

CMS (HK) Research Highlights

TCL Comm (2618 HK, Buy, TP HK\$12.50)

Nokia's scale-down implies significant upside for TCL

- Nokia's massive layoff is positive for TCL's feature phones
- Our analysis suggested TCL's 1-2% market share gain (7-13mn units) from Nokia in 2014 will increase 2014E EPS by 4-8%
- Accumulate ahead of 2Q results; Reiterate BUY with TP HK\$12.50

What's new

Microsoft announced to cut record 18,000 jobs (14% of workforce) next year, with 12,500 workers from its mobile phone unit (Nokia Devices and Services business) which was acquired in past Spring (25,000 employees). Nokia was ranked No. 1 in feature phone market with ~25% market share in 2013, vs TCL's No.3 ranking with 5% share.

TCL poised to gain shares from Nokia's feature phones

We believe massive scale-down of Nokia's feature phone business would be a major positive catalyst to TCL Comm, as we expect the company to accelerate share gain in feature phone market in the coming 2-3 years at the expense of Nokia. Despite the shrinking global feature phone market (660mn, -15% yoy in 2014E; vs 810mn in 2013), this segment remains a higher-margin and cash-generating business for global handset brand leaders (e.g. Nokia, Samsung, TCL, LG), due to limited R&D/marketing expenses and established operator networks.

Expect upward revision on stronger 2H; Reiterate Buy

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 feature phone shipment in 2014. Our analysis suggested that 1-2% market share gain (7-13mn units) from Nokia in 2014 will increase TCL's 2014E revenue and EPS by 3-6% and 4-8% respectively. We also expect stronger 4G pipeline and China momentum in 2H14. Our 2014/15E EPS are HK\$0.98/1.34, 8%/15% higher than consensus, due to stronger smartphone/tablets shipment and better operating leverage. Trading at 10.8x 2014 EPS, we reiterate our BUY rating with TP HK\$12.50 (based on 12.7x 14E P/E). (Alex Ng)

Sunac China (1918 HK, Buy, TP HK\$6.70)

Management exercise completed and short-term selling pressure has priced in

Management of Company Decreased Holdings for 4 Times in July
According to the latest information of HKEx, from July 10 to 15, Jing Hong, a major shareholder of Sunac China, disposed long position in the shares of the company by 2.20 mn through HKEx. Chi Xun, a major shareholder, disposed long position in the shares of the company by 3.60 mn through HKEx. Shang Yu, a major shareholder, disposed long position in the shares of the company by 3.30 mn through HKEx. Li Shaozhong, a major shareholder, disposed long position in the shares of the company by 3.60 mn through HKEx.

Our views

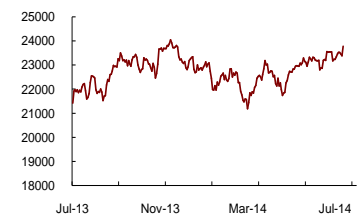
Disposals of management due to expiry of options: We believe that the recent placings of those major shareholders of Sunac were normal shareholder behavior in capital market. Fundamentals of the company

HK Indices	Last price	chg	% chg
HSI	23,782.11	394.9	1.69
Finance	31,484.91	553.7	1.79
Properties	29,972.19	480.5	1.63
Utilities	52,446.62	398.0	0.76
Commerce&Industrv	14,833.94	247.9	1.70
HSCEI	10,605.22	249.4	2.41
HSCCI	4,585.32	72.80	1.61
HKSPGEM	518.17	-3.13	-0.60

World Indices	Last price	chg	% chg
FTSE 100	6,773.26	44.82	0.67
DAX 30	9,683.60	71.55	0.74
CAC 40	4,326.78	22.04	0.51
DJIA	17,051.73	-48.45	-0.28
S&P500	1,973.63	-4.59	-0.23
Nasdaq Composite	4,424.70	-7.44	-0.17
Nikkei 225	15,343.28	127.57	0.84

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	2,028.93	10.43	0.52
TWSE	9,499.36	58.39	0.62
STI	3,320.35	6.08	0.18
India BSE 30	25,967.98	252.81	0.98
S&P/ASX 200	5,543.29	3.35	0.06

HSI One Year



HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

+852-3189-6888

will not be affected. The options held by those shareholders would have expired in September 2014, and they disposed of shares in July taking into account the company will release interim results at end of August and the quiet period.

Maintain BUY: The sales target of the company for 2014 is RMB65 bn, up 28% YoY. In 1H2014, the company completed 45.8% of its sales target for the year, in line with our estimation. The company ranked the 9th in sales in 1H2014, stepping into Top 10 for the first time. The company has prime land bank in the core areas of major cities. At present, it has a land bank of around 22.17 mn sq.m., of which 1.05 mn sq.m. was acquired in 1H14. These areas are relatively less affected by fluctuation in the markets. (Yiqian Li/Feiqin Duan)

Li Ning (2331 HK, NEUTRAL, TP HK\$5.30)

Stock price under ST downward pressure, increase uncertainties on LT development

- Net loss RMB550mn in 1H2014.
- Exclude RMB300mn one-off expenses, operation was eroded by A&P expenses and resulting in loss RMB300mn.
- 2H2014 will be better than 1H2014.

Profit warning announced

Li Ning announced profit warning last week, expected to have a loss about RMB550mn in 1H2014, higher than the loss in 1H2013. The main reasons were: 1) RMB100mn of bad debt provision. Although most distributors have improved store profitability, the company made a provision of RMB100mn to reduce future financial risks due to the deleveraging of inventory clearance & accounting policies; 2) RMB200mn of other expenses (mostly non-cash), resulting from the closure of Shanghai flagship store; 3) RMB300mn loss from sales operation. Although the process of inventory clearance was close to an end, contribution from new products was still low in product mix, profitability was not revealed yet. As for costs, the company continued to invest for the expansion of its self-operated retail network & sports marketing, such that a loss was incurred.

Net loss in 1H2014 far beyond market expectation

The total loss was far beyond market expectation. 1) The company reversed a provision of RMB337mn in 2013, due to the improvement in distributors' profitability after the new business model launched. So we overlooked the possibility of bad debt provision in 1H2014 since there was a growth in sportswear market. The company noted that the provision did not suggest any deteriorating operation, and expected AR days to approach normalized level afterwards; 2) The closure of Shanghai flagship store; 3) Due to time constraint, the company needed to invest a big amount to secure certain sports assets for itself, even though it will have negative impact to 1H2014 profit. Going forward, the investment will help the company to reduce A&P expense/sales in coming years.

Lower 2014-16 earnings estimates

Based on the announcement, we revise up SG&A expenses and lower earnings estimates, with other assumptions unchanged. We conclude 2014-15E net profit of RMB-367mn & RMB115mn (vs. RMB-43mn & RMB140mn), which are 3-30% lower than consensus. Dividing 2014E results into halves, based on continual improving retail operation, the completion of retail operation model, and excluding one-off expenses

1H2014, we expect the company to turnaround in 2H2014 with net profit of RMB179mn. According to new earnings estimates, our 1yr TP is lowered to HK\$5.30, based on DCF (assuming WACC=11.2%, g=2.0% and Beta=1.0), rating "NEUTRAL".

Key risks: 1)Faster deterioration in retail; 2)1H2014 results are worse than the numbers announced; 3)Operation in retail is less smooth than expected; 4)Self-operated stores perform disappointingly; 5)Distributors still not profitable.

**Dongjiang Environmental (895 HK, BUY, TP HK\$34.10)
Results Meet Elevated Valuation**

Event:

Dongjiang Environmental announced its preliminary 1H14 results, of which its revenue amounted to RMB849 mn (+19.9% YoY), net profit RMB136 mn (+17.6% YoY), equivalent to EPS of RMB0.39. In other words, the company's 2Q14 net profit amounted to RMB79 mn, up 42% QoQ or 23% YoY.

Comments:

The 1H14 results of the company accounted 46% of for our 2014E EPS of RMB0.84, basically in line with our estimation. In terms of quarterly results and QoQ growth, growth of 2Q14 results of Dongjiang Environmental was at the best level since 1Q13 and proved our earlier conclusion that the company's results would move to a turning point in 2014. Rebound in metal prices and significant surge in hazardous waste detoxification business were the engines of its rapid growth. Due to stabilizing Chinese economy and lower-than-expected supply, copper price bottomed in 2Q14. Copper price in Shanghai Futures Exchange rebounded as much as nearly 16% compared with the bottom in March. Hazardous waste detoxification business of the company significantly surged in 1H14 due to stringent regulatory policies. It is estimated that the volume of detoxification treatment will increase by more than 50% HoH. The fees of detoxification treatment of the company have also been rising and are expected to increase by more than 15% for 1H14. Key drivers for 2H14 results will be the capacities from newly acquired projects and completion of projects under construction. Newly acquired projects including Xiamen Oasis, Yancheng Coastal Solid Waste and New Champion will gradually contribute. It is expected that the North Guangdong Hazardous Waste Project will commence operation in 4Q14, thereby strengthening further growth in earnings. With the contribution from significant surge in treatment volume of hazardous waste and bottomed gross margin, we estimate the 2014-16E EPS of the company to be RMB0.84/1.28/1.78 and 2013-16E CAGR to be 44%. The current share price of the company is equivalent to 23x 2014E PE. We believe that with the turning point of the hazardous waste treatment industry, the valuation of the company is likely to further improve. Rapid growth in earnings and elevation in valuation will provide engines for the share price of the company. [Li Xiang]

A-share Research Highlights (CMS Research Center)

Interim Strategy for Automobile Industry Continues – Structural Opportunities Arise from Divergence

[Wang Liusheng, Tang Nan, Fang Xiaojian and Peng Qi, July 21, 2014] Valuation of blue chips undergoes inspection amid the season of interim results. With bullish data and themes of new energy vehicle and automobile electronics in 1H14, small- and mid-caps in the automobile sector were well regarded. The results of these growth companies will undergo pressure in the interim results season as to whether expectations can be met and the concern of momentum and new expectation afterwards. In these circumstances, leading enterprises in the growing industry chain of American and German automobiles with no demanding expectation and valuation will have outstanding investment value.

American and German automobiles continued to grow and benefited the industry chain. In 1H14, sales of Shanghai Volkswagen and FAW-VW were up +20% and +23.6% YoY, while Ford and GM were up 38.8% and 7.5%. Apart from the overall size, the growth of these four enterprises is also much faster than the industry. Although the growth of General Motor has slowed, it still exceeded expectation. As a result, we believe companies in the industry chain of American and German automobiles will benefit most.

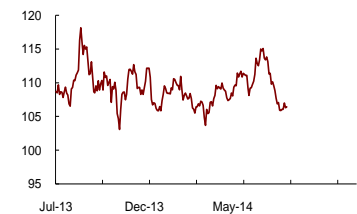
Key recommendations: SAIC Motor (600104 CH), Huayu Automotive (600741 CH), Faway Automobile (600742 CH) and Fuyao Glass (600660 CH). (1) We estimate the results of SAIC Motor (600104 CH) to grow by 10%-15% taking into account the faster growth of two of its major subsidiaries and the unsatisfactory performance of SGMW. Huayu Automotive (600741 CH) may have at least 25%-30% growth with the impact of increase in stake by Visteon Corporation. Focus of SAIC + Huayu are mainly the changes in staff incentive mechanism as a result of SOE reforms, as well as their potential proposals in 2H14; (2) Faway Automobile (600742 CH) has 60% of its profits generated from Faway-Johnson, and Faway-Johnson followed Faw-Volkswagen: revenue being generated from plants in Chengdu and Foshan and growth in interim results expected to be between 40%-45%; (3) Fuyao Glass (600660 CH) is expected to have 20%-25% growth in interim results due to the contribution from the operation of Phase I of its Russian Project and satisfactory overseas expansion; and (4) Changan Automobile (000625 CH) is expected to maintain rapid growth with estimated 155%-178% growth in results as it continued to be supported by Changan Ford, reduced loss in proprietary business and succeeded in rolling out new models of automobiles.

Shanghai-HK Stock Connect, SOE reforms and blue-chip value stocks will be bullish. Taking into account the different preference of investors and the on-going satisfactory data of the automobile industry, the value of the blue chips within the scheme of Shanghai-HK Stock Connect is expected to be driven. We expect that leading enterprises in the automobile industry with satisfactory results and lower valuation will be continuously well regarded.

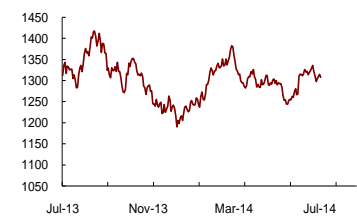
Global Commodity	Last price	chg	% chg
Brent Oil	106.42	-0.15	-0.14
Gold	1,308.2	-4.35	-0.33
LME Aluminum	2,020.0	39.00	1.97
LME Copper	7,025.0	40.00	0.57
BDI	724.00	-8.00	-1.09
API Coal	78.50	0.50	0.64

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		6.25	0.00	0.00
EUR/USD		1.35	-0.26	-0.19
3-M Libor		0.56	0.00	0.00
3-M Shibor		4.75	0.00	0.00
10 YR US T-Note Yield		2.47	0.01	0.40

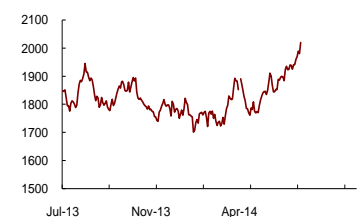
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year



Source: Bloomberg

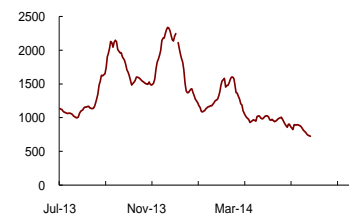
What to Watch

Economic Data	HK: Nil US : MBA Mortgage Index		
Date	Ticker	Stock Name	Earnings Results
2014/07/23	00522	ASM PACIFIC	
2014/07/23	00868	XINYI GLASS	
2014/07/23	00968	XINYI SOLAR	
2014/07/23	87001	HUI XIAN REIT	
Date	Ticker	Stock Name	Issue Price

LME Copper Commodity One Year



BDI One Year



API Coal One Year



Source: Bloomberg

China Merchants Securities (Hong Kong) Stock Pool Update Weekly
 2014-7-23

Company	Ticker	Rating	Share px Dec. 18	12-month TP	% Upside	Mkt cap (US\$m)	EPS 2013E	2014E	2015E	P/E 2013E	2014E	2015E	Analyst
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$14.6	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\$49.95	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\$4.03	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\$2.97	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\$6.73	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\$29.95	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\$27.1	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\$14.22	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\$9.96	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\$3.82	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\$4.06	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\$2.67	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\$19.7	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\$2.84	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\$4.42	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\$5.69	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\$7.48	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\$9.81	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\$10.48	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\$13.72	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\$15.68	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\$5.25	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\$3.35	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\$8.46	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\$21.45	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\$8.17	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			Mkt cap (US\$m)	EPS			P/E			Analyst
			Dec. 18	12-month TP	% Upside		2013E	2014E	2015E	2013E	2014E	2015E	
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\$1.07	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\$6.33	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\$4.75	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\$3.32	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\$1.82	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\$14.0	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\$4.83	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$3.76	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\$4.1	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\$12.78	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\$83.35	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\$4.16	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.78	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.22	HK\$2.0	-10	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.65	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\$5.9	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$124.1	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\$14.22	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\$48.05	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\$2.14	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\$11.42	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\$10.38	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\$10.72	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\$5.22	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\$1.77	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\$3.31	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$8.85	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\$2.04	HK\$2.72	44	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Dec. 18	12-month TP	% Upside		2013E	2014E	2015E	2013E	2014E	2015E	
ANTA Sports Products	2020 HK	BUY	HK\$12.3	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\$4.51	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\$3.29	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\$11.02	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\$38.1	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\$21.85	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\$10.18	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\$21.65	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\$5.95	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\$7.1	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\$1.3	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\$1.16	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\$0.65	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\$9.24	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\$2.59	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\$11.74	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\$2.98	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\$7.81	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\$2.41	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\$11.16	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\$25.5	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\$2.18	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\$38.9	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\$4.54	HK\$4.2	-3	885	0.51	0.26	0.29	7.2	14.0	12.6	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.56	HK\$7.01	53	537	0.54	0.63	0.68	6.8	5.8	5.4	Yiding JIAO

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Dec. 18	12-month TP			2013E	2014E	2015E	2013E	2014E	2015E	
Lonking	3339 HK	BUY	HK\$1.36	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\$5.46	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\$3.24	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\$9.26	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\$4.04	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\$2.69	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\$6.33	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\$23.95	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\$11.82	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\$6.55	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\$13.38	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\$18.74	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\$3.57	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\$5.05	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\$7.18	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\$5.28	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\$3.62	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\$3.53	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\$5.68	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\$4.89	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\$30.2	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\$56.45	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\$27.35	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\$63.3	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\$84.3	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\$20.1	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela HAN LEE
Environmental Protection													

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Dec. 18	12-month TP	% Upside		2013E	2014E	2015E	2013E	2014E	2015E	
Everbright International	257 HK	BUY	HK\$11.18	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\$25.7	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	139.6	1.6	168	TSINGTAO BREW-H	61.30	2.4
2	CLP HLDGS LTD	63.85	0.6	177	JIANGSU EXPRES-H	9.62	0.7
3	HONG KG CHINA GS	16.94	0.8	323	MAANSHAN IRON-H	1.72	3.0
4	WHARF HLDG	58.00	2.2	338	SINOPEC SHANG-H	2.36	1.7
5	HSBC HLDGS PLC	80.10	1.3	347	ANGANG STEEL-H	5.29	1.2
6	POWER ASSETS HOL	69.50	0.8	358	JIANGXI COPPER-H	14.00	2.3
11	HANG SENG BK	129.5	0.5	386	SINOPEC CORP-H	7.48	3.6
12	HENDERSON LAND D	46.35	1.0	390	CHINA RAIL GR-H	4.13	1.0
13	HUTCHISON WHAMPO	103.9	-0.5	489	DONGFENG MOTOR-H	14.22	3.6
16	SHK PPT	106.8	0.5	552	CHINA COMM SER-H	3.71	-1.9
17	NEW WORLD DEV	9.17	0.8	576	ZHEJIANG EXPRESS	8.28	0.1
19	SWIRE PACIFIC-A	97.30	0.9	694	BEIJING CAP AI-H	5.34	-2.2
23	BANK EAST ASIA	32.20	0.9	728	CHINA TELECOM-H	4.10	2.2
66	MTR CORP	29.90	0.5	753	AIR CHINA LTD-H	4.67	1.3
83	SINO LAND CO	12.58	0.2	857	PETROCHINA CO-H	10.48	3.2
101	HANG LUNG PROPER	23.60	1.1	902	HUANENG POWER-H	9.26	0.1
144	CHINA MERCHANT	25.50	0.4	914	ANHUI CONCH-H	29.20	3.2
267	CITIC PACIFIC	14.78	1.9	939	CHINA CONST BA-H	5.68	1.8
291	CHINA RES ENTERP	22.00	1.9	991	DATANG INTL PO-H	4.04	1.0
293	CATHAY PAC AIR	14.38	0.0	998	CHINA CITIC BK-H	4.89	2.3
330	ESPRIT HLDGS	11.56	1.1	1088	CHINA SHENHUA-H	21.20	2.7
386	SINOPEC CORP-H	7.48	3.6	1133	HARBIN ELECTRIC	5.12	0.0
388	HKEX	157.0	2.2	1138	CHINA SHIPPING-H	4.82	2.3
494	LI & FUNG LTD	10.28	0.6	1171	YANZHOU COAL-H	5.92	3.1
551	YUE YUEN INDUS	25.65	-0.4	1186	CHINA RAIL CN-H	7.33	1.4
688	CHINA OVERSEAS	21.45	4.4	1398	ICBC-H	5.05	1.6
700	TENCENT	124.1	2.1	1800	CHINA COM CONS-H	5.67	2.9
762	CHINA UNICOM HON	12.78	1.1	1898	CHINA COAL ENE-H	4.16	2.2
857	PETROCHINA CO-H	10.48	3.2	1919	CHINA COSCO HO-H	3.12	0.7
883	CNOOC LTD	13.72	1.9	2318	PING AN INSURA-H	59.70	2.6
939	CHINA CONST BA-H	5.68	1.8	2328	PICC PROPERTY &	11.96	2.1
941	CHINA MOBILE	83.35	2.1	2600	ALUMINUM CORP-H	3.32	7.4
1088	CHINA SHENHUA-H	21.20	2.7	2628	CHINA LIFE INS-H	20.85	3.0
1199	COSCO PAC LTD	11.16	1.8	2727	SHANGHAI ELECT-H	3.28	0.9
1398	ICBC-H	5.05	1.6	2777	GUANGZHOU R&F -H	10.80	2.5
2038	FIH MOBILE LTD	4.50	-2.4	2866	CHINA SHIPPING-H	2.18	1.4
2318	PING AN INSURA-H	59.70	2.6	2883	CHINA OILFIELD-H	19.70	1.7
2388	BOC HONG KONG HO	23.70	1.1	2899	ZIJIN MINING-H	1.82	2.3
2600	ALUMINUM CORP-H	3.32	7.4	3323	CHINA NATL BDG-H	7.63	1.6
2628	CHINA LIFE INS-H	20.85	3.0	3328	BANK OF COMMUN-H	5.28	2.1
3328	BANK OF COMMUN-H	5.28	2.1	3968	CHINA MERCH BK-H	15.00	2.6
3988	BANK OF CHINA-H	3.53	1.2	3988	BANK OF CHINA-H	3.53	1.2
				3993	CMOC-H	4.83	2.6

A+H Company Performance
 Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NANJING PANDA-H	553	4.75	600775	7.47	96.5
JINGWEI TEXTIL-H	350	7.19	000666	11.15	93.7
NORTHEAST ELEC-H	42	1.61	000585	2.46	90.9
JINGCHENG MAC	187	4.13	600860	6.16	86.3
SHENJI GROUP-H	300	3.04	600806	4.51	85.3
CHONGQING IRON-H	1053	1.65	601005	2.34	77.2
TIANJIN CAP-H	1065	5.61	600874	7.82	74.2
SHANDONG XINHU-H	719	4.40	000756	6.04	71.5
SINOPEC SHANG-H	338	2.36	600688	3.20	69.4
BEIJING NORTH-H	588	2.02	601588	2.55	57.7
YANZHOU COAL-H	1171	5.92	600188	6.82	43.9
ALUMINUM CORP-H	2600	3.32	601600	3.56	34.0
BAIYUNSHAN PH-H	874	24.15	600332	23.47	21.4
CHINA SOUTHERN-H	1055	2.46	600029	2.37	20.4
MAANSHAN IRON-H	323	1.72	600808	1.61	16.9
CHINA SHIPPING-H	1138	4.82	600026	4.48	16.1
DATANG INTL PO-H	991	4.04	601991	3.74	15.7
JIANGXI COPPER-H	358	14.00	600362	12.86	14.8
DONGFANG ELECT-H	1072	13.66	600875	12.19	11.5
GUANGSHEN RAIL-H	525	2.93	601333	2.61	11.3
ANHUI EXPRESS-H	995	4.74	600012	4.21	11.0
HISENSE KELON -H	921	9.97	000921	8.68	8.8
SHENZHEN EXPRE-H	548	4.50	600548	3.84	6.6
CHINA CITIC BK-H	998	4.89	601998	4.05	3.5
ZTE CORP-H	763	16.30	000063	13.37	2.5
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	3.53	601988	2.57	-9.0
AIR CHINA LTD-H	753	4.67	601111	3.39	-9.3
HUADIAN POWER-H	1071	5.46	600027	3.85	-11.9
BANK OF COMMUN-H	3328	5.28	601328	3.70	-12.5
ICBC-H	1398	5.05	601398	3.43	-15.1
PING AN INSURA-H	2318	59.70	601318	40.22	-15.8
SINOPEC CORP-H	386	7.48	600028	4.99	-16.7
CHINA LIFE INS-H	2628	20.85	601628	13.89	-16.8
CHINA MERCH BK-H	3968	15.00	600036	9.98	-16.9
HUANENG POWER-H	902	9.26	600011	6.14	-17.2
TSINGTAO BREW-H	168	61.30	600600	40.31	-17.9
JIANGSU EXPRES-H	177	9.62	600377	6.02	-21.8
ANGANG STEEL-H	347	5.29	000898	3.21	-24.2
WEICHAI POWER-H	2338	31.80	000338	18.94	-25.6
ANHUI CONCH-H	914	29.20	600585	17.24	-26.2

Recently Published Research

Date published	Name of report	Analyst
22-Jul-14	TCL Comm (2618 HK)	Alex Ng
21-Jul-14	Sunac China Holdings Limited (1918 HK)	Kate Li
21-Jul-14	Li Ning (2331 HK)	Ivy Zhao
21-Jul-14	Zoomlion (1157 HK)	Yiding JIAO
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
15-Jul-14	China banks - Still in favor	Wang Donger
14-Jul-14	Macau Gaming - 2Q14 Preview	Angela Han Lee
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10-Jul-14	Suntien Green Energy (956 HK)	Vera Liang
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3-Jul-14	Li Ning (2331 HK)	Ivy Zhao
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24-Jun-14	2H14 Hong Kong Food&Beverage Sector Investment	Hua Ling
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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

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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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 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 Bookrunner and Joint Lead Manager of Lenovo Group Ltd. in an offering.
 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.
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