

CMS (HK) Research Highlights

Lenovo (992 HK, BUY, TP HK\$10.5)

Better 2Q from IBM's x86-server and Google's Motorola affirm our positive view on Lenovo

Event:

IBM and Google released 2Q14 results on Friday HKT, with IBM's x86-server revenue down -3% yoy (vs -18% yoy in 1Q14, -16% yoy in 4Q13) and Google's Motorola revenue up +73% YoY/+19% QoQ (vs +42% yoy in 1Q14, -24% yoy in 4Q13). Lenovo announced in 1Q14 to acquire these two businesses and expected to close the deal within this year.

Comments:

In addition to Intel's 2Q beat earlier this week, we believe the better-than-expected 2Q14 improvement of IBM's x86 and Google's Moto businesses will relieve market concerns on Lenovo's post deal-close profitability given IBM's x86-server recent weakness and uncertainty on Moto's turnaround timeline. Motorola's operating margin also improved to -3.9% in 2Q14 from -13.7% in 1Q14, due to better scaling benefits and increasing penetration on global operator network, implying positive signs of potential earlier-than-expected turnaround (vs mgmt guidance of 4-6 qtr post deal-close). Motorola's operating loss was narrowed to US\$68mn in 2Q14 from loss of US\$198 in 1Q14.

With mgmt's reiterated FY15 80mn smartphone target and increasing visibility on China 4G/Moto strategy, we expect Lenovo to accelerate 4G product launches in China and Motorola to continue robust momentum in EM in 2H14. Our analysis suggested that every 5mn higher-margin Motorola shipment in our base case of 20mn/35mn in FY15/16 will result in EPS increase by 4%/17%.

Our FY15-17E EPS are US\$0.066/0.110/0.136. Trading at 12.7x FY16 PE, we reiterate our BUY rating on Lenovo with TP under review. Upcoming catalysts include FY1Q14 results in mid-Aug, 4G product launch with MediaTek 4G SoC, and Motorola's shipment/asp data. (Alex Ng)

TCL (2618 HK, BUY, TP HK\$12.50)

Nokia's massive scale-down implies potential upside on TCL's feature phone

Event:

Microsoft announced to cut record 18,000 jobs (14% of workforce) next year, with 12,500 workers from its mobile phone unit, the Nokia Devices and Services business which was acquired in past Spring (25,000 employees). The cuts are the first major change made by Satya Nadella, the company's new chief executive as successor to Steve Ballmer in February.

Comment:

As pointed out in our previous note, we believe the potential massive scale-down of Nokia's feature phone business would be a major positive catalyst to TCL Comm. Following Nokia's official announcement, we believe the company can significantly accelerate gain shares in feature phone market in next 2-3 years at the expense of Nokia (No. 1 in 2013, ~25% market share) (vs TCL's No.3, 5% share).

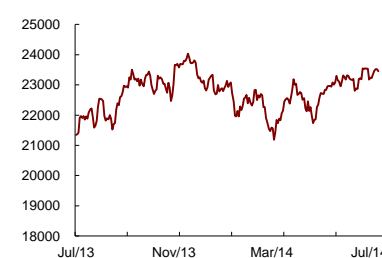
Despite the shrinking global feature phone market (660mn, -15% yoy in 2014E; vs 810mn in 2013), this segment remains a relatively higher-margin and cash-generating business for several leading handset

HK Indices	Last price	chg	% chg
HSI	23,454.79	-66.08	-0.28
Finance	31,005.46	-75.85	-0.24
Properties	29,682.72	95.24	0.32
Utilities	52,209.90	-45.09	-0.09
Commerce&Industrv	14,623.61	-70.83	-0.48
HSCEI	10,441.23	-25.83	-0.25
HSCCI	4,539.60	-12.92	-0.28
HKSPGEM	517.00	1.29	0.25

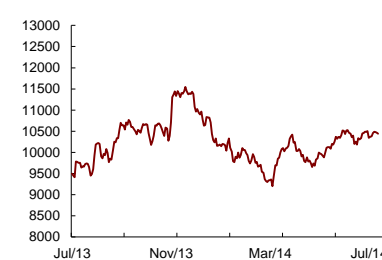
World Indices	Last price	chg	% chg
FTSE 100	6,709.51	-28.81	-0.43
DAX 30	9,698.61	-55.27	-0.57
CAC 40	4,314.03	-2.09	-0.05
DJIA	16,976.81	-161.39	-0.94
S&P500	1,958.12	-23.45	-1.18
Nasdaq Composite	4,363.45	-62.52	-1.41
Nikkei 225	15,215.71	-154.55	-1.01

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	2,019.42	-1.48	-0.07
TWSE	9,400.97	-7.27	-0.08
STI	3,307.10	0.21	0.01
India BSE 30	25,630.26	69.10	0.27
S&P/ASX 200	5,531.66	9.23	0.17

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

brands (e.g. Nokia, Samsung, TCL, LG), due to limited R&D/marketing expenses and established operator networks.

We currently estimate TCL's 2014-15E feature phone shipment of 34.1mn/31.1mn (-9.4% yoy/-9% yoy), accounting for 16%/11% of 14-15E revenue. We believe Nokia's exit in feature phone will imply potential upside surprise for TCL's shipment in 2014. Our analysis suggested that 1-2% share gain (7-13mn units) from Nokia in 2014 will increase TCL's 2014E revenue and EPS by 3-6% and 4-8% respectively.

Our current 2014-16E EPS are HK\$0.98/1.34/1.86. Trading at 10.2x to our 2014 EPS, we reiterate our BUY rating with TP HK\$12.50 (based on 12.7x 14E P/E). (Alex Ng)

CU's 3G/4G migration accelerated in June

China Unicom (CU)'s June data continued the modest rebound of net adds in May, with 3G/4G net adds of 3.05mn (-9% MoM; vs 3.35mn in May, 2.11mn in April) and mobile net adds of 1.71mn (-37% MoM; vs 2.7mn in May, 0.90mn in April), implying 2G net loss of 1.34mn (vs 0.65mn in May). CU also reported broadband net adds of 360k (vs 264K in May) and fixed-line net churns of 779K (vs net churns of 469k in May).

Following FDD-LTE license issuance last month, we expect CU's 3G/4G penetration will accelerate in next few months, given its strength in network quality and increasing FDD-LTE product launches in 3Q. That said, we believe monthly mobile net adds data will remain volatile in near term, as operators are reviewing and modifying their strategies (S&M and handset subsidies) to balance the VAT impact, MVNO, TD/FDD-LTE licensing, and handset subsidy reduction as required by SASAC. We maintain our Neutral rating with TP under review. Our 2014-15E EPS are HK\$0.65/0.76. (Alex Ng)

A-share Research Highlights (CMS Research Center)

Comments on steel industry production and sales figures (July 1H, 2014) - Average daily production of major iron & steel enterprises continues to rise from June 2H

[Zhang Shibao, Sun Hengye. July 18, 2014] In July 1H, major iron & steel enterprises produced a total of 18.1443mn tons of crude steel, 17.4202mn tons of pig iron, 17.1898mn tons of steel and 3.6545mn tons of coke. The average daily crude steel production of major iron & steel enterprises was 1.8144mn tons in July 1H, up by 2.04% from June 2H; the average daily production of pig iron was 1.7420mn tons in July 1H, up by 1.27% from June 2H; the average daily production of steel was 1.7190mn tons in July 1H, up by 7.72% from June 2H; the average daily production of coke was 365,500 tons in July 1H, up by 8.66% from June 2H.

According to the statistics from China Iron and Steel Association (CISA), the steel sales settlement amount of major iron & steel enterprises was 13.7499mn tons in July 1H, with average daily sales of 1.3750mn tons, down by 27.59% from June 2H; the sales settlement amount of crude steel was 512,200 tons in July 1H, with average daily sales of 51,200 tons, down by 33.72% from June 2H; the sales settlement amount of pig iron was 52,900 tons, with average daily sales of 5,300 tons, down by 38.34% from June 2H; the sales settlement amount of coke was 26,800 tons in July 1H, with average daily sales of 27,000 tons in July 1H, down by 42.30% from June 2H.

In July 1H, the steel inventory of major iron & steel enterprises was 14.4735mn tons, up by 558,500 tons from June 2H, or growth of 4.01%; crude steel inventory was 2.9211mn tons, up by 202,600 tons from June 2H, or growth of 7.45%; pig iron inventory was 494,900 tons, up by 46,600 tons from June 2H, or growth of 10.40%; coke inventory was 122,100 tons, down by 2,500 tons, or decline of 2.03%.

For the ex-factory average settlement price in July 1H, steel was RMB3697/ton, down by RMB31/ton from June 2H; crude steel was RMB3027/ton, down by RMB325/ton from June 2H; pig iron was RMB2638/ton, up by RMB74/ton from June 2H; coke was RMB961/ton, down by RMB112/ton from June 2H.

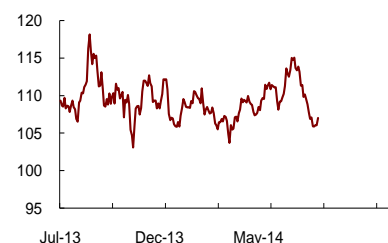
Investment recommendations: the average daily crude steel production of nationwide and major iron & steel enterprises increased while sales recorded relatively significant declines, with mild increase of inventory and increasing pressure on de-inventory of the industry. At present, the steel factories are influenced by production and inventory, with steel price retreating slightly. We continue to recommend Yulong (601028 CH), Jiuli (002318 CH) and Changbao (002478 CH), as well as new materials beneficiaries Yinbang (300337 CH), Sinocera (300285 CH) and Sino Crystal (300064 CH); Tesla industry chain related beneficiaries and electricity supplier beneficiaries Baoshan Iron & Steel (600019 CH), Shagang (002075 CH) and Zhejiang Materials (000906 CH); ore beneficiaries Jinling (000655 CH) and Hongda (600331 CH); and building steel beneficiaries Sansteel (002110 CH) and Ba Yi (600581 CH).

Risk reminder: downstream demand sluggish, steel price facing pressure.

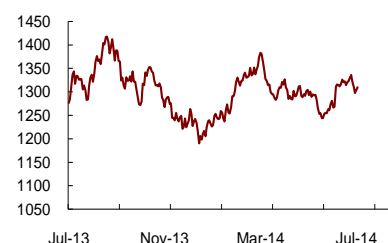
Global Commodity	Last price	chg	% chg
Brent Oil	106.99	0.00	0.00
Gold	1,309.3	-9.85	-0.75
LME Aluminum	1,989.0	19.00	0.96
LME Copper	7,067.5	-10.50	-0.15
BDI	738.00	-17.00	-2.25
API Coal	78.00	-0.15	-0.19

Exchange /Bond Market	/Currency	Last price	chg	% chg
USD/RMB		6.16	0.00	0.00
USD/HKD		7.75	0.00	0.00
1-YR RMB NDF		6.26	0.00	0.00
EUR/USD		1.35	0.02	0.01
3-M Libor		0.56	0.00	0.00
3-M Shibor		4.75	0.00	0.00
10 YR US T-Note Yield		2.49	0.04	1.63

Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

Comments on Investment Opportunities in Industry amid Expected Increase in Demand for Construction Steel - Industry Rebounds with Increased Expectation on Increasing Downstream Infrastructure/Loosening Property Market

[Zhang Shibao and Sun Hengye, July 17, 2014] We reiterate investment opportunities amid rebound in industry. Increasing expectation on loosening downstream infrastructure/property market will lead to expectation on increasing demand for upstream construction steel, helping sustainable rebound in the industry. On June 17, we indicated in our strategy for 2H14 that the industry would enter into a stage of short-term rebound and believed that the overall profitability of the steel industry had significantly improved as the price of iron ore then was at the bottom of the year. As the price of iron ore is much lower than the average cost of the industry, we are going to be bullish on steel industry. We expect the price of iron ore to rebound as a result of excessive correction, and companies benefit on that include Hongda (600331 CH), Jinling (000655 CH), China Union (000036 CH) and Pangang Group Vanadium (000629 CH). On June 23, we reiterated our bullish view on rebound.

We still maintain our previous bullish view: Inventory of construction steel is relatively low and consumption on that is satisfactory. In addition, minor stimulating policies and infrastructure investment will increase in 2H14, and the purchase restriction policies in most of the cities have actually been loosened. Expectation on loosening to restrictive policies on property purchase in the rest of the first- and second-tier cities has also increased, which will in turn strengthen the expectation on increase in demand for construction steel. The recent rebound of the industry in secondary market has also indicated the changes in expectation. If relevant policies executed as expected, construction steel will be the category that benefit most. Given the present relatively low season, rebound of construction steel in the short term will not be as strong as slabs. We expect that demand for construction steel will sharply increase in the peak seasons of September/October. The market of slabs has been more prosperous since beginning of the year, which is mainly due to sharp increase in exports.

Investment advice: In terms of fundamentals, demand and supply are still at high levels. Given the above reasons, however, market consensus has changed. Apart from our existing recommendations of Yulong (601028 CH), Jiuli (002318 CH) and Changbao (002478 CH), new material stocks including Yinbang (300337 CH), Sinocera (300285 CH) and Sino Crystal (300064 CH), stocks related to the industry chain of Tesla (TSLA US), e-commerce stocks including Baoshan (600019 CH), Shagang (002075 CH) and Zhejiang Materials (000906 CH), ore stocks including Jinling (000655 CH) and Hongda (600331 CH), we also recommend listed construction steel companies as a result of the above changes in expectation, including Ba Yi (600581 CH), Sansteel (002110 CH), Liuzhou Iron & Steel (601003 CH) and Hebei Iron & Steel (000709 CH).

Risk reminder: Sluggish downstream demand, pressure on steel price and weaker-than-expected policy execution.

What to Watch

Economic Data	HK: Nil US: Nil		
Date	Ticker	Stock Name	Earnings Results
2014/07/21	01187	PEARLRIVER TYRE	
2014/07/21	02638	HKELECTRIC-SS	
Date	Ticker	Stock Name	Issue Price
2014/07/21	01253	BROADGREENSTATE	1.76

LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014-7-21

Company	Ticker	Rating	Share px Jul. 18	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\$14.82	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\$48.95	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\$4.23	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\$6.62	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\$30.0	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\$26.0	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\$14.5	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\$14.46	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\$10.02	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\$3.92	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\$4.0	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\$19.86	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\$2.56	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\$4.68	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\$5.9	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\$7.32	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\$10.12	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\$1.39	HK\$1.45	1	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$10.18	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\$13.48	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	NEUTRAL	HK\$15.34	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\$5.0	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\$3.33	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\$8.26	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\$20.7	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\$8.2	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. 18	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\$1.01	HK\$2.3	125	645	0.11	0.17	0.19	7.5	4.8	4.3	Feiqin DUAN
Sfun	SFUN US	BUY		US\$12.1	0	4,955	0.73	0.75	0.89	0.0	0.0	0.0	Feiqin DUAN
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$6.19	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\$4.74	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\$3.08	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\$1.8	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\$13.86	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\$4.81	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.71	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\$4.09	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\$12.8	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\$81.6	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\$4.25	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.83	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.23	HK\$2.0	-10	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.3	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\$6.26	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$122.9	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\$14.12	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\$48.4	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\$2.16	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\$10.66	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\$10.68	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\$4.67	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\$11.0	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\$5.15	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\$1.8	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\$3.36	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.8	HK\$7.89	-8	9,357	0.52	0.52	0.54	13.3	13.3	12.8	Ivy ZHAO

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 18	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
Peak Sport	1968 HK	BUY	HK\$2.04	HK\$2.72	44	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO
ANTA Sports Products	2020 HK	BUY	HK\$12.12	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\$4.93	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\$1.56	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\$3.31	HK\$4.0	14	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.98	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\$10.86	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\$37.95	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\$21.45	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\$10.2	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\$21.3	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\$5.9	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\$7.15	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\$1.23	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\$1.17	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\$1.08	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\$9.29	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\$2.5	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\$11.42	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\$7.98	HK\$9.84	35	3,624	0.26	0.36	0.45	24.7	17.8	14.3	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.47	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\$10.98	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\$25.7	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\$2.14	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\$38.35	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\$2.11	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\$4.62	HK\$4.66	-3	885	0.51	0.49	0.52	7.6	7.9	7.4	Yiding JIAO

Company	Ticker	Rating	Share px Jul. 18	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
CMEC	1829 HK	BUY	HK\$4.39	HK\$7.01	53	537	0.54	0.63	0.68	6.8	5.8	5.4	Yiding JIAO
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\$1.7	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\$5.43	HK\$6.1	-6	866	0.56	0.61	0.65	6.7	6.2	5.8	Vera LIANG
China Power	2380 HK	BUY	HK\$3.26	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\$9.1	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\$4.03	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\$2.61	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\$6.34	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\$24.3	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\$6.77	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\$11.62	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\$6.6	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\$13.88	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\$5.2	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\$19.0	US\$21.3	14	1,219	0.33	0.50	0.71	56.4	37.2	26.2	Jonathan HSU
Bank													
ABC	1288 HK	BUY	HK\$3.51	HK\$4.19	18	143,803	0.51	0.55	0.60	5.6	5.2	4.7	Donger WANG
ICBC	1398 HK	BUY	HK\$4.97	HK\$5.95	19	226,646	0.75	0.79	0.84	5.4	5.1	4.8	Donger WANG
Minsheng	1988 HK	BUY	HK\$7.09	HK\$8.35	18	25,944	1.49	1.60	1.78	3.8	3.6	3.2	Donger WANG
BOCOM	3328 HK	NEUTRAL	HK\$5.22	HK\$4.81	-8	45,689	0.84	0.87	0.92	5.0	4.8	4.6	Donger WANG
CQRCB	3618 HK	BUY	HK\$3.56	HK\$4.15	17	4,271	0.64	0.71	0.78	4.5	4.0	3.7	Donger WANG
BOC	3988 HK	BUY	HK\$3.52	HK\$4.05	16	126,133	0.56	0.59	0.63	5.0	4.8	4.5	Donger WANG
China Construction Bank	939 HK	BUY	HK\$5.58	HK\$6.98	25	179,963	0.86	0.92	0.99	5.2	4.9	4.5	Donger WANG
Citic	998 HK	SELL	HK\$4.82	HK\$4.1	-14	28,850	0.84	0.85	0.96	4.6	4.5	4.0	Donger WANG
Gaming													
Wynn Macau	1128 HK	SELL	HK\$29.05	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\$54.25	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\$26.2	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\$61.4	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\$83.25	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\$19.6	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela HAN LEE

Company	Ticker	Rating	Share px Jul. 18	12-month TP	% Upside	Mkt cap (US\$m)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
Environmental Protection													
Everbright International	257 HK	BUY	HK\$11.42	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\$24.75	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	138.6	-0.4	168	TSINGTAO BREW-H	60.70	0.3
2	CLP HLDGS LTD	63.85	0.2	177	JIANGSU EXPRES-H	9.74	0.4
3	HONG KG CHINA GS	16.94	0.2	323	MAANSHAN IRON-H	1.67	-1.2
4	WHARF HLDG	57.20	0.5	338	SINOPEC SHANG-H	2.33	0.0
5	HSBC HLDGS PLC	79.35	-0.6	347	ANGANG STEEL-H	5.21	-0.6
6	POWER ASSETS HOL	68.65	-0.3	358	JIANGXI COPPER-H	13.86	1.0
11	HANG SENG BK	128.7	0.1	386	SINOPEC CORP-H	7.32	-0.4
12	HENDERSON LAND D	46.55	0.3	390	CHINA RAIL GR-H	4.06	-1.2
13	HUTCHISON WHAMPO	104.6	0.1	489	DONGFENG MOTOR-H	14.46	-0.7
16	SHK PPT	106.6	0.6	552	CHINA COMM SER-H	3.87	-0.3
17	NEW WORLD DEV	9.11	0.2	576	ZHEJIANG EXPRESS	8.36	0.2
19	SWIRE PACIFIC-A	97.40	0.4	694	BEIJING CAP AI-H	5.53	-0.4
23	BANK EAST ASIA	32.10	-0.3	728	CHINA TELECOM-H	4.09	-0.2
66	MTR CORP	29.60	-0.7	753	AIR CHINA LTD-H	4.63	0.0
83	SINO LAND CO	12.58	0.0	857	PETROCHINA CO-H	10.18	0.2
101	HANG LUNG PROPER	23.45	0.0	902	HUANENG POWER-H	9.10	-2.3
144	CHINA MERCHANT	25.70	-0.8	914	ANHUI CONCH-H	28.60	-0.4
267	CITIC PACIFIC	14.52	-0.1	939	CHINA CONST BA-H	5.58	0.2
291	CHINA RES ENTERP	21.90	0.0	991	DATANG INTL PO-H	4.03	1.8
293	CATHAY PAC AIR	14.40	-0.6	998	CHINA CITIC BK-H	4.82	0.2
330	ESPRIT HLDGS	11.40	-0.2	1088	CHINA SHENHUA-H	20.85	-1.4
386	SINOPEC CORP-H	7.32	-0.4	1133	HARBIN ELECTRIC	5.18	0.0
388	HKEX	154.0	0.3	1138	CHINA SHIPPING-H	4.69	-2.1
494	LI & FUNG LTD	10.26	0.4	1171	YANZHOU COAL-H	5.80	-0.5
551	YUE YUEN INDUS	25.70	1.6	1186	CHINA RAIL CN-H	7.16	-1.9
688	CHINA OVERSEAS	20.70	2.0	1398	ICBC-H	4.97	0.0
700	TENCENT	122.9	-0.5	1800	CHINA COM CONS-H	5.58	-0.5
762	CHINA UNICOM HON	12.80	-1.5	1898	CHINA COAL ENE-H	4.12	0.2
857	PETROCHINA CO-H	10.18	0.2	1919	CHINA COSCO HO-H	3.08	-0.3
883	CNOOC LTD	13.48	-0.6	2318	PING AN INSURA-H	58.60	-0.6
939	CHINA CONST BA-H	5.58	0.2	2328	PICC PROPERTY &	11.86	0.3
941	CHINA MOBILE	81.60	-0.3	2600	ALUMINUM CORP-H	3.08	1.3
1088	CHINA SHENHUA-H	20.85	-1.4	2628	CHINA LIFE INS-H	20.50	-0.2
1199	COSCO PAC LTD	10.98	-0.4	2727	SHANGHAI ELECT-H	3.28	-0.3
1398	ICBC-H	4.97	0.0	2777	GUANGZHOU R&F -H	10.46	-0.6
2038	FIH MOBILE LTD	4.68	0.2	2866	CHINA SHIPPING-H	2.14	-0.5
2318	PING AN INSURA-H	58.60	-0.6	2883	CHINA OILFIELD-H	19.86	-1.4
2388	BOC HONG KONG HO	23.60	0.4	2899	ZIJIN MINING-H	1.80	0.0
2600	ALUMINUM CORP-H	3.08	1.3	3323	CHINA NATL BDG-H	7.64	-1.4
2628	CHINA LIFE INS-H	20.50	-0.2	3328	BANK OF COMMUN-H	5.22	-0.4
3328	BANK OF COMMUN-H	5.22	-0.4	3968	CHINA MERCH BK-H	14.78	-0.5
3988	BANK OF CHINA-H	3.52	0.0	3988	BANK OF CHINA-H	3.52	0.0
				3993	CMOC-H	4.81	-1.6

A+H Company Performance

Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NANJING PANDA-H	553	4.91	600775	7.57	92.5
JINGCHENG MAC	187	4.06	600860	6.23	91.6
JINGWEI TEXTIL-H	350	7.23	000666	10.91	88.4
NORTHEAST ELEC-H	42	1.64	000585	2.42	84.3
CHONGQING IRON-H	1053	1.63	601005	2.34	79.3
SHENJI GROUP-H	300	3.16	600806	4.49	77.4
TIANJIN CAP-H	1065	5.52	600874	7.81	76.7
SHANDONG XINHU-H	719	4.41	000756	6.09	72.4
SINOPEC SHANG-H	338	2.33	600688	3.21	72.0
BEIJING NORTH-H	588	2.02	601588	2.55	57.6
YANZHOU COAL-H	1171	5.80	600188	6.74	45.1
ALUMINUM CORP-H	2600	3.08	601600	3.27	32.6
BAIYUNSHAN PH-H	874	23.90	600332	23.25	21.5
MAANSHAN IRON-H	323	1.67	600808	1.60	19.6
CHINA SOUTHERN-H	1055	2.47	600029	2.36	19.3
CHINA SHIPPING-H	1138	4.69	600026	4.42	17.7
DATANG INTL PO-H	991	4.03	601991	3.73	15.6
JIANGXI COPPER-H	358	13.86	600362	12.72	14.6
ANHUI EXPRESS-H	995	4.76	600012	4.29	12.5
DONGFANG ELECT-H	1072	13.48	600875	12.08	11.9
GUANGSHEN RAIL-H	525	2.96	601333	2.60	9.7
HISENSE KELON -H	921	10.00	000921	8.51	6.3
CHINA CITIC BK-H	998	4.82	601998	4.05	4.9
SHENZHEN EXPRE-H	548	4.56	600548	3.80	4.1
ZTE CORP-H	763	16.48	000063	13.41	1.6
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
BANK OF CHINA-H	3988	3.52	601988	2.57	-8.8
AIR CHINA LTD-H	753	4.63	601111	3.35	-9.7
BANK OF COMMUN-H	3328	5.22	601328	3.71	-11.3
ICBC-H	1398	4.97	601398	3.45	-13.3
HUADIAN POWER-H	1071	5.43	600027	3.73	-14.2
PING AN INSURA-H	2318	58.60	601318	39.81	-15.2
SINOPEC CORP-H	386	7.32	600028	4.97	-15.2
CHINA LIFE INS-H	2628	20.50	601628	13.67	-16.7
CHINA MERCH BK-H	3968	14.78	600036	9.79	-17.3
TSINGTAO BREW-H	168	60.70	600600	40.14	-17.4
HUANENG POWER-H	902	9.10	600011	5.82	-20.1
JIANGSU EXPRES-H	177	9.74	600377	6.22	-20.3
ANGANG STEEL-H	347	5.21	000898	3.20	-23.3
WEICHAH POWER-H	2338	31.15	000338	18.85	-24.4
ANHUI CONCH-H	914	28.60	600585	17.19	-25.0

Recently Published Research

Date published	Name of report	Analyst
17-Jul-14	Sands China (1928 HK)	Angela Han Lee
17-Jul-14	Bonjour Holdings (653 HK)	Wang Xiaodi
16-Jul-14	Huadian Power (1071 HK)	Vera Liang
16-Jul-14	Sa Sa International (178 HK)	Wang Xiaodi
15-Jul-14	China Longyuan (916HK)	Yin Lei
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14-Jul-14	Macau Gaming - 2Q14 Preview	Angela Han Lee
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17-Jun-14	2H14 Hong Kong Shipping and Port Sector Investment	Kate Li
16-Jun-14	2H14 China Healthcare Equity Strategy	Jonathan Hsu
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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

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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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