.7%, which is slightly higher than the 30.5% of the same period last year. The area newly launched was not at a high level. One of the major reasons is that the company launched 239,000 sqm in May and only a sales rate of 19.2% was reached. The rest of the units are pending further consumption. (Duan Feiqin)

A-share Research Highlights (CMS Research Center)

Apparel and Textile Industry Semi-monthly (June issue) – Sector Climbed amid Fluctuation in Market whilst Selection Covers Fundamentals and Themes

[Wang Wei, Sun Yu, Liu Yi and Zhao Xiao, July 8 2014]

Fundamental data summary: Despite unsatisfactory weather, mismatch of holidays resulted in slight increase in retail sales of apparel of the hundred key enterprises in May (amount +5.4%; sales volume -2.0%). However, decrease in the retail sales of jewelry narrowed (-27%) due to a lower base; increase in exports slightly widened (+8.7%); domestic and global gold prices at the end of June were up 3.6% and 6.2% MoM, whilst cotton prices dipped 0.3% and 1.3%. The gap between domestic and global cotton prices was basically stable (RMB3,100/tonne).

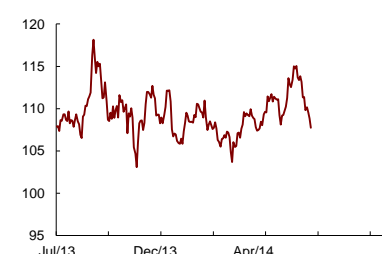
A Share tracking: Rainy weather in May affected the sales of some companies, some with higher proportion of outlets in shopping malls recorded increased sales thanks to the concentration of holidays. In general, retail sales and results were still at levels near the bottom. Fuanna (002327 CH): E-commerce was up by 80-90% for Jan-May with slight increase in offline directly operated stores and single-digit drop in sales of franchisees. Total revenue was up around 2.6%. Luolai (002293 CH): Double-digit growth in retail sales recorded for May due to more holidays in the month; Tread (300005 CH): Retail sales for May were up 16%, better than April; Septwolves (002029 CH): Improvement in retail sales not seen in May and revenue from directly operated stores decreased due to store closures. Metersbonwe (002269 CH): May and June were flat with April with sales at directly operated stores flat or dipped; Semir (002563 CH): Retail sales for May recorded single-digit growth with increase in children's apparel maintained at around 20%; Baoxiniao (002154 CH): Sales of major brands in May were only flat YoY due to the weather, and performance in June was also not satisfactory; Lao Feng Xiang (600612 CH): Negative growth in sales of gold products for April and May recorded due to higher bases, but slight growth was still recorded in general thanks to adjustment in product mix; Aokang (603001 CH): Retail sales for May expected to decrease moderately; Youngor (600177 CH): Consolidated sales of apparel business for May was down by 5% whilst consignment sales increased by 3.4%; property sales amounted to more than RMB4 bn for the first five months of the year.

HK Shares and foreign companies: Cosmo Lady (02298 HK) was listed in HK (5,790 outlets with revenue of RMB2.9 bn for the previous year); for the year ended March 31, revenue of Chow Tai Fook (01929 HK) in the mainland increased by 39% to HK\$42.2 bn (SSS +17%); sales volume and revenue of down apparel of Bosideng (03998 HK) was down 17% and 15%; revenue of garments from mainland of YGM (00375 HK) was down by 6.0%; for the quarter ended May 31, sales of shoes and sportswear of Belle (01880 HK) and SSS of Le Saunda (00738 HK) changed by -1.8%, +15% and +17.5% respectively; for the quarter ended April 30, revenue from greater China of PRADA (01913 HK) was up 4% to EUR200 mn; orders for winter 2014 of Cabbeen (02030 HK) was up by 15%, and its interim net profit is expected to significantly increase; interim net profits of Taifeng Beddings (00873 HK) and Texhong Textile (02678 HK) are expected to decrease. Revenue of Nike (NYSE: NKE) for the quarter ended May 31 and Adidas (XETRA: ADS) for Q1 in greater China amounted to US\$720 mn (+7%) and EUR420 mn (+5%); for the quarter ended May 31, sales of ASOS in the UK and across the world were up by

Global Commodity	Last price	chg	% chg
Brent Oil	107.72	-0.43	-0.40
Gold	1,323.0	3.77	0.29
LME Aluminum	1,940.0	16.00	0.83
LME Copper	7,130.0	-10.25	-0.14
BDI	881.00	-7.00	-0.79
API Coal	78.25	0.00	0.00

Exchange /Bond Market	/Currency	Last price	chg	% chg
USD/RMB		6.16	-0.01	-0.16
USD/HKD		7.75	0.00	0.00
1-YR RMB NDF		6.25	0.00	0.00
EUR/USD		1.36	0.08	0.06
3-M Libor		0.56	0.00	0.00
3-M Shibor		4.75	0.00	0.00
10 YR US T-Note Yield		2.57	0.02	0.78

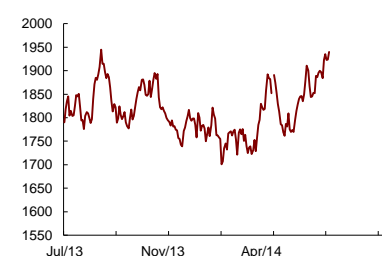
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

43% and 17%, revenue of H&M was up 20%; for the quarter ended beginning of May, revenue of Lululemon from e-commerce and outlets changed by +25% and -4%; revenue of PVH (NYSE: PVH) and DSW (NYSE: DSW) changed by +2.8% and -0.4%; for the quarter ended Apr 30, revenue of Inditex (ITX: SM) was up 4.3%, whilst 1Q revenue of Coach (NYSE: COH) was down 7%.

Trend review: Sector performance has been average YTD but better than CSI 300. Performance of brands mixed with Heilan (600398 CH), Guirenniao (603555 CH), Toread (300005 CH) and Mendale (002397 CH) took the lead whilst Metersbonwe (002269 CH) and Lancy (002612 CH) trended down.

Investment strategy: Most of the stocks in the sector had correction after quarterly results and mainly performed in line with the markets. As for 2H14, companies which can be leading in O2O business in the long term shall be selected, while those which can leverage on hot themes and bottom out in terms of fundamentals can also be selected for short-term purposes. We mainly recommend Toread (300005 CH), Semir (002563 CH) and Fuanna (002327 CH), of which Fuanna has the highest margin of safety. In addition, Lao Feng Xiang (600612 CH) and Heilan (600398 CH) can also be selectively considered with the expectation of SOE reforms in Shanghai and interim results.

Risk reminder: Retail spending affected by economic downturn; exports affected by sluggish foreign demand; and transformation of the industry slower than expected.

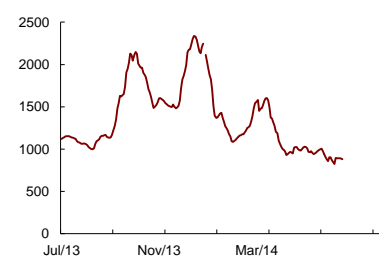
What to Watch

Economic Data	HK: Nil US: FOMC Minutes, Initial Claims		
Date	Ticker	Stock Name	Earnings Results
2014/07/10	06288	Fast Retail -DRS	
Date	Ticker	Stock Name	Issue Price
2014/07/10	01418	Sinomax Group	HK\$ 1.06

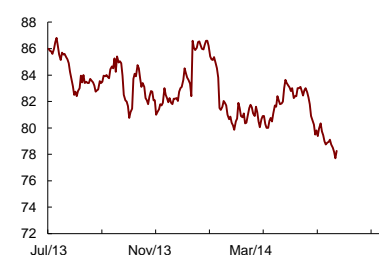
LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014-7-10

Company	Ticker	Rating	Share px Jul. 9	12-month TP	% Upside	Mkt cap (US\$mn)	2014E	EPS 2015E	2016E	P/E 2014E	2015E	2016E	Analyst
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$15.38	HK\$12.0	-17	9,427	0.71	0.80	0.89	16.4	14.6	13.1	Colleen LI
BYD Company	1211 HK	NEUTRAL	HK\$45.15	HK\$32.9	-26	4,558	0.27	0.69	1.03	132.5	51.9	34.7	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.48	HK\$5.85	35	1,237	0.55	0.81	1.11	6.3	4.3	3.1	Colleen LI
Geely Automobile	175 HK	BUY	HK\$2.88	HK\$5.04	85	3,100	0.32	0.36	0.38	6.9	6.1	5.8	Colleen LI
CSR	1766 HK	BUY	HK\$6.6	HK\$8.08	39	1,522	0.31	0.40	0.45	15.1	11.7	10.4	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$30.1	HK\$43.4	51	3,838	2.74	3.40	3.82	8.4	6.8	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$25.7	HK\$32.03	36	1,663	1.10	1.35	1.62	17.2	14.0	11.7	Colleen LI
Minth Group	425 HK	BUY	HK\$14.48	HK\$13.2	-12	2,123	0.78	0.87	0.97	15.5	13.9	12.5	Colleen LI
Dongfeng Motor	489 HK	BUY	HK\$14.08	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\$9.9	HK\$10.3	2	2,797	0.58	0.71	0.99	14.0	11.4	8.2	Colleen LI
Oil and Gas													
SPT Energy	1251 HK	BUY	HK\$4.17	HK\$6.2	52	807	0.20	0.23	0.32	16.4	14.2	10.2	Michael YUK
Hilong Holding	1623 HK	BUY	HK\$4.34	HK\$5.2	32	842	0.21	0.28	0.37	15.5	11.7	8.7	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.63	HK\$3.8	42	350	0.04	0.28	0.40	53.8	7.7	5.4	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$19.56	HK\$21.0	13	4,355	1.49	1.52	1.61	10.1	9.9	9.3	Michael YUK
Jutal Offshore Oil Services	3303 HK	NEUTRAL	HK\$2.03	HK\$1.8	4	173	0.08	0.09	0.10	20.5	18.1	16.1	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$5.24	HK\$5.5	4	1,493	0.18	0.22	0.29	23.6	19.3	14.6	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.74	HK\$9.83	69	1,110	0.55	0.56	0.75	10.6	10.4	7.7	Michael YUK
Sinopec	386 HK	BUY	HK\$7.24	HK\$7.52	2	24,322	0.57	0.66	0.68	10.4	9.0	8.7	Michael YUK
CIMC Enric	3899 HK	NEUTRAL	HK\$10.48	HK\$13.88	36	2,492	0.50	0.59	0.68	16.4	13.9	12.1	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.15	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\$1.38	HK\$1.45	1	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$9.65	HK\$11.2	14	26,646	0.71	0.74	0.78	11.1	10.6	10.1	Michael YUK
CNOOC	883 HK	BUY	HK\$13.46	HK\$17.0	22	80,173	1.26	1.40	1.50	8.9	8.0	7.5	Michael YUK
Property													
CHINA RES LAND	1109 HK	NEUTRAL	HK\$15.1	HK\$17.0	20	10,666	2.52	2.11	2.28	5.6	6.7	6.2	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$4.67	HK\$6.7	53	1,884	0.96	1.14	1.34	3.7	3.1	2.6	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$3.26	HK\$4.38	46	5,641	0.79	0.79	0.80	3.1	3.1	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$8.17	HK\$15.8	104	2,155	2.18	2.49	2.19	2.9	2.5	2.8	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$20.2	HK\$22.56	20	19,820	2.82	2.91	3.50	6.7	6.5	5.4	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$8.02	HK\$19.1	153	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN

Please read the important notice on the last page.

Company	Ticker	Rating	Share px Jul. 9	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
OVU	798 HK	BUY	HK\$0.76	HK\$1.06	39	392	0.08	0.15	0.23	7.6	4.1	2.7	Feiqin DUAN
Ch Mercha	978 HK	BUY	HK\$1.02	HK\$2.3	125	645	0.11	0.17	0.19	7.5	4.8	4.3	Feiqin DUAN
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$5.82	HK\$6.2	11	4,229	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.72	HK\$4.7	6	500	0.25	0.24	0.17	14.2	14.8	20.9	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$2.83	HK\$2.8	1	1,414	0.07	-0.07	-0.06	31.9	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$1.77	HK\$1.57	-11	1,364	0.10	0.10	0.08	14.1	14.1	17.7	Shawn LEE
Jiangxi Copper	358 HK	SELL	HK\$13.36	HK\$10.2	-17	2,194	1.03	0.81	0.66	9.6	12.2	14.9	Shawn LEE
China Molybdenum	3993 HK	NEUTRAL	HK\$4.28	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.72	HK\$3.1	-12	6,822	-0.21	0.04	0.05	N.A.	11.3	9.1	Shawn LEE
Technology, Media & Telecom													
China Telecom	728 HK	NEUTRAL	HK\$3.91	HK\$3.45	-9	6,785	0.22	0.25	0.28	13.8	12.2	10.9	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$12.26	HK\$11.34	-5	36,759	0.44	0.65	0.76	21.9	14.8	12.7	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$75.8	HK\$78.0	4	196,089	6.02	5.34	5.27	10.0	11.3	11.5	Alex NG
Wisdom	1661 HK	BUY	HK\$4.25	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.62	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.21	HK\$2.0	-10	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.15	HK\$37.05	59	3,563	0.55	0.63	0.95	34.1	29.8	19.7	Jeff HAO
SinoMedia	623 HK	BUY	HK\$6.47	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$121.2	HK\$127.6	8	28,432	1.66	2.45	3.15	57.2	38.7	30.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.2	HK\$20.34	42	940	0.32	0.65	0.82	35.9	17.7	14.0	Jeff HAO
Hardware Technology													
AAC Technologies	2018 HK	NEUTRAL	HK\$52.75	HK\$40.0	-21	7,992	1.83	2.16	2.48	22.1	18.8	16.3	Alex NG
Coolpad	2369 HK	BUY	HK\$2.24	HK\$2.73	28	588	0.13	0.21	0.26	16.5	10.2	8.2	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.8	HK\$8.37	-24	1,551	0.41	0.54	0.73	21.5	16.3	12.1	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.7	HK\$12.5	33	1,406	0.28	0.98	1.34	33.5	9.6	7.0	Alex NG
Truly	732 HK	BUY	HK\$4.72	HK\$7.15	51	1,775	0.56	0.67	0.79	8.4	7.0	6.0	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.5	HK\$10.5	-1	14,203	0.06	0.07	0.11	22.8	19.5	12.4	Alex NG
Textile & Garment													
China Lilang	1234 HK	BUY	HK\$5.17	HK\$5.14	4	766	0.43	0.41	0.44	9.2	9.7	9.0	Ivy ZHAO
361 Degrees	1361 HK	NEUTRAL	HK\$1.76	HK\$1.76	-1	472	0.12	0.12	0.13	11.8	11.8	10.9	Ivy ZHAO
Xtep International	1368 HK	BUY	HK\$3.34	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.79	HK\$7.89	-8	9,357	0.52	0.52	0.54	13.3	13.3	12.8	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$1.89	HK\$2.72	44	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO

Company	Ticker	Rating	Share px Jul. 9	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
ANTA Sports Products	2020 HK	BUY	HK\$12.92	HK\$13.47	9	3,966	0.53	0.57	0.63	18.7	17.4	15.7	Ivy ZHAO
Li Ning	2331 HK	BUY	HK\$5.43	HK\$5.2	-16	1,096	-0.05	0.27	0.30	N.A.	18.4	16.6	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.51	HK\$1.59	9	1,043	0.04	0.04	0.05	29.3	29.3	23.5	Ivy ZHAO
Ports Design	589 HK	NEUTRAL	HK\$3.6	HK\$4.0	14	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.87	HK\$2.0	21	369	0.18	0.16	0.18	9.2	10.3	9.2	Ivy ZHAO
Food & Beverage													
Want Want China	151 HK	NEUTRAL	HK\$10.62	HK\$13.05	17	18,685	0.05	0.06	0.07	28.7	24.0	20.5	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$36.05	HK\$47.0	31	9,052	0.90	1.24	1.54	32.0	23.2	18.7	Ling HUA
Tingyi	322 HK	BUY	HK\$21.75	HK\$24.9	15	15,134	0.07	0.10	0.11	40.0	28.0	25.5	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$9.98	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\$21.25	HK\$24.4	20	6,881	0.80	0.95	1.17	20.3	17.1	13.9	Gloria WANG
Sa Sa International	178 HK	BUY	HK\$5.74	HK\$8.2	53	1,962	0.35	0.41	0.47	15.3	13.1	11.4	Gloria WANG
Intime Retail (Group)	1833 HK	BUY	HK\$7.09	HK\$10.3	52	1,759	0.52	0.60	0.69	10.5	9.1	7.9	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.29	HK\$1.64	29	2,765	0.05	0.06	0.07	20.4	17.0	14.6	Gloria WANG
Bonjour Holdings	653 HK	NEUTRAL	HK\$1.19	HK\$1.58	31	485	0.09	0.11	0.12	13.4	11.0	10.1	Gloria WANG
Alternative Energy													
Datang Renewable Power	1798 HK	SELL	HK\$1.05	HK\$0.74	-24	316	0.03	0.03	0.04	26.2	26.2	19.7	Lei YIN
CHINA WIND POWER	182 HK	BUY	HK\$0.64	HK\$1.1	77	716	0.02	0.04	0.06	31.0	15.5	10.3	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$8.88	HK\$12.3	36	582	0.16	0.37	0.55	45.3	19.6	13.2	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.69	HK\$2.83	9	5,174	-0.04	0.11	0.18	N.A.	23.6	14.4	Lei YIN
Singyes Solar	750 HK	BUY	HK\$12.24	HK\$14.23	9	1,169	0.75	1.02	1.14	14.0	10.3	9.2	Lei YIN
Tianneng Power	819 HK	BUY	HK\$2.89	HK\$6.65	128	419	0.16	0.57	1.10	14.7	4.1	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$7.95	HK\$11.39	35	3,624	0.26	0.42	0.50	26.0	16.1	13.5	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.35	HK\$3.2	25	2,982	0.10	0.12	0.19	20.6	17.1	10.8	Lei YIN
Port & Shipping													
COSCO Pacific	1199 HK	BUY	HK\$10.94	HK\$12.46	16	4,035	0.25	0.12	0.13	5.5	11.6	10.7	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$25.15	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	-9	968	-0.22	0.01	0.05	N.A.	160.6	32.1	Kate LI
Orient Overseas	316 HK	BUY	HK\$38.3	HK\$51.0	34	3,064	0.08	0.21	0.37	61.2	23.3	13.2	Kate LI
Sinotrans Shipping	368 HK	NEUTRAL	HK\$2.13	HK\$2.4	8	1,143	0.00	0.01	0.01		28.6	28.6	Kate LI
Machinery & Equipment													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$4.67	HK\$4.66	-3	885	0.51	0.49	0.52	7.6	7.9	7.4	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.22	HK\$7.01	53	537	0.54	0.63	0.68	6.8	5.8	5.4	Yiding JIAO

Company	Ticker	Rating	Share px Jul. 9	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
LONKING	3339 HK	BUY	HK\$1.35	HK\$2.06	55	734	0.11	0.13	0.16	9.7	8.2	6.7	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.73	HK\$1.47	-15	675	0.12	0.12	0.13	11.5	11.5	10.6	Yiding JIAO
Electric Power													
Huadian Power	1071 HK	BUY	HK\$4.94	HK\$4.4	-6	866	0.56	0.61	0.65	6.7	6.2	5.8	Vera LIANG
China Power	2380 HK	BUY	HK\$3.34	HK\$3.6	18	2,542	0.40	0.41	0.47	6.1	6.0	5.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$9.12	HK\$9.65	10	4,013	0.74	0.77	0.86	9.5	9.1	8.2	Vera LIANG
Datang Power	991 HK	BUY	HK\$3.76	HK\$4.4	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\$2.53	HK\$4.12	63	181	0.10	0.12	0.14	25.2	21.0	18.0	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.23	HK\$8.0	29	4,461	0.17	0.23	0.29	36.4	26.9	21.3	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$22.05	HK\$24.4	14	2,750	0.66	0.82	1.01	26.1	21.0	17.1	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.56	HK\$6.7	7	4,003	0.09	0.18	0.22	69.8	34.9	28.6	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$12.3	HK\$16.6	42	1,256	0.13	0.23	0.28	72.2	40.8	33.5	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$5.82	HK\$8.2	45	586	0.19	0.25	0.32	23.9	18.2	14.2	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$13.94	HK\$12.3	-10	1,451	0.91	0.78	0.89	12.0	14.0	12.3	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.97	HK\$5.5	16	6,329	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG US	BUY	US\$18.86	US\$21.3	14	1,219	0.33	0.50	0.71	56.4	37.2	26.2	Jonathan HSU
Gaming													
Wynn Macau	1128 HK	SELL	HK\$29.55	HK\$31.7	4	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela Han Lee
Sands China	1928 HK	BUY	HK\$57.25	HK\$81.2	39	60,865	2.13	3.09	3.63	27.5	19.0	16.1	Angela Han Lee
MGM China	2282 HK	BUY	HK\$27.5	HK\$42.9	59	13,187	1.40	1.70	1.88	19.2	15.8	14.3	Angela Han Lee
Galaxy Entertainment	27 HK	BUY	HK\$62.4	HK\$79.9	29	33,685	2.39	2.96	3.91	25.9	21.0	15.9	Angela Han Lee
Melco Crown	6883 HK	BUY	HK\$87.8	HK\$120.6	28	20,004	3.00	4.16	4.79	31.3	22.6	19.6	Angela Han Lee
SJM	880 HK	SELL	HK\$19.64	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela Han Lee
Environmental Protection													
CHINA EB INT'L	257 HK	BUY	HK\$11.32	HK\$12.2	10	6,409	0.30	0.38	0.48	36.9	29.2	23.1	Shawn LEE
DONGJIANG ENV	895 HK	BUY	HK\$25.3	HK\$34.1	36	1,125	0.60	0.84	1.28	33.6	24.0	15.8	Shawn LEE
Industrial Good													
TK group	2283 HK	BUY	HK\$1.13	HK\$1.74	41	131	0.14	0.18	0.21	8.8	6.8	5.9	Ling HUA

HSI Index Components Performance

HSCEI Index Components Performance

Last price

Code	Name	Price	Chg 1D (%)	Code	Name	Price	Chg 1D (%)
1	CHEUNG KONG	139.2	-2.2	168	TSINGTAO BREW-H	60.30	-1.2
2	CLP HLDGS LTD	63.00	-1.3	177	JIANGSU EXPRES-H	9.50	0.1
3	HONG KG CHINA GS	16.72	-1.1	323	MAANSHAN IRON-H	1.67	-2.3
4	WHARF HLDG	56.05	-1.6	338	SINOPEC SHANG-H	2.22	-1.3
5	HSBC HLDGS PLC	79.00	-1.2	347	ANGANG STEEL-H	5.23	-2.1
6	POWER ASSETS HOL	67.50	-1.3	358	JIANGXI COPPER-H	13.36	-0.2
11	HANG SENG BK	127.3	-0.5	386	SINOPEC CORP-H	7.24	-2.3
12	HENDERSON LAND D	45.15	-2.6	390	CHINA RAIL GR-H	3.99	-1.2
13	HUTCHISON WHAMPO	105.0	-1.4	489	DONGFENG MOTOR-H	14.08	-4.2
16	SHK PPT	106.1	-1.4	552	CHINA COMM SER-H	3.61	-3.2
17	NEW WORLD DEV	8.94	-1.2	576	ZHEJIANG EXPRESS	7.97	0.3
19	SWIRE PACIFIC-A	96.75	-1.1	694	BEIJING CAP AI-H	5.49	0.7
23	BANK EAST ASIA	32.00	-1.5	728	CHINA TELECOM-H	3.91	-1.3
66	MTR CORP	29.30	-1.8	753	AIR CHINA LTD-H	4.57	-0.9
83	SINO LAND CO	12.46	-4.2	857	PETROCHINA CO-H	9.65	-1.5
101	HANG LUNG PROPER	23.90	-0.8	902	HUANENG POWER-H	9.12	0.0
144	CHINA MERCHANT	25.15	-1.6	914	ANHUI CONCH-H	28.20	-2.8
267	CITIC PACIFIC	13.92	0.0	939	CHINA CONST BA-H	5.56	-1.4
291	CHINA RES ENTERP	21.35	-1.4	991	DATANG INTL PO-H	3.76	0.8
293	CATHAY PAC AIR	14.24	-1.8	998	CHINA CITIC BK-H	4.78	-1.7
330	ESPRIT HLDGS	11.48	0.0	1088	CHINA SHENHUA-H	21.70	0.0
386	SINOPEC CORP-H	7.24	-2.3	1133	HARBIN ELECTRIC	4.83	-2.0
388	HKEX	152.0	-1.0	1138	CHINA SHIPPING-H	4.68	-2.1
494	LI & FUNG LTD	10.10	-2.3	1171	YANZHOU COAL-H	5.92	-0.7
551	YUE YUEN INDUS	26.45	0.6	1186	CHINA RAIL CN-H	7.20	-2.0
688	CHINA OVERSEAS	20.20	-1.7	1398	IND & COMM BK-H	4.95	-1.4
700	TENCENT	121.2	-3.3	1800	CHINA COM CONS-H	5.33	-1.8
762	CHINA UNICOM HON	12.26	-0.3	1898	CHINA COAL ENE-H	4.21	1.2
857	PETROCHINA CO-H	9.65	-1.5	1919	CHINA COSCO HO-H	3.06	-2.9
883	CNOOC LTD	13.46	-1.3	2318	PING AN INSURA-H	60.05	-1.4
939	CHINA CONST BA-H	5.56	-1.4	2328	PICC PROPERTY &	11.48	-2.2
941	CHINA MOBILE	75.80	-0.5	2600	ALUMINUM CORP-H	2.83	-1.1
1088	CHINA SHENHUA-H	21.70	0.0	2628	CHINA LIFE INS-H	20.60	-1.0
1199	COSCO PAC LTD	10.94	0.2	2727	SHANGHAI ELECT-H	3.12	-1.9
1398	IND & COMM BK-H	4.95	-1.4	2777	GUANGZHOU R&F -H	10.20	-2.1
2038	FIH MOBILE LTD	4.80	-1.8	2866	CHINA SHIPPING-H	1.95	-3.0
2318	PING AN INSURA-H	60.05	-1.4	2883	CHINA OILFIELD-H	19.56	0.1
2388	BOC HONG KONG HO	23.15	-1.5	2899	ZIJIN MINING-H	1.77	0.6
2600	ALUMINUM CORP-H	2.83	-1.1	3323	CHINA NATL BDG-H	7.07	-1.7
2628	CHINA LIFE INS-H	20.60	-1.0	3328	BANK OF COMMUN-H	5.16	-1.3
3328	BANK OF COMMUN-H	5.16	-1.3	3968	CHINA MERCH BK-H	14.66	-1.4
3988	BANK OF CHINA-H	3.49	-2.8	3988	BANK OF CHINA-H	3.49	-2.8
				3993	CMOC-H	4.28	0.0

A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
JINGCHENG MAC	187	3.69	600860	5.85	98.3
NORTHEAST ELEC-H	42	1.52	000585	2.34	92.5
SHANDONG XINHU-H	719	3.80	000756	5.79	90.5
CHONGQING IRON-H	1053	1.53	601005	2.31	88.8
TIANJIN CAP-H	1065	5.16	600874	7.75	87.8
JINGWEI TEXTIL-H	350	7.03	000666	10.53	87.3
SHENJI GROUP-H	300	2.93	600806	4.30	83.5
SINOPEC SHANG-H	338	2.22	600688	3.20	80.3
BEIJING NORTH-H	588	1.96	601588	2.45	56.3
YANZHOU COAL-H	1171	5.92	600188	6.63	40.1
ALUMINUM CORP-H	2600	2.83	601600	3.04	34.3
DATANG INTL PO-H	991	3.76	601991	3.86	28.4
BAIYUNSHAN PH-H	874	24.10	600332	23.36	21.2
CHINA SOUTHERN-H	1055	2.40	600029	2.31	20.4
MAANSHAN IRON-H	323	1.67	600808	1.58	18.3
JIANGXI COPPER-H	358	13.36	600362	12.59	17.8
ANHUI EXPRESS-H	995	4.72	600012	4.42	17.1
CHINA SHIPPING-H	1138	4.68	600026	4.23	13.0
GUANGSHEN RAIL-H	525	2.86	601333	2.55	11.5
DONGFANG ELECT-H	1072	13.40	600875	11.94	11.4
CHINA CITIC BK-H	998	4.78	601998	4.24	10.9
ZTE CORP-H	763	15.24	000063	13.00	6.7
HISENSE KELON -H	921	10.22	000921	8.66	6.0
SHENZHEN EXPRE-H	548	4.30	600548	3.61	5.0
GUANGZHOU SHIP-H	317	13.73	600685	0.00	0.0
LUOYANG GLASS-H	1108	3.80	600876	7.24	0.0
SINOPEC YIZHEN-H	1033	1.77	600871	0.00	0.0
NANJING PANDA-H	553	4.52	600775	0.00	0.0
BANK OF COMMUN-H	3328	5.16	601328	3.91	-5.2
BANK OF CHINA-H	3988	3.49	601988	2.56	-8.3
AIR CHINA LTD-H	753	4.57	601111	3.30	-9.7
CHINA MERCH BK-H	3968	14.66	600036	10.24	-12.7
IND & COMM BK-H	1398	4.95	601398	3.42	-13.6
SINOPEC CORP-H	386	7.24	600028	4.98	-14.0
CHINA LIFE INS-H	2628	20.60	601628	13.71	-16.8
PING AN INSURA-H	2318	60.05	601318	39.71	-17.3
HUADIAN POWER-H	1071	4.94	600027	3.25	-17.7
HUANENG POWER-H	902	9.12	600011	5.93	-18.7
TSINGTAO BREW-H	168	60.30	600600	39.00	-19.1
JIANGSU EXPRES-H	177	9.50	600377	5.60	-26.3
WEICHAH POWER-H	2338	30.35	000338	17.66	-27.2
ANGANG STEEL-H	347	5.23	000898	3.04	-27.3
ANHUI CONCH-H	914	28.20	600585	16.13	-28.5

Recently Published Research

Date published	Name of report	Analyst
8-Jul-14	Datang Power (991HK)	Vera Liang
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3-Jul-14	Li Ning (2332 HK)	Ivy Zhao
2-Jul-14	Macau Gaming	Angela Han Lee
30-Jun-14	Lenovo Group (992 HK)	Alex Ng
27-Jun-14	HK Stock Market Fund Flows (Issue of June 2014)	Lynn Song, Cliff Zhao, David Xie
26-Jun-14	2014 China Clean Energy Sector Investment Outlook	Yin Lei
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4-Jun-14	Belle(1880 HK)	Ivy Zhao
4-Jun-14	Environmental protection	Li Xiang
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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

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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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