

# Morning Express

China Merchants Securities (HK)  
Hong Kong Equity Research

## CMS(HK) Research Highlights

**Kingsoft (3888 HK, HK\$23.3, BUY, TP HK\$37.05 ) 2Q2014 Results Preview**

**Focus on Cheetah mobile monetization and mobile game business progress**

Strong topline growth, OPM will continue to be under pressure

We expect Kingsoft 2Q2014 topline to grow 48% YoY to HK\$737mn, and net profit to be flat YoY at HK\$168mn. We expect online game revenue to grow 12% YoY to HK\$304mn driven by new expansion pack of JX3. WPS revenue is expected to grow 58% YoY to HK\$91mn mainly due to low base effect in 2Q2013. Cheetah mobile revenue is expected to grow 122% YoY to HK\$343mn driven by stable revenue from PC online ads and accelerating mobile internet monetization. We expect GPM and OPM to decline to 82% and 20% mainly due to lower GPM of mobile internet business and heavy marketing expenses of Cheetah mobile.

Recent business development

User base of key mobile apps (Clean Master, CM Security and Battery Doctor) of Cheetah mobile continues to grow. Cheetah mobile released several new mobile apps with higher monetization potential in 2Q2014 such as browser, locker and launcher. Cheetah mobile acquired a mobile tool app that have over 10mn users in 2Q2014 called File Manager, further strengthening Cheetah mobile's mobile app portfolio. In terms of mobile games, Cheetah mobile has once again proved its distribution capability by launching a new mobile game "Nuannuan's trip around the world" in July. Westhouse also launched its first mobile game in 2Q2014.

What we want to know from 2Q2014 results

1) User base growth and monetization progress of Cheetah mobile 2) new mobile games launch schedule from Westhouse in 2H2014; 3) WPS: mobile user base growth and development of enterprise market and VAS.

Catalysts and risks

Catalysts 1) successful monetization of mobile internet business of Cheetah mobile; and 2) strong performance of new mobile games from Westhouse. Risks 1) delayed launch of new mobile games; and 2) higher-than-expected marketing expense

Valuation

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

### US Housing Market Overview

Key data:

■ June new home sales fell dramatically to 406k, May sales revised downward from 504k to 442k

Stock Market Indices	Close	1-day chg	% chg
Hang Seng Index	24216.01	+74.51	+0.31
Hang Seng Finance Index	32298.37	+239.25	+0.75
Hang Seng Utilities Index	7503.11	-27.28	-0.36
Hang Seng Property Index	30717.83	+5.26	+0.02
Hang Seng Composite Index	14991.54	-5.82	-0.04
HSCEI	10993.24	+53.67	+0.49
CSI 300	2260.45	+23.44	+1.05
Shanghai Composite Index	2126.61	+21.55	+1.02
TWSE	9439.29	-88.25	-0.93

Global	Last price	chg	%chg
Brent Oil	107.22	-0.94	-0.87
COMEX Gold	1294.1	-10.6	-0.81
COMEX Copper	326.2	+5.65	+1.76
LME Copper	2013.0	+4.5	+0.22
LME Aluminum	7151.0	+101.0	+1.43
BDI	989.0	+12.0	+1.23

Exchange/interest rates	Last price	chg	%chg
USD/RMB	6.09	-0.0	-0.0
USD/HKD	7.75	-0.0	-0.02
EUR/USD	1.35	+0.0	+0.05
1Y RMB NDF	6.24	+0.0	+0.06
3M Libor	0.23	-0.0	-0.43
3M Shibor	4.75	0.0	0.0
10Y US T-Note Yield	2.48	-0.04	-1.59



- June housing starts fell to 893k from 985k (revised down)
- June existing home sales rose from 4.91 mn (revised up) to 5.04 mn, up 2.6% MoM, median selling price also rose 5.3% MoM to USD 223.3k
- Average 30 year effective mortgage rate remained at 4.3%
- July National Association of Home Builders (NAHB) builder confidence indicator rose from 49 to 53, first time > 50 since January
- Mixed signals on housing market may lead to more cautious behavior from policymakers

Comment:

After a strong month of May which greatly increased the confidence in the housing market, June data showed mixed results. While existing home sales and builder confidence continued to show signs of strength, both new home sales and housing starts greatly disappointed, indicating the new home market remains relatively downbeat.

New home sales dropped precipitously on the month (down -8.1% MoM), and to make matters worse, the very strong May data was also revised sharply down -12.3%. All regions' sales declined in June, and median sale price also dropped -3.2% MoM to USD 273.5k, showing poor demand. The weakness of home sales provided an explanation for the lackluster housing starts data published earlier.

Existing home sales continued to rise, showing the opposite trend from the new home market, as gains were roughly even across the board, and as prices also rose on the month to USD 223.3k. Rather than drawing upon existing supply, the recent improvement has increased the supply as well, with homes for sale edging up to 2.3 mn from 2.25 mn. Existing home sales have accelerated for 3 consecutive months amid declining mortgage rates, and indicated that homebuyers are favored the more price-friendly existing home purchases over the more expensive new homes.

In the NAHB survey, gains were across the board, as current sales conditions (up 4 ppt to 57), future sales expectations (up 6 ppt to 64), and traffic of prospective buyers (up 3 ppt to 39) all rose on the month.

The significance of the housing market data, save for its usual use as a gauge of the economy, is that it may also be a consideration for the Fed during its policy decision making process. Mixed signals in the real estate market will likely lead to the Fed being more careful; though the state of the real economy is not part of the Fed's Dual Mandate of inflation and unemployment, it remains a key consideration given recent circumstances. (Lynn Song)

## A-share Research Highlights

### HSBC Flash China PMI July 2014 Comments

#### **HSBC PMI indices continue rising but with weaker momentum**

Event:

On July 24, 2014, HSBC released the HSBC Flash China Manufacturing PMI of 52.0% for July 2014, up 1.3 ppt MoM from the final value of June 2014.

**Comments:**

1. HSBC Flash PMI for July recovered 1.3 ppt to 52.0%, significantly higher than the average of 51.0% of Reuters Survey and suggesting economic recovery. This also marked the third consecutive month of surging. The momentum index defined by HSBC (New Orders – Stocks of Finished Goods), or referred to as HSBC Output Gap, is an effective leading indicator for observing short-term economic changes.

2. In terms of the sub-indices, the HSBC economic momentum indices continued to recover but the power has begun to weaken. The momentum of businesses to replenish stocks has increased but not aggressive, suggesting moderate economic improvement. The PPI for July may continue to narrow. Production and demand sectors have significantly improved and driven up the PMI for the period. The HSBC Flash PMI Output Index for July recovered 1 ppt to 52.8%, New Orders also recovered 1.9 ppt to 53.7% and New Export Orders recovered 2 ppt to 52.7%, indicating strong supporting from growth stabilization policies as well as increased domestic and foreign demand. Stocks of Finished Goods for July recovered 1.6 ppt to 49.7%, Stocks of Purchases recovered 1.6 ppt to 51% and Quantity of Purchases also significantly improved to 53.1%, suggesting that momentum for businesses to replenish stocks have increased but not aggressive. HSBC PMI Output Prices for July recovered 1.1 ppt to 51.0% and Input Prices was up 1.6 ppt to 52.9%. PPI may continue to narrow YoY.

3. HSBC Flash PMI Employment Index for July recovered 0.8 ppt to 49.5%. Employment is a lagging economic indicator. The employment indicators for 3Q14 may continue to improve as the economy temporarily consolidated in 2Q14.

4. The HSBC economic momentum indices continued to rise, but the power has significantly weakened. Economic recovery is not solid and downside risks may persist in 3Q14: (1) growth stabilization policies improved industrial growth and infrastructure investment, but the existing issues of downturn in property and manufacturing industries have not been changed; (2) recovery in the size of off-balance sheet financing and decreased proportion in mid- and long-term loans indicated that the allocation of funds to real economy has not been efficient; and (3) recent high-frequency data such as cement has also been sluggish. (Xie Yaxuan, Zhao Wenli, Zhang Yiping, Yan Ling and Zhao Ke. July 24, 2014)

## What to Watch

### Company Events

Date	Ticker	Company	Event
2014/07/28	00318.HK	Von Group	Final result
2014/07/28	00759.HK	CEC International	Final result / Dividends
2014/07/28	01212.HK	Lifestyle International	Interim result
2014/07/28	02183.HK	Lifestyle Properties	Interim result

## Recently Published Reports

Date published	Name of report	Analyst
2014-07-25	US Housing Market Overview	David Xie, Cliff Zhao, Lynn SONG
2014-07-24	Gome Electrical (493 HK )-Sales through third parties to soar	Gloria WANG
2014-07-24	Hong Kong Stock Market Outlook 2H14	George CHEN, Cliff Zhao, Zichen XU
2014-07-22	Springland International (1700 HK)-Maintain NEUTRAL on its conservative business strategy	Gloria WANG
2014-07-22	TCL Comm (2618 HK) - Nokia's scale-down implies significant upside for TCL	Alex NG
2014-07-17	Sands China - 2Q14 Review - Weak but well positioned to lead rally	Angela HAN LEE
2014-07-17	Bonjour Holdings (653 HK) -1H14 would only see slight growth	Gloria WANG
2014-07-16	Sa Sa International (178 HK ) - A Challenging Year Ahead	Gloria WANG
2014-07-11	HK Market Strategy Bi-weekly - Style rotation is ending; Seize the opportunities in momentum stocks and underperformed sectors in Q3	George CHEN, Cliff Zhao, Zichen XU
2014-07-15	China banks - Still in favor	Donger WANG
2014-07-14	Macau Gaming - 2Q14 Preview - Unexciting results season on the way	Angela HAN LEE
2014-07-11	Intime Retail Group(1833.HK)-Negative 1H14 SSS growth already in-the-price	Gloria WANG
2014-07-11	Warning signs in Portugal?	David Xie, Cliff Zhao, Lynn SONG
2014-07-10	Datang Power (991 HK) - Disposal of non-electric power assets boost overall competitiveness	Vera LIANG
2014-07-10	FOMC minutes provide insight on end of taper, may hint at rate hike timing	David Xie, Cliff Zhao, Lynn SONG
2014-07-09	China Tech - Operators selling expense cut as expected; Revised 4G strategy to benefit Chinese brands in 2H	Alex NG
2014-07-09	Jutal Offshore Oil Services (3303 HK) - Fairly valued considering recent rally and dilution	Michael YUK
2014-07-04	Hilong Holdings (1623 HK) - Oil services continue to soar	Michael YUK
2014-07-04	June US labor market continued recovery, at strongest post-crisis level	David Xie, Cliff Zhao, Lynn SONG
2014-07-02	Macau Gaming - June review - The worst is over	Angela HAN LEE
2014-06-30	Lenovo Group (992 HK) - Solid 4G/Motorola strategy ahead easing market concerns	Alex NG

## Research Coverage List

As of July 28, 2014. Updated weekly.

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 25	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
<b>Auto &amp; Auto Parts</b>													
Brilliance China	1114 HK	BUY	HK\$14.92	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\$50.2	HK\$32.9	-26	4,558	0.27	0.69	1.03	132.5	51.9	34.7	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.49	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\$3.19	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\$7.05	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\$32.7	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\$26.9	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\$14.76	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\$14.0	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\$10.36	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\$3.85	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\$4.27	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\$2.62	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\$19.94	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\$2.92	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\$4.55	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\$5.36	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\$7.63	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\$9.78	HK\$13.88	36	2,492	0.50	0.59	0.68	16.4	13.9	12.1	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.14	HK\$2.0	74	1,936	0.09	0.12	0.16	12.8	9.6	7.2	Michael YUK
China Oil And Gas Group	603 HK	NEUTRAL	HK\$1.37	HK\$1.45	1	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$10.82	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\$14.02	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\$17.04	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\$5.81	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\$3.49	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\$9.52	HK\$15.8	104	2,155	2.18	2.49	2.19	2.9	2.5	2.8	Feiqin DUAN

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 25	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
China Overseas Land	688 HK	BUY	HK\$22.3	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\$8.45	HK\$19.1	153	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN
Optics Valley Union	798 HK	BUY	HK\$0.77	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\$1.17	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\$6.84	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\$4.76	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\$3.47	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\$1.94	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\$14.9	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\$5.13	HK\$3.1	-22	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$4.0	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\$4.26	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\$12.96	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\$84.05	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\$4.44	HK\$7.0	58	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.75	HK\$1.4	-45	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.27	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\$5.96	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$124.9	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\$14.1	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\$48.05	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\$1.98	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\$10.96	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\$10.26	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\$10.82	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\$5.17	HK\$5.14	4	766	0.43	0.41	0.44	9.2	9.7	9.0	Ivy ZHAO

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 25	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
361 Degrees	1361 HK	NEUTRAL	HK\$1.79	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\$9.47	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\$2.01	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\$12.46	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\$4.56	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\$1.55	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\$3.3	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
<b>Food &amp; Beverage</b>													
Want Want China	151 HK	NEUTRAL	HK\$10.6	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\$37.7	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\$9.94	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\$22.55	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\$6.05	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\$7.04	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\$1.35	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\$1.21	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\$1.07	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\$2.59	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\$11.02	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\$8.0	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\$2.37	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\$11.22	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\$26.0	HK\$26.43	9	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI



Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 25	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
CSCCL	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\$39.5	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\$2.15	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\$4.91	HK\$4.2	-3	885	0.51	0.26	0.29	7.2	14.0	12.6	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.6	HK\$7.01	53	537	0.54	0.63	0.68	6.8	5.8	5.4	Yiding JIAO
Lonking	3339 HK	BUY	HK\$1.4	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\$1.69	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\$5.21	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\$9.4	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\$3.91	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\$6.43	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\$23.75	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\$6.95	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\$11.74	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\$6.29	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\$13.14	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\$5.06	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\$18.98	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\$3.69	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\$5.2	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\$7.49	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\$5.47	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\$3.75	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\$3.65	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\$5.82	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\$5.1	HK\$4.1	-14	28,850	0.84	0.85	0.96	4.6	4.5	4.0	Donger WANG

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$mn)	EPS			P/E			Analyst
			Jul. 25	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
<b>Gaming</b>													
Wynn Macau	1128 HK	SELL	HK\$31.0	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\$56.4	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\$28.0	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\$63.65	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\$84.9	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\$20.2	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>													
Everbright International	257 HK	BUY	HK\$10.84	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\$25.85	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\$1.05	HK\$1.74	41	131	0.14	0.18	0.21	8.8	6.8	5.9	Ling HUA

Source: Bloomberg, CMS (HK)

## Contact

CMS (HK) Equity Research		
Head of Equity Research	Sam LEE	leeyf@cmschina.com.cn
Deputy Head of Equity Research	Cliff ZHAO	wenlizhao@cmschina.com.cn
Deputy Head of Equity Research	Liangsheng DENG	dengls@cmschina.com.cn
Deputy Head of Equity Research	David XIE	xieyx@cmschina.com.cn
Macro Research		
Chief Strategist	Cliff ZHAO	wenlizhao@cmschina.com.cn
China Macro Economy	David XIE	xieyx@cmschina.com.cn
Overseas Macro Economy	Lynn SONG	songs2@cmschina.com.cn
HK Market Strategy	George CHEN	chenzz@cmschina.com.cn
HK Market Strategy	Zichen XU	xuzc2@cmschina.com.cn
Industry Research		
Alternative Energy	Lei YIN	yinlei@cmschina.com.cn
Automobile, Auto Parts & Dealership	Colleen LI	lik@cmschina.com.cn
Banking	Donger WANG	wangde@cmschina.com.cn
Electric Power	Vera LIANG	liangwei@cmschina.com.cn
Food & Beverage	Ling HUA	hualing@cmschina.com.cn
Gaming	Angela HAN LEE	hanleam@cmschina.com.cn
Hardware Technology	Alex NG	nglh@cmschina.com.cn
Machinery	Yiding JIAO	jiaoyd@cmschina.com.cn
Metals and Mining	Shawn LEE	lixiang5@cmschina.com.cn
Oil and Gas	Michael YUK	yukmt@cmschina.com.cn
Pharmaceutical & Healthcare	Jonathan HSU	hsujs@cmschina.com.cn
Port & Shipping	Kate LI	liyiqian@cmschina.com.cn
Property	Feiqin DUAN	duanf@cmschina.com.cn
Retail	Gloria WANG	wangxd6@cmschina.com.cn
Technology, Media & Telecom	Jeff HAO	haoyf@cmschina.com.cn
Technology, Media & Telecom	Andrew Huang	huangx2@cmschina.com.cn
Textile & Garment	Ivy ZHAO	zhaox@cmschina.com.cn

## Investment Ratings

Industry Rating	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 12 months
UNDERWEIGHT	Expected to underperform the market index by >10% over the next 12 months

Company Rating	Definition
BUY	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 12 months
SELL	Expected to underperform the market index by >10% over the next 12 months

### Analyst Disclosure

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

### Regulatory Disclosures

China Merchants Securities (HK) Co., Limited acted as the Joint Book-runner of China Merchants Land Ltd. on its placement.  
 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.  
 China Merchants Securities (HK) Co., Limited has received compensation from or mandates for investment banking services in the past 12 months from certain listed corporations whose securities are being reviewed in this research report.

### Disclaimer

This document is prepared by China Merchants Securities (HK) Co., Limited ("CMS HK"). CMS HK is a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571). This document is for information purpose only. Neither the information nor opinion expressed shall be construed, expressly or impliedly, as an advice, offer or solicitation of an offer, invitation, advertisement, inducement, recommendation or representation of any kind or form whatsoever to buy or sell any security, financial instrument or any investment or other specific product. The securities, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to participate in some or all of them. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors.

The information and opinions, and associated estimates and forecasts, contained herein have been obtained from or are based on sources believed to be reliable. CMS HK, its holding or affiliated companies, or any of its or their directors, officers or employees ("CMS Group") do not represent or warrant, expressly or impliedly, that it is accurate, correct or complete and it should not be relied upon. CMS Group will not accept any responsibility or liability whatsoever for any use of or reliance upon this document or any of the content thereof. The contents and information in this document are only current as of the date of their publication and will be subject to change without prior notice. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realized. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Opinions expressed herein may differ or be contrary to those expressed by other business divisions or other members of CMS Group as a result of using different assumptions and/or criteria.

This document has been prepared without regard to the individual financial circumstances and investment objectives of the persons who receive it. Use of any information herein shall be at the sole discretion and risk of the user. Investors are advised to independently evaluate particular investments and strategies, take financial and/or tax advice as to the implications (including tax) of investing in any of the securities or products mentioned in this document, and make their own investment decisions without relying on this publication.

CMS Group may have a long or short position, make markets, act as principal or agent, or engage in transactions in securities of companies referred to in this document and may also perform or seek to perform investment banking services or provide advisory or other services for those companies. This document is for the use of intended recipients only and this document may not be reproduced, distributed or published in whole or in part for any purpose without the prior consent of CMS Group. CMS Group will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This document is for distribution only under such circumstances as may be permitted by applicable law. This document is not directed at you if CMS Group is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. In particular, this document is only made available to certain US persons to whom CMS Group is permitted to make available according to US securities laws, but cannot otherwise be made available, distributed or transmitted, whether directly or indirectly, into the US or to any US person. This document also cannot be distributed or transmitted, whether directly or indirectly, into Japan and Canada and not to the general public in the People's Republic of China (for the purpose of this document, excluding Hong Kong, Macau and Taiwan).

### Hong Kong

China Merchants Securities (HK) Co., Ltd.  
 Address: 48/F, One Exchange Square, Central, Hong Kong  
 Tel: +852 3189 6888 Fax: +852 3101 0828

### South Korea

China Merchants Securities International  
 Seoul Office  
 Address: One IFC #2810, 23 Yeouido-dong, Yeongdeungpo-gu, Seoul  
 150-876, Korea  
 Tel: +82 2 6137 9935 Fax: +82 2 6137 9930