

CMS (HK) Research Highlights

Intime Retail (1833 HK, HK\$7.32, BUY, TP HK\$8.3)

Negative 1H14 SSS growth already in-the-price

Intime posted 2.5% growth YoY in gross sale proceeds (GSP) and -2.4% growth in SSS, which translated into 1.8% SSS growth YoY in 1Q2014 and -6% SSS growth YoY in 2Q2014.

2Q2014 was dragged by the cooling down of gold rush. Gold and jewellery sales grew by 80% YoY in 2Q2013 but posted -33% growth rate YoY in 2Q2014. 2H2014 should turn better given a lower base in 2H2013 (2.3% SSS). Factoring in lower SSS growth rate and labour costs hike, we estimate that 1H2014 earnings will decrease by 14%. We accordingly revise down 2014/2015E SSSG to 2%/4% and cut 2014/2015E earnings estimates by 10%/12% respectively.

The sector sentiment is still poor under competition from online retailing. Intime has cooperated with Alibaba to develop O2O business since July 2014 by starting up a JV, and more in-depth cooperation is expected between the two in the future.

We cut our 2014/2015E earnings forecast by 10%/12%, and cut TP from HK\$10.3 to HK\$8.3, based on its historical average PE of 11.7x2015E P/E. We maintain BUY rating for the stock because of its first-mover advantage in O2O integration. We believe the market has already priced in the poor growth outlook. (Gloria Wang)

Warning signs in Portugal?

Key points:

- Banco Espírito Santo's (BES.LS) parent company Espírito Santo International delayed coupon payments on several short-term debt securities on July 10th, difficulties persisted since May
- Portugal's PSI 20 down 4.2%, STOXX 50 down 1.6%, BES stock dropped 17% before suspending trading, and Portugal 10 year bond yields up 21 bp to 3.99%
- Bank of Portugal insisted "the solvency of Banco Espírito Santo is solid," while IMF alluded to "pockets of vulnerability"
- Our view is this is an isolated case, tied more to Espírito Santo group rather than a systemic risk in the Eurozone

Comment:

The market went through a level of turbulence, as a missed debt payment by Portuguese bank Banco Espírito Santo stirred fears of the European debt crisis. This bank has been under pressure since May, as an audit into the bank revealed "serious financial condition" and questionable accounting pressures. A statement from BES regarding potential losses from its exposure to its parent company would not "compromise the compliance with the regulatory capital requirements," and the Portuguese central bank confirmed that BES remains solvent.

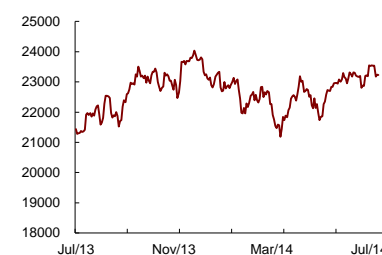
The difficulties of BES are mostly tied to two factors. Firstly, BES has sold the short term debt of its ultimate parent company, and recently has increased exposure to its own parent company's debt as the group struggled to rollover its debt. BES said as of the end of June, it had a EUR 1.2 bn exposure to its parent company, or 1.5% of its total assets. Secondly, BES expanded operations aggressively in Angola, with the

HK Indices	Last price	chg	% chg
HSI	23,233.45	-5.54	-0.02
Finance	30,838.10	-28.12	-0.09
Properties	29,617.66	-20.99	-0.07
Utilities	51,913.62	99.71	0.19
Commerce&Industrv	14,390.26	5.17	0.04
HSCEI	10,379.61	11.48	0.11
HSCCI	4,442.65	0.95	0.02
HKSPGEM	509.64	-3.34	-0.65

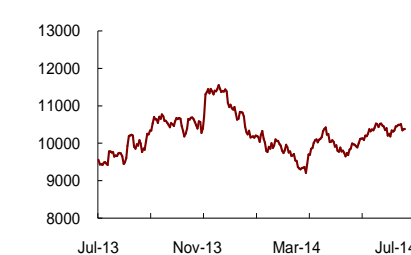
World Indices	Last price	chg	% chg
FTSE 100	6,688.07	15.70	0.24
DAX 30	9,684.84	25.71	0.27
CAC 40	4,318.52	17.26	0.40
DJIA	16,915.07	-70.54	-0.42
S&P500	1,964.68	-8.15	-0.41
Nasdaq Composite	4,396.20	-22.83	-0.52
Nikkei 225	15,164.04	-52.43	-0.34

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	1,988.74	-14.10	-0.70
TWSE	9,495.84	-69.28	-0.72
STI	3,290.65	21.15	0.65
India BSE 30	25,248.07	-124.68	-0.49
S&P/ASX 200	5,486.79	22.35	0.41

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

Angola subsidiary wholly reliant on the parent company for funding; in the last several years, bad loans have risen significantly, raising risks of the subsidiary failing and losses on the EUR 2.7 bn of loans to its subsidiary. With the information currently available, it would appear that the issues are mostly an isolated case tied to the Espírito Santo International group, rather than due to a systemic issue in the banking system as in the sovereign debt crisis. BES may need some form of restructuring ahead. The current contagion risk is small, and Portuguese authorities are likely to act quickly to alleviate concerns. Government intervention is likely to spark renewed fears and hurt market sentiment, but ultimately necessary, as after exiting the bailout program, the government no longer has access to backstop measures such as the OMT and has to refinance banks by itself. The large initial market reaction was due to shadow of the debt crisis, as well as the unclear scale of problem amid a lack of transparency. Furthermore, the drop in the markets was exacerbated by high valuations amid a still fragile recovery. The major risk is if this news turns investor sentiment sour, and reverses some of the capital flow into the region. At this point, fear is the biggest risk to the fledgling Eurozone recovery. (Lynn Song, Cliff Zhao, David Xie)

A-share Research Highlights (CMS Research Center)

Comments on import and export figures (June 2014)

Foreign trade situation to improve further in 2H

[Xie Yaxuan, Zhao Wenli, Zhang Yiping, Yan Ling, Zhao Ke, July 11, 2014]

Event:

According to figures released by China General Administration of Customs on 10 July 2014: in June 2014, China's total import and export value was US\$342.013bn, up 1.2% YoY, among which export was US\$186.789bn, up 7.2% YoY; import was US\$155.224bn, up 5.5% YoY, recording a trade surplus of US\$31.564bn.

Comments:

1. In June, export grew 7.2% YoY and import grew 5.5% YoY, with both falling short of market expectations. In terms of the types of export goods, exports of electromechanical and high-tech products grew 4.5% YoY, down 1.5% MoM, while labor intensive products such as toys, clothing, bags and shoes grew 9.9% YoY, up 1% MoM. Hence, we can see export growth in June was still mainly driven by the stimuli of RMB exchange rate for a certain period of time in the past. With the background of negative growth over the same period last year, growth of electromechanical and high-tech products still dropped, showing the relatively weak growth of foreign demand. In June, general trade export growth fell 1.1% MoM. For the month China's exports to the developed economies of Europe, U.S. and Japan grew 8.2% YoY, higher than the overall export growth, but exports to the emerging economies such as BRIC and Korea were weak, dragging down the export growth this month. This indicated two points: firstly, the weak growth of foreign demand was mainly from the emerging economies; secondly, the driving effect upon the global economy from the rebounding demand of developed economies decreased, which was the result from the evolution of global economic pattern. Therefore, for the coming year, foreign demand will only have limited driving effect upon China's economic growth.

2. In June, import grew 5.5% YoY, which mainly benefited from the rebound of processing trade import. Processing trade import grew 15% YoY for the month while general trade import grew 2% YoY. Yet, the relatively high growth of processing trade import was built upon the base of negative growth over the same period last year. Therefore, the rapid rebound of export this month mainly benefited from the relatively low base last year. After seasonal adjustments, import growth in June decreased to 1.3% YoY, which indicated domestic demand was still relatively weak.

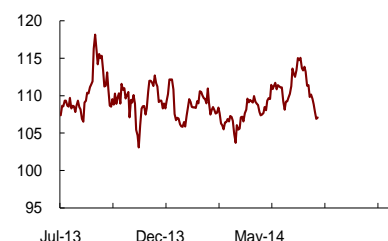
3. In June there was a trade surplus of US\$31.6bn, significantly higher than the historical levels over the same period, which indicated the depreciation effect of RMB continued to affect China's foreign trade situation. On the other hand, trade surplus remained at high levels for two consecutive months, which also provided the condition for RMB to rebound. The exchange rate of RMB has been strengthening significantly since June.

4. Owing to factors such as false trade, economic restructuring and the weak global commodity prices, China's foreign trade growth was lower than expected in 1H, with accumulative growth of total imports and exports only 1.2% from January to June. For the second half, with the support of bullish factors such as the continuously upbeat developed economies, the

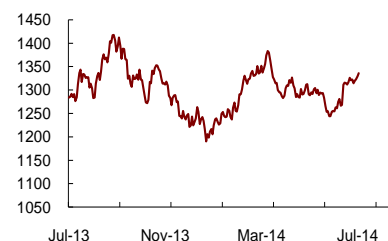
Global Commodity	Last price	chg	% chg
Brent Oil	107.05	-0.65	-0.60
Gold	1,335.7	0.08	0.01
LME Aluminum	1,925.0	-14.00	-0.72
LME Copper	7,162.0	37.00	0.52
BDI	836.00	-27.00	-3.13
API Coal	77.60	-0.35	-0.45

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		6.26	0.01	0.16
EUR/USD		1.36	0.37	0.27
3-M Libor		0.56	0.00	0.00
3-M Shibor		4.74	0.00	0.00
10 YR US T-Note Yield		2.54	0.01	0.39

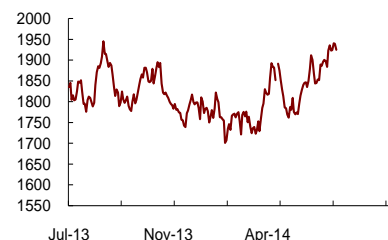
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



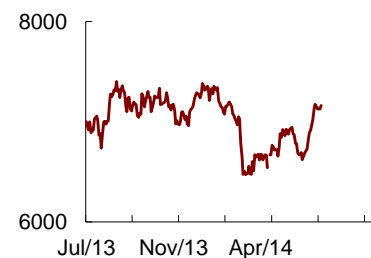
Source: Bloomberg

gradual implementation of stabilizing policy for domestic exports and the coming of traditional high season, foreign trade growth is expected to rise significantly in 2H. But in view of the doldrums in 1H, it would still be difficult to achieve the foreign trade target of 7.5% growth in total imports and exports for the year.

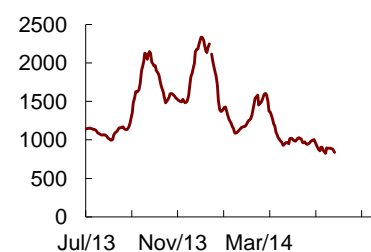
What to Watch

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

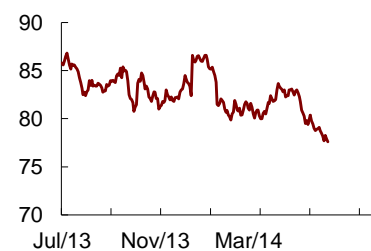
LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly

2014-7-14

Company	Ticker	Rating	Share px Jul. 11	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$15.7	HK\$12.0	-17	9,427	0.71	0.80	0.89	16.4	14.6	13.1	Colleen LI
BYD Company	1211 HK	NEUTRA	HK\$47.2	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\$4.46	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\$2.98	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\$6.74	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\$30.25	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\$25.35	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\$14.6	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\$14.44	HK\$14.17	2	5,113	1.13	1.26	1.29	9.9	8.9	8.6	Colleen LI
Zhongsheng Group	881 HK	NEUTRA	HK\$10.0	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\$4.08	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\$4.3	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	NEUTRA	HK\$19.98	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	NEUTRA	HK\$2.4	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\$5.18	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\$5.66	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\$7.2	HK\$7.52	2	24,322	0.57	0.66	0.68	10.4	9.0	8.7	Michael YUK
CIMC Enric	3899 HK	NEUTRA	HK\$10.52	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\$1.14	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	NEUTRA	HK\$1.35	HK\$1.45	1	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$9.91	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\$13.38	HK\$17.0	22	80,173	1.26	1.40	1.50	8.9	8.0	7.5	Michael YUK
Property													
China Resources Land	1109 HK	NEUTRA	HK\$15.24	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\$3.28	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\$8.31	HK\$15.8	104	2,155	2.18	2.49	2.19	2.9	2.5	2.8	Feiqin DUAN
China Overseas Land	688 HK	BUY	HK\$20.15	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\$8.16	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. 11	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
Optics Valley Union	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
China Merchants Land	978 HK	BUY	HK\$1.05	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\$5.89	HK\$6.2	11	4,229	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRA	HK\$4.91	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	NEUTRA	HK\$2.87	HK\$2.8	1	1,414	0.07	-0.07	-0.06	31.9	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRA	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\$13.78	HK\$10.2	-17	2,194	1.03	0.81	0.66	9.6	12.2	14.9	Shawn LEE
China Molybdenum	3993 HK	NEUTRA	HK\$4.54	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRA	HK\$3.66	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	NEUTRA	HK\$3.9	HK\$3.45	-9	6,785	0.22	0.25	0.28	13.8	12.2	10.9	Alex NG
China Unicom	762 HK	NEUTRA	HK\$12.28	HK\$11.34	-5	36,759	0.44	0.65	0.76	21.9	14.8	12.7	Alex NG
China Mobile	941 HK	NEUTRA	HK\$76.6	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\$4.38	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRA	HK\$2.58	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRA	HK\$2.22	HK\$2.0	-10	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.1	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\$6.39	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$121.6	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\$14.26	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	NEUTRA	HK\$47.55	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\$2.17	HK\$2.73	28	588	0.13	0.21	0.26	16.5	10.2	8.2	Alex NG
Sunny Optical	2382 HK	NEUTRA	HK\$10.9	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\$9.65	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\$4.73	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\$10.8	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	NEUTRA	HK\$1.8	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\$3.38	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRA	HK\$8.81	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\$1.95	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. 11	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	P/E 2014E	2015E	2016E	Analyst
ANTA Sports Products	2020 HK	BUY	HK\$12.72	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\$5.47	HK\$6.9	-16	1,096	-0.02	0.08	0.27	0.0	64.0	18.1	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.49	HK\$1.59	9	1,043	0.04	0.04	0.05	29.3	29.3	23.5	Ivy ZHAO
Ports Design	589 HK	NEUTRA	HK\$3.38	HK\$4.0	14	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$2.04	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	NEUTRA	HK\$10.72	HK\$13.05	17	18,685	0.05	0.06	0.07	28.7	24.0	20.5	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$35.8	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\$21.35	HK\$24.9	15	15,134	0.07	0.10	0.11	40.0	28.0	25.5	Ling HUA
Vitasoy	345 HK	NEUTRA	HK\$9.93	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\$21.7	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\$5.94	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\$7.32	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\$1.27	HK\$1.64	29	2,765	0.05	0.06	0.07	20.4	17.0	14.6	Gloria WANG
Bonjour Holdings	653 HK	NEUTRA	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\$1.06	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\$0.63	HK\$1.1	77	716	0.02	0.04	0.06	31.0	15.5	10.3	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$9.12	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\$2.64	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\$12.36	HK\$14.23	9	1,169	0.75	1.02	1.14	14.0	10.3	9.2	Lei YIN
Tianneng Power	819 HK	BUY	HK\$2.94	HK\$6.65	128	419	0.16	0.57	1.10	14.7	4.1	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$7.79	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\$2.37	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\$10.92	HK\$12.46	16	4,035	0.25	0.12	0.13	5.5	11.6	10.7	Kate LI
China Merchants	144 HK	NEUTRA	HK\$25.0	HK\$26.43	9	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI
CSCL	2866 HK	NEUTRA	HK\$2.15	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\$38.6	HK\$51.0	34	3,064	0.08	0.21	0.37	61.2	23.3	13.2	Kate LI
Sinotrans Shipping	368 HK	NEUTRA	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	NEUTRA	HK\$4.58	HK\$4.66	-3	885	0.51	0.49	0.52	7.6	7.9	7.4	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.1	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. 11	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	P/E 2014E	2015E	2016E	Analyst
Lonking	3339 HK	BUY	HK\$1.39	HK\$2.06	55	734	0.11	0.13	0.16	9.7	8.2	6.7	Yiding JIAO
Sany Heavy	631 HK	NEUTRA	HK\$1.7	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\$5.12	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\$3.38	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\$8.96	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\$3.9	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\$2.54	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\$6.29	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\$12.26	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\$5.83	HK\$8.2	45	586	0.19	0.25	0.32	23.9	18.2	14.2	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRA	HK\$13.74	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\$5.0	HK\$5.5	16	6,329	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG	BUY	US\$19.46	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\$29.75	HK\$31.7	4	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela HAN
Sands China	1928 HK	BUY	HK\$57.55	HK\$81.2	39	60,865	2.13	3.09	3.63	27.5	19.0	16.1	Angela HAN
MGM China	2282 HK	BUY	HK\$27.55	HK\$42.9	59	13,187	1.40	1.70	1.88	19.2	15.8	14.3	Angela HAN
Galaxy Entertainment	27 HK	BUY	HK\$62.65	HK\$79.9	29	33,685	2.39	2.96	3.91	25.9	21.0	15.9	Angela HAN
Melco Crown	6883 HK	BUY	HK\$87.4	HK\$120.6	28	20,004	3.00	4.16	4.79	31.3	22.6	19.6	Angela HAN
SJM	880 HK	SELL	HK\$19.56	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela HAN
Environmental Protection													
Everbright International	257 HK	BUY	HK\$11.26	HK\$12.2	10	6,409	0.30	0.38	0.48	36.9	29.2	23.1	Shawn LEE
Dongjiang Environmental	895 HK	BUY	HK\$25.65	HK\$34.1	36	1,125	0.60	0.84	1.28	33.6	24.0	15.8	Shawn LEE
Industrial Goods													
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	141.1	-0.6	168	TSINGTAO BREW-H	60.20	0.4
2	CLP HLDGS LTD	63.55	0.9	177	JIANGSU EXPRES-H	9.80	1.3
3	HONG KG CHINA GS	16.92	0.7	323	MAANSHAN IRON-H	1.70	1.2
4	WHARF HLDG	56.60	1.1	338	SINOPEC SHANG-H	2.20	-3.1
5	HSBC HLDGS PLC	78.60	-0.4	347	ANGANG STEEL-H	5.38	2.1
6	POWER ASSETS HOL	68.00	0.7	358	JIANGXI COPPER-H	13.78	4.1
11	HANG SENG BK	128.2	0.9	386	SINOPEC CORP-H	7.20	-0.6
12	HENDERSON LAND D	45.25	-0.2	390	CHINA RAIL GR-H	4.12	1.7
13	HUTCHISON WHAMPO	104.1	-1.1	489	DONGFENG MOTOR-H	14.44	3.0
16	SHK PPT	106.2	-0.1	552	CHINA COMM SER-H	3.63	-0.6
17	NEW WORLD DEV	9.07	0.3	576	ZHEJIANG EXPRESS	8.23	-3.1
19	SWIRE PACIFIC-A	96.85	0.6	694	BEIJING CAP AI-H	5.48	1.9
23	BANK EAST ASIA	32.15	0.2	728	CHINA TELECOM-H	3.90	-0.8
66	MTR CORP	29.60	0.7	753	AIR CHINA LTD-H	4.68	1.5
83	SINO LAND CO	12.60	0.6	857	PETROCHINA CO-H	9.91	1.1
101	HANG LUNG PROPER	23.60	-0.8	902	HUANENG POWER-H	8.96	2.5
144	CHINA MERCHANT	25.00	-0.8	914	ANHUI CONCH-H	28.60	0.7
267	CITIC PACIFIC	13.80	-0.6	939	CHINA CONST BA-H	5.56	-0.2
291	CHINA RES ENTERP	21.70	1.4	991	DATANG INTL PO-H	3.90	-1.0
293	CATHAY PAC AIR	14.22	0.0	998	CHINA CITIC BK-H	4.74	-0.4
330	ESPRIT HLDGS	11.46	0.2	1088	CHINA SHENHUA-H	21.65	0.2
386	SINOPEC CORP-H	7.20	-0.6	1133	HARBIN ELECTRIC	4.94	0.0
388	HKEX	152.5	-0.2	1138	CHINA SHIPPING-H	4.89	3.6
494	LI & FUNG LTD	10.18	1.2	1171	YANZHOU COAL-H	5.90	0.7
551	YUE YUEN INDUS	26.20	-0.8	1186	CHINA RAIL CN-H	7.45	0.0
688	CHINA OVERSEAS	20.15	0.0	1398	IND & COMM BK-H	4.98	-0.2
700	TENCENT	121.6	-0.5	1800	CHINA COM CONS-H	5.54	0.5
762	CHINA UNICOM HON	12.28	-0.7	1898	CHINA COAL ENE-H	4.21	0.7
857	PETROCHINA CO-H	9.91	1.1	1919	CHINA COSCO HO-H	3.08	0.0
883	CNOOC LTD	13.38	-0.5	2318	PING AN INSURA-H	58.85	-0.4
939	CHINA CONST BA-H	5.56	-0.2	2328	PICC PROPERTY &	11.64	0.0
941	CHINA MOBILE	76.60	0.5	2600	ALUMINUM CORP-H	2.87	0.7
1088	CHINA SHENHUA-H	21.65	0.2	2628	CHINA LIFE INS-H	20.80	-0.2
1199	COSCO PAC LTD	10.92	1.7	2727	SHANGHAI ELECT-H	3.15	-2.2
1398	IND & COMM BK-H	4.98	-0.2	2777	GUANGZHOU R&F -H	10.16	-1.0
2038	FIH MOBILE LTD	4.81	-0.2	2866	CHINA SHIPPING-H	2.15	8.0
2318	PING AN INSURA-H	58.85	-0.4	2883	CHINA OILFIELD-H	19.98	0.2
2388	BOC HONG KONG HO	23.45	0.4	2899	ZIJIN MINING-H	1.77	-0.6
2600	ALUMINUM CORP-H	2.87	0.7	3323	CHINA NATL BDG-H	7.12	-0.1
2628	CHINA LIFE INS-H	20.80	-0.2	3328	BANK OF COMMUN-H	5.19	0.0
3328	BANK OF COMMUN-H	5.19	0.0	3968	CHINA MERCH BK-H	14.76	0.1
3988	BANK OF CHINA-H	3.47	0.3	3988	BANK OF CHINA-H	3.47	0.3
				3993	CMOC-H	4.54	1.6

A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
JINGCHENG MAC	187	3.88	600860	5.91	90.2
CHONGQING IRON-H	1053	1.58	601005	2.34	84.9
JINGWEI TEXTIL-H	350	7.25	000666	10.71	84.4
SHANDONG XINHU-H	719	4.11	000756	6.01	82.6
TIANJIN CAP-H	1065	5.35	600874	7.81	82.3
NORTHEAST ELEC-H	42	1.64	000585	2.39	82.0
SINOPEC SHANG-H	338	2.20	600688	3.12	77.1
SHENJI GROUP-H	300	3.27	600806	4.44	69.5
BEIJING NORTH-H	588	1.99	601588	2.48	55.6
YANZHOU COAL-H	1171	5.90	600188	6.64	40.5
ALUMINUM CORP-H	2600	2.87	601600	3.14	36.6
DATANG INTL PO-H	991	3.90	601991	3.75	20.1
BAIYUNSHAN PH-H	874	24.10	600332	23.16	20.0
CHINA SOUTHERN-H	1055	2.43	600029	2.32	19.2
MAANSHAN IRON-H	323	1.70	600808	1.60	17.5
JIANGXI COPPER-H	358	13.78	600362	12.80	16.0
CHINA CITIC BK-H	998	4.74	601998	4.25	12.0
CHINA SHIPPING-H	1138	4.89	600026	4.35	11.1
GUANGSHEN RAIL-H	525	2.87	601333	2.55	10.9
ANHUI EXPRESS-H	995	4.76	600012	4.18	9.6
ZTE CORP-H	763	14.78	000063	12.90	9.0
SHENZHEN EXPRE-H	548	4.29	600548	3.74	8.9
DONGFANG ELECT-H	1072	13.86	600875	12.01	8.2
HISENSE KELON -H	921	10.32	000921	8.78	6.2
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
GUANGZHOU SHIP-H	317	13.73	600685	0.00	0.0
BANK OF CHINA-H	3988	3.47	601988	2.55	-8.3
AIR CHINA LTD-H	753	4.68	601111	3.34	-10.9
BANK OF COMMUN-H	3328	5.19	601328	3.66	-12.0
SINOPEC CORP-H	386	7.20	600028	5.00	-13.3
IND & COMM BK-H	1398	4.98	601398	3.44	-13.8
PING AN INSURA-H	2318	58.85	601318	39.41	-16.4
HUANENG POWER-H	902	8.96	600011	5.94	-17.2
HUADIAN POWER-H	1071	5.12	600027	3.39	-17.3
CHINA LIFE INS-H	2628	20.80	601628	13.67	-17.9
CHINA MERCH BK-H	3968	14.76	600036	9.69	-18.0
TSINGTAO BREW-H	168	60.20	600600	38.95	-19.2
JIANGSU EXPRES-H	177	9.80	600377	5.73	-27.0
ANGANG STEEL-H	347	5.38	000898	3.13	-27.4
ANHUI CONCH-H	914	28.60	600585	16.47	-28.1
WEICHAI POWER-H	2338	30.65	000338	17.65	-28.1

Recently Published Research

Date published	Name of report	Analyst
10-Jul-14	Suntien Green Energy (956 HK)	Vera Liang
10-Jul-14	FOMC minutes	Lynn Song, Cliff Zhao, David Xie
9-Jul-14	China Tech	Alex Ng
9-Jul-14	Jutal Offshore Oil Services (3303 HK)	Michael Yuk
7-Jul-14	HK Market Strategy Bi-weekly	Cliff Zhao, George Chen, Zi chen Xu
4-Jul-14	Hilong Holdings (1623 HK)	Michael Yuk
4-Jul-14	US Labor Market	Lynn Song, Cliff Zhao, David Xie
3-Jul-14	China Real Estate	Kate Li, Duan Feiqin
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
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
24-Jun-14	2H14 Hong Kong Metal&Mining Sector Investment	Li Xiang
24-Jun-14	2H14 Hong Kong Food&Beverage Sector Investment	Hua Ling
24-Jun-14	June Eurozone Flash Composite PMI	Lynn Song, Cliff Zhao, David Xie
23-Jun-14	Dongjiang Environmental (895 HK)	Li Xiang
20-Jun-14	iKang Healthcare Group (KANG US)	Jonathan Hsu
20-Jun-14	2014 Hong Kong TMT Sector Investment Outlook	Jeff Hao
20-Jun-14	2014 Hong Kong Thermal Power Sector Investment	Vera Liang
17-Jun-14	2H14 Hong Kong Stock Market Investment Outlook	Cliff Zhao, George Chen, Zi chen Xu
17-Jun-14	2H14 Hong Kong Shipping and Port Sector Investment	Kate Li
16-Jun-14	2H14 China Healthcare Equity Strategy	Jonathan Hsu
13-Jun-14	2H14 Oil & Gas Industry Outlook	Michael Yuk
12-Jun-14	HK Stock Market Machinery Sector Outlook	Yiding JIAO
10-Jun-14	Eurozone Monthly Chart Book (June 2014)	Lynn Song, Cliff Zhao, David Xie
10-Jun-14	China Wind Power Operator	Yin Lei
9-Jun-14	Truly International (732 HK)	Alex Ng
5-Jun-14	China Dongxiang (3818 HK)	Ivy Zhao
4-Jun-14	Belle(1880 HK)	Ivy Zhao
4-Jun-14	Environmental protection	Li Xiang
4-Jun-14	May Eurozone Flash HICP inflation	Lynn Song, Cliff Zhao, David Xie
3-Jun-14	Macau Gaming	Angela Han Lee
3-Jun-14	iKang Healthcare Group (KANG US)	Jonathan Hsu
30-May-14	Kingsoft (3888.HK)	Jeff Hao
30-May-14	SPT Energy (1251.HK)	Michael Yuk
30-May-14	HK Stock Market Fund Flows	Lynn Song, Cliff Zhao, David Xie
28-May-14	HK Market Strategy Bi-weekly	Cliff Zhao, Zi chen Xu, George Chen
27-May-14	SinoMedia(623 HK)	Jeff Hao
26-May-14	Tingyi Holding (322 HK)	Hua Ling

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

ANALYST DISCLOSURES

The analysts primarily responsible for the preparation of all or part of the research report contained herein hereby certify that: (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

REGULATORY DISCLOSURES

China Merchants Securities (HK) Co., Limited acted as the Global Coordinator, Joint Book-runner and Joint Lead Manager of Evergrande Real Estate Group Ltd. in an offering.

China Merchants Securities (HK) Co., Limited acted as the Joint Book-runner of China Merchants Land Ltd. on its placement.

China Merchants Securities (HK) Co., Limited acted as the Joint Global Coordinator and Joint Book-runner of Optics Valley Union Holding Co. Ltd. on the IPO.

China Merchants Securities (HK) Co., Limited acted as the Sole Sponsor, Sole Global Coordinator and Sole Book-runner of TK Group (Holdings) Ltd. on the IPO.

China Merchants Securities (HK) Co., Limited has received compensation from or mandates for investment banking services in the past 12 months from certain listed corporations whose securities are being reviewed in this research report.

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).