

## CMS (HK) Research Highlights

### Wisdom (1661 HK, Buy, TP HK\$7.00)

#### 1H2014 results preview: Strong seasonality in 1H2014, expect better results in 2H2014

Stable 1H2014 top line and bottom line YoY growth

We estimate 1H2014 revenue and net profit to grow 22% and 33% YoY respectively. We believe Wisdom Brand revenue to grow slightly YoY as CCTV-NEWS channel continued to attract stable viewership. We believe Wisdom Program revenue to decline YoY due to 1) unexpected delay of new TV show caused by government's campaign against corruption; and 2) Luck Go stopped contributing revenue. We believe Wisdom Sport revenue to grow significantly YoY due to low base in 1H2013.

#### Strong seasonality

Wisdom's business experienced seasonality over the past few years. We expect seasonality to be stronger in 2014 because 1) most of sport events, especially 4 self-operated Marathons (Hangzhou, Guangzhou, Chengdu, Shanghai), will take place in 2H2014; and 2) we expect Wisdom to launch new TV shows in 2H2014.

#### Recent business development

Wisdom continues to seek long term strategic partnership with provincial sport bureaus after Zhejiang and Hubei provinces. Wisdom recently formed strategic partnership with Tianjin city sport bureau and assisted to operate The 13th Tianjin Sport Game with Tianjin government. Also, Wisdom assisted Shanghai to hold Shanghai Youth Dance Competition in July. Given these two recent events, we believe Wisdom has started to explore and develop the commercial potential of provincial sport events.

#### What we want to know from interim results

1) New TV show pipeline in 2H2014 2) launch timeline of new media products; and 3) further cooperation with provincial sport bureaus.

#### Catalysts and Risk

Catalysts: 1) launch of new media products; 2) partner with more provincial sport bureaus; and 3) M&A. Risk: 1) Delay in TV show launch.

#### Valuation and ratings

We maintain current earnings estimates. Reiterate Buy. TP unchanged. (Jeff Hao)

### Dongjiang Environmental (895 HK, Buy, TP HK\$34.10)

#### Turning point has come, reiterate BUY rating

#### Actions

Dongjiang Environmental reported 1H revenue of RMB849 mn (+19.9% YoY) and net profit of RMB136 mn, in line with our estimates. 2Q net profit was RMB79 mn, up 42% QoQ or 23% YoY. 1H net profit accounted for 46% and 49% of our estimates and market consensus respectively.

#### Our views

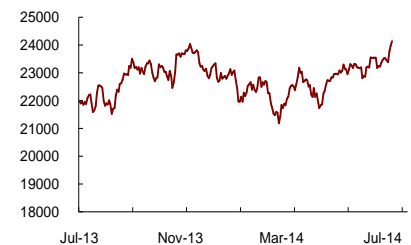
Rebound of metal price and burst of hazardous waste treatment. Due

HK Indices	Last price	chg	% chg
HSI	24,141.50	169.6	0.71
Finance	32,059.12	290.2	0.91
Properties	30,712.57	200.6	0.66
Utilities	52,546.50	-113.8	-0.22
Commerce&Industr	14,997.36	89.46	0.60
HSCEI	10,939.57	118.86	1.10
HSCCI	4,662.63	34.22	0.74
HKSPGEM	519.53	-1.99	-0.38

World Indices	Last price	chg	% chg
FTSE 100	6,781.91	-16.24	-0.24
DAX 30	9,721.87	-31.69	-0.32
CAC 40	4,371.33	-4.99	-0.11
DJIA	17,086.63	-26.91	-0.16
S&P500	1,987.01	3.48	0.18
Nasdaq Composite	4,473.70	17.68	0.40
Nikkei 225	15,284.42	-44.14	-0.29

Asia-Pacific Indices	Last price	chg	% chg
KOSPI	2,026.62	-1.70	-0.08
TWSE	9,527.54	28.18	0.30
STI	3,346.85	6.15	0.18
India BSE 30	26,141.89	-5.44	-0.02
S&P/ASX 200	5,587.80	11.05	0.20

#### HSI One Year



#### HSCEI One Year



Source: Bloomberg

China Merchants Securities (HK)

Research

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to improvement of economic prospect and lower-than-expected release of supply, copper price in 2Q perform well. We expect the rising trend in the amount of hazardous waste has established and the treatment industry will benefit from this new trend. We expect the 1H treatment amount by Dongjiang to increase 50% YoY. We also expect the 1H treatment charge to increase by more than 15% YoY.

Turning point established and EPS growth trends continue in 2H. Looking to 2H, we believe that the downside risk is low for copper prices; after completion of new project (North Guangdong Hazardous Waste) and release of capacity from newly acquired project (Oasis), we expect the 2H hazardous waste treatment amount will be higher than 1H; and the unit price of detoxification treatment is expected to rise in 2H. Driven by these factors, we expect the EPS growth trends to continue in 2H.

Acquisitions extend business areas and fields. By active acquisitions, Dongjiang has ensured rapid expansion geographically to become a national leader and entered into fields such as medical waste and soil remediation. We expect huge potential from the soil remediation market, which may provide new growth opportunities for the company's future development.

We maintain BUY rating. Driven by rising volume of hazardous treatment and recovery of gross margin, we expect 2014-16E EPS to be RMB0.84/1.28/1.78. Current price is trading at 23x 2014E PE. We maintain BUY rating and TP of HK\$34.10. (Xiang Li)

#### **Future Bright (703 HK, HK\$3.82, NOT RATED)**

**Future Bright announced that it was finally approved to get a land in Hengqin.**

Details are:

- Total GFA: 50,000 sqm (site area of 20,000 sqm)
- Site: on the west of Hengqin campus of the University of Macau
- Use: commercial and office use for large-scale international food plaza. Most of the area will be operated by Future Bright without leasing.
- Price: RMB209mn (c. HK\$260mn), to be financed internally and/or bank borrowings
- Total investment: RMB900mn (c. HK\$1.1bn), consisting land and construction cost

Increased visibility is likely to benefit the share price. While market has been expecting high possibility of getting the land, we think the final approval brings better visibility. We believe, the construction will take c.3 years to complete. We saw a pretty strong demand for Hengqin land for residential and commercial use, especially from Macau-based enterprises. Residential properties are sold at RMB35,000-45,000 per sqm, at a big premium to other Zhuhai properties. We believe next phase of expansion of Macau is in both Cotai and Hengqin, and have positive view on the area's outlook. With the first and unique concept of international food plaza, we think Future Bright's new property will be well-positioned to capture the boom of Hengqin and Cotai. With assumptions set below, it is likely that the land brings Future Bright a value of HK\$2.3 per share.

Per sqm land cost in RMB:	(4,200)
Total GFA in sqm:	49,850
A building complex to house up to 100 restaurants and food souvenir shops	
Immediate land acquisition cost in RMBmn:	(209)
Construction cost in RMBmn (RMB6,000 per sqm):	(299)
Cost excluding interest expenses in HK\$mn:	(661)
Assume 30% bank loan financed at 7% p.a. interest expenses in HK\$mn:	(13.9)
Total cost in HK\$mn:	(675)
Per sqm retail price of residential area in RMB in Hengqin now:	35,000
Assumed per sqm price of commercial area in RMB (40% premium to residential):	49,000
Market price in HK\$mn:	3,175
NAV in HK\$mn:	2,501
35% discount to NAV in HK\$mn:	<b>1,625</b>
35% discounted NAV of Hengqin land in HK\$:	<b>2.3</b>

2Q14 maintained a strong YoY growth trend despite weak GGR. Following strong 23.7% YoY growth in 1Q14, 2Q14 revenue is estimated to be up c.20% YoY. In weak June, Future Bright still recorded c.10% YoY revenue growth. Contribution from different cuisines remained broadly unchanged, in our view, implying similar YoY growth in gross profit and gross operating profit. We believe its quarterly updates will bring a positive surprise to the market, because market is broadly expecting a weak F&B business in Macau from less visits of VIP players.

FY14E without big catalyst. 4Q14E margin under pressure due to new openings outside casinos. Hengqin land grant and strong 2Q14E are likely to benefit the share price, but we see slight downside from 4Q14E. All four restaurants in Zhuhai Huafa Mall will open by 4Q14E, with much lower margin than restaurants in Macau casino properties. Meaningful expansion in casino properties will come from 2H15E, when Future Bright can possibly open new restaurants in Macao Studio City and the Parisian. Potential catalysts are: 1) stronger than expected response from market on its food souvenir business launched recently, 2) announcements on MOU with casino operators for new restaurant opening, and 3) better than expected performance of Zhuhai catering business.

Valuation. It trades at 14.8x FY14E P/E and 1.4% yield on consensus forecast, vs. 18.2x of Tsui Wah (1314 HK, HK\$3.32, NOT RATED).  
[Angela Maria Han]

## A-share Research Highlights (CMS Research Center)

### Investment Opportunities in Bank Shares – Policy Loosening + Stabilizing Economy + Increased Funds = Best Timing for Buying Bank Shares

[Xiao Liqiang and Zou Tianjie, July 24 2014] Optimistic about the current investment opportunities in banking stocks: the valuation of banks is safe, which has already reflected the pessimistic market expectations; public equity institutions undertaking low placements of banks, and since public equity allocations would often have stronger rally amid the rising market trend, from the historical perspective 2H will have a better chance than 1H; we expect liquidity to have moderate relaxations in future, with the small economic cycle possibly bottoming out, which will be beneficial to the valuation recovery of banks; HK-Shanghai Stock Connect will be catalyzed in future and it is extremely likely to see the market trend at the end of 2012 again, from the angle of rally we recommend Ping An (000001 CH), Pudong Development (600000 CH), Industrial Bank (601166 CH) and Minsheng Bank (600016 CH), from the angle of dividend and steady revenue we recommend CCB (601939 CH) and ICBC (601398 CH).

Baseline thinking: as valuation is safe, the situation is not likely to deteriorate. The valuation of banks has already reached a historical low, while the earlier unfavorable factors constraining the valuation of banks, such as interest rate liberalization, financing, asset quality and declining growth, have already been acknowledged and discussed repeatedly by all the investors. However, phenomena like the negative profit growth of banks or property collapse did not happen, yet the valuation of banks had already plunged below the floor. Under the circumstances without any negative impacts beyond expectations, we reckon the valuation of banks has an extremely strong safety margin.

Liquidity conditions and falling interest rates are favorable to the improvement in the valuation of banks. We believe that the inflation for the year should be lower than target. If there is no major changes in policies, GDP is likely to move downward and the government may introduce more accommodative monetary policies in 2H14. As a result, M2 is likely to be higher than target. We believe that long-term market rates are still at high levels and have potential downside. In terms of motivation, the leveraging of businesses is too high and the profitability has been relatively low. For the long-term credit issue of to be solved, interest rates of funding should move down to ease the burden of businesses.

The timings for banks to have gains are usually when the market is rising, plus increasing inflation, sufficient liquidity and favorable economic indicators. Currently, monetary policies are more accommodative and the minor economic cycle may have bottomed. Consequently, banks may outperform the market. Historically, banks are more likely to gain in 2H than in 1H, especially in August, October and December. Holdings of funds as a proportion to the free float of banks were at historical lows in 1Q14. In terms of allocation, moderate increase in position is advisable.

The Shanghai-HK Stock Connect will be the most powerful catalyst in 2H14. First, the elimination of discounts or premiums between shares in both places may bring up bank shares in the short term. Second, the structure of investors results in lower transaction volume and preference to large caps in HK, which is favorable in leading A Share investors to make long-term investments. Investors shall be aware of the systematic risks of lower-than-expected macroeconomic improvement.

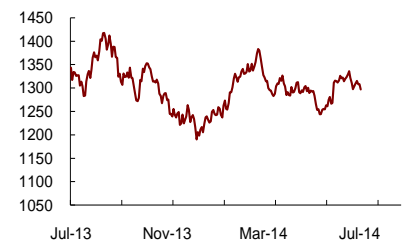
Global Commodity	Last price	chg	% chg
Brent Oil	106.44	-0.41	-0.38
Gold	1,297.0	-7.61	-0.58
LME Aluminum	2,016.0	-27.00	-1.32
LME Copper	7,045.0	5.00	0.07
BDI	727.00	4.00	0.55
API Coal	79.50	0.50	0.63

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		6.24	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	-0.01	-0.21
10 YR US T-Note Yield		2.47	0.01	0.40

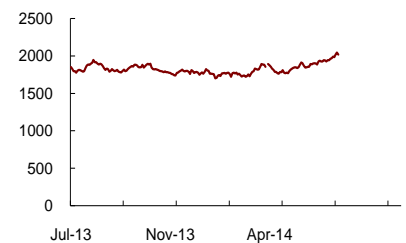
Brent Oil One Year



Gold Commodity One Year



LME Aluminum Commodity One Year

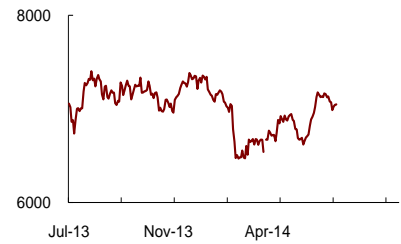


Source: Bloomberg

**What to Watch**

Economic Data	HK: Nil US: Durable Orders		
Date	Ticker	Stock Name	Earnings Results
2014/07/25	00243	QPL INT'L	
2014/07/25	00778	FORTUNE REIT	
2014/07/25	00904	CHINA GREEN	
2014/07/25	00993	SIMSEN INT'L	
2014/07/25	01187	PEARLRIVER TYRE	
2014/07/25	01299	AIA	
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  
 2014-7-25

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 24	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
<b>Auto &amp; Auto Parts</b>													
Brilliance China	1114 HK	BUY	HK\$14.32	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\$49.25	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\$4.42	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\$3.02	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\$7.07	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\$32.5	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\$27.3	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\$14.92	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\$13.74	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\$10.26	HK\$10.3	2	2,797	0.58	0.71	0.99	14.0	11.4	8.2	Colleen LI
<b>Oil and Gas</b>													
SPT Energy	1251 HK	BUY	HK\$3.89	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\$4.25	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\$2.65	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\$19.8	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\$2.81	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\$4.63	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\$5.3	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\$7.65	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\$9.7	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\$1.16	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\$10.9	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\$13.92	HK\$17.0	22	80,173	1.26	1.40	1.50	8.9	8.0	7.5	Michael YUK
<b>Property</b>													
China Resources Land	1109 HK	NEUTRAL	HK\$17.32	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\$5.75	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\$3.52	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\$9.37	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\$22.4	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\$8.63	HK\$19.1	153	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN



Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 24	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
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\$1.15	HK\$2.3	125	645	0.11	0.17	0.19	7.5	4.8	4.3	Feiqin DUAN
<b>Metals and Mining</b>													
China Hongqiao	1378 HK	BUY	HK\$6.67	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\$4.8	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\$3.41	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\$1.92	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\$14.64	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\$3.83	HK\$3.1	-12	6,822	-0.21	0.04	0.05	N.A.	11.3	9.1	Shawn LEE
<b>Technology, Media &amp; Telecom</b>													
China Telecom	728 HK	NEUTRAL	HK\$4.25	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\$12.94	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\$85.15	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\$4.22	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.74	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\$23.4	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\$5.94	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$124.5	HK\$127.6	8	28,432	1.66	2.45	3.15	57.2	38.7	30.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.2	HK\$20.34	42	940	0.32	0.65	0.82	35.9	17.7	14.0	Jeff HAO
<b>Hardware Technology</b>													
AAC Technologies	2018 HK	NEUTRAL	HK\$48.45	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\$1.96	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\$10.94	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\$10.46	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\$4.75	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
<b>Textile &amp; Garment</b>													
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\$3.28	HK\$3.31	1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$9.03	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\$2.0	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
			Jul. 24	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
ANTA Sports Products	2020 HK	BUY	HK\$12.62	HK\$13.47	9	3,966	0.53	0.57	0.63	18.7	17.4	15.7	Ivy ZHAO
Li Ning	2331 HK	NEUTRAL	HK\$4.49	HK\$5.3	-16	6,470	-0.30	-0.21	0.06	N.A.	N.A.	60.5	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.57	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\$3.34	HK\$4.0	14	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.97	HK\$2.0	21	369	0.18	0.16	0.18	9.2	10.3	9.2	Ivy ZHAO
<b>Food &amp; Beverage</b>													
Want Want China	151 HK	NEUTRAL	HK\$10.62	HK\$13.05	17	18,685	0.05	0.06	0.07	28.7	24.0	20.5	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$37.85	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\$21.8	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\$10.06	HK\$11.6	17	1,319	0.33	0.36	0.39	30.0	27.5	25.4	Ling HUA
<b>Retail</b>													
Haier Electronics	1169 HK	BUY	HK\$22.4	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\$6.02	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\$7.06	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\$1.37	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\$1.2	HK\$1.58	31	485	0.09	0.11	0.12	13.4	11.0	10.1	Gloria WANG
<b>Alternative Energy</b>													
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\$0.66	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\$9.49	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\$11.32	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\$2.95	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\$7.89	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
<b>Port &amp; Shipping</b>													
COSCO Pacific	1199 HK	BUY	HK\$11.24	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\$26.2	HK\$26.43	9	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI
CSCCL	2866 HK	NEUTRAL	HK\$2.2	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\$39.35	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\$2.14	HK\$2.4	8	1,143	0.00	0.01	0.01		28.6	28.6	Kate LI
<b>Machinery &amp; Equipment</b>													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$4.94	HK\$4.2	-3	885	0.51	0.26	0.29	7.2	14.0	12.6	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.65	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
			Jul. 24	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
Lonking	3339 HK	BUY	HK\$1.42	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\$1.67	HK\$1.47	-15	675	0.12	0.12	0.13	11.5	11.5	10.6	Yiding JIAO
<b>Electric Power</b>													
HUADIAN POWER	1071 HK	BUY	HK\$5.09	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\$3.22	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\$9.29	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\$3.94	HK\$4.4	9	1,296	0.27	0.33	0.39	9.0	7.4	6.2	Vera LIANG
<b>Pharmaceutical &amp; Healthcare</b>													
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\$6.45	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\$23.8	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\$6.93	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\$11.8	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\$6.53	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\$13.2	HK\$12.3	-10	1,451	0.91	0.78	0.89	12.0	14.0	12.3	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.95	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\$18.77	US\$21.3	14	1,219	0.33	0.50	0.71	56.4	37.2	26.2	Jonathan HSU
<b>Bank</b>													
ABC	1288 HK	BUY	HK\$3.68	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\$5.19	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\$7.39	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\$5.37	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\$3.73	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\$3.62	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\$5.79	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\$5.09	HK\$4.1	-14	28,850	0.84	0.85	0.96	4.6	4.5	4.0	Donger WANG
<b>Gaming</b>													
Wynn Macau	1128 HK	SELL	HK\$31.1	HK\$31.7	4	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela HAN LEE
Sands China	1928 HK	BUY	HK\$57.0	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\$28.15	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\$63.95	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\$85.05	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\$20.65	HK\$16.3	-16	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela HAN LEE
<b>Environmental Protection</b>													

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 24	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
Everbright International	257 HK	BUY	HK\$10.86	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
<b>Industrial Goods</b>													
TK group	2283 HK	BUY	HK\$1.1	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	140.3	0.0	168	TSINGTAO BREW-H	61.90	0.0
2	CLP HLDGS LTD	63.80	-0.2	177	JIANGSU EXPRES-H	9.78	-0.3
3	HONG KG CHINA GS	16.90	-0.6	323	MAANSHAN IRON-H	1.80	1.7
4	WHARF HLDG	61.00	2.1	338	SINOPEC SHANG-H	2.46	4.7
5	HSBC HLDGS PLC	80.75	0.8	347	ANGANG STEEL-H	5.24	-1.5
6	POWER ASSETS HOL	70.60	0.7	358	JIANGXI COPPER-H	14.64	-0.7
11	HANG SENG BK	130.0	0.2	386	SINOPEC CORP-H	7.65	0.3
12	HENDERSON LAND D	47.45	0.3	390	CHINA RAIL GR-H	4.27	0.5
13	HUTCHISON WHAMPO	103.4	1.0	489	DONGFENG MOTOR-H	13.74	-1.3
16	SHK PPT	107.9	0.5	552	CHINA COMM SER-H	3.85	2.4
17	NEW WORLD DEV	9.32	0.9	576	ZHEJIANG EXPRESS	8.22	1.0
19	SWIRE PACIFIC-A	97.50	0.1	694	BEIJING CAP AI-H	5.47	0.2
23	BANK EAST ASIA	32.65	0.5	728	CHINA TELECOM-H	4.25	2.7
66	MTR CORP	30.25	0.3	753	AIR CHINA LTD-H	4.72	-0.8
83	SINO LAND CO	13.00	1.6	857	PETROCHINA CO-H	10.90	0.9
101	HANG LUNG PROPER	23.90	0.4	902	HUANENG POWER-H	9.29	-2.4
144	CHINA MERCHANT	26.20	1.2	914	ANHUI CONCH-H	30.00	-0.3
267	CITIC PACIFIC	14.74	0.1	939	CHINA CONST BA-H	5.79	0.9
291	CHINA RES ENTERP	22.60	1.1	991	DATANG INTL PO-H	3.94	-2.7
293	CATHAY PAC AIR	14.68	0.6	998	CHINA CITIC BK-H	5.09	2.6
330	ESPRIT HLDGS	11.72	0.3	1088	CHINA SHENHUA-H	21.80	0.9
386	SINOPEC CORP-H	7.65	0.3	1133	HARBIN ELECTRIC	5.21	-0.2
388	HKEX	162.3	2.0	1138	CHINA SHIPPING-H	5.09	2.2
494	LI & FUNG LTD	10.36	0.4	1171	YANZHOU COAL-H	6.15	1.0
551	YUE YUEN INDUS	26.00	1.2	1186	CHINA RAIL CN-H	7.46	0.0
688	CHINA OVERSEAS	22.40	0.0	1398	ICBC-H	5.19	1.2
700	TENCENT	124.5	0.2	1800	CHINA COM CONS-H	5.82	-0.3
762	CHINA UNICOM HON	12.94	1.7	1898	CHINA COAL ENE-H	4.22	-1.2
857	PETROCHINA CO-H	10.90	0.9	1919	CHINA COSCO HO-H	3.23	-0.9
883	CNOOC LTD	13.92	0.3	2318	PING AN INSURA-H	64.20	3.7
939	CHINA CONST BA-H	5.79	0.9	2328	PICC PROPERTY &	12.52	1.1
941	CHINA MOBILE	85.15	1.3	2600	ALUMINUM CORP-H	3.41	-1.2
1088	CHINA SHENHUA-H	21.80	0.9	2628	CHINA LIFE INS-H	22.00	2.6
1199	COSCO PAC LTD	11.24	-0.2	2727	SHANGHAI ELECT-H	3.34	0.0
1398	ICBC-H	5.19	1.2	2777	GUANGZHOU R&F -H	11.16	0.7
2038	FIH MOBILE LTD	4.46	-1.3	2866	CHINA SHIPPING-H	2.20	-0.9
2318	PING AN INSURA-H	64.20	3.7	2883	CHINA OILFIELD-H	19.80	-2.7
2388	BOC HONG KONG HO	23.95	1.5	2899	ZIJIN MINING-H	1.92	0.5
2600	ALUMINUM CORP-H	3.41	-1.2	3323	CHINA NATL BDG-H	7.79	0.5
2628	CHINA LIFE INS-H	22.00	2.6	3328	BANK OF COMMUN-H	5.37	0.8
3328	BANK OF COMMUN-H	5.37	0.8	3968	CHINA MERCH BK-H	15.38	1.6
3988	BANK OF CHINA-H	3.62	0.8	3988	BANK OF CHINA-H	3.62	0.8
				3993	CMOC-H	4.81	-0.6

A+H Company Performance  
 Last price

Name(H)	Code (H)	Price (H)	Code (A)	Price (A)	Spread (%)
NANJING PANDA-H	553	4.81	600775	7.26	88.9
NORTHEAST ELEC-H	42	1.67	000585	2.48	85.8
JINGWEI TEXTIL-H	350	7.34	000666	10.73	82.9
JINGCHENG MAC	187	4.30	600860	6.06	76.3
TIANJIN CAP-H	1065	5.69	600874	7.94	74.6
CHONGQING IRON-H	1053	1.71	601005	2.38	74.2
SHENJI GROUP-H	300	3.23	600806	4.49	73.9
SHANDONG XINHU-H	719	4.37	000756	5.88	68.4
SINOPEC SHANG-H	338	2.46	600688	3.22	63.8
BEIJING NORTH-H	588	2.10	601588	2.62	56.1
YANZHOU COAL-H	1171	6.15	600188	7.30	48.5
ALUMINUM CORP-H	2600	3.41	601600	3.51	28.8
BAIYUNSHAN PH-H	874	23.95	600332	23.36	22.0
DATANG INTL PO-H	991	3.94	601991	3.79	20.4
CHINA SOUTHERN-H	1055	2.53	600029	2.39	18.2
JIANGXI COPPER-H	358	14.64	600362	13.47	15.1
ANHUI EXPRESS-H	995	4.71	600012	4.27	13.4
DONGFANG ELECT-H	1072	13.70	600875	12.38	13.1
HISENSE KELON -H	921	9.50	000921	8.57	12.9
MAANSHAN IRON-H	323	1.80	600808	1.62	12.6
CHINA SHIPPING-H	1138	5.09	600026	4.51	10.9
SHENZHEN EXPRE-H	548	4.50	600548	3.94	9.6
GUANGSHEN RAIL-H	525	3.08	601333	2.65	7.7
CHINA CITIC BK-H	998	5.09	601998	4.33	6.4
ZTE CORP-H	763	16.06	000063	13.36	4.1
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
HUADIAN POWER-H	1071	5.09	600027	3.73	-8.3
AIR CHINA LTD-H	753	4.72	601111	3.43	-9.1
BANK OF CHINA-H	3988	3.62	601988	2.59	-10.5
BANK OF COMMUN-H	3328	5.37	601328	3.82	-11.0
CHINA MERCH BK-H	3968	15.38	600036	10.34	-15.9
ICBC-H	1398	5.19	601398	3.48	-16.1
HUANENG POWER-H	902	9.29	600011	6.18	-16.8
SINOPEC CORP-H	386	7.65	600028	5.08	-16.9
TSINGTAO BREW-H	168	61.90	600600	40.91	-17.3
PING AN INSURA-H	2318	64.20	601318	42.19	-17.8
CHINA LIFE INS-H	2628	22.00	601628	14.36	-18.3
JIANGSU EXPRES-H	177	9.78	600377	6.23	-20.3
ANGANG STEEL-H	347	5.24	000898	3.28	-21.7
ANHUI CONCH-H	914	30.00	600585	17.93	-25.2
WEICHAI POWER-H	2338	33.70	000338	19.65	-27.0

## Recently Published Research

Date published	Name of report	Analyst
24-Jul-14	Wisdom Holdings Group (1661.HK)	Jeff Hao
24-Jul-14	Hong Kong Stock Market Outlook 2H14	Cliff Zhao, George Chen, Zi chen Xu
24-Jul-14	HK Market Strategy Bi-weekly	Cliff Zhao, George Chen, Zi chen Xu
24-Jul-14	Dongjiang Environmental (895 HK)	Li Xiang
23-Jul-14	VITASOYINT'L (00345.HK)	Hua Ling
23-Jul-14	Springland International (1700 HK)	Wang Xiaodi
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
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16-Jul-14	Huadian Power (1071 HK)	Vera Liang
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14-Jul-14	Macau Gaming - 2Q14 Preview	Angela Han Lee
11-Jul-14	Intime Retail Group(1833.HK)	Wang Xiaodi
11-Jul-14	Warning signs in Portugal?	Lynn Song, Cliff Zhao, David Xie
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30-Jun-14	Lenovo Group (992 HK)	Alex Ng
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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
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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

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INDUSTRY	DEFINITION
<b>OVERWEIGHT</b>	Expected to outperform the market index by > 10% over the next 12 months
<b>NEUTRAL</b>	Expected to outperform or underperform the market index by 10% or less over the next twelve months
<b>UNDERWEIGHT</b>	Expected to underperform the market index by >10% over the next 12 months

COMPANY	DEFINITION
<b>BUY</b>	Expected to outperform the market index by >10% over the next twelve months
<b>NEUTRAL</b>	Expected to outperform or underperform the market index by 10% or less over the next twelve months
<b>SELL</b>	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.  
 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.  
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