

Morning Express

China Merchants Securities (HK)
Hong Kong Equity Research

CMS(HK) Research Highlights

Kingsoft (3888.HK, HKD23.25, BUY, TP HKD37.05)

Key takeaways from Kingsoft WestHouse show room at China Joy 2014:

- 1) 12 mobile games in pipeline, 6 of them can be played in China Joy
- 2) 1 game is at open beta test, 2 games are at close beta test at Xiaomi platform, all showing promising results
- 3) Possible launch schedule : one game per month from Aug
- 4) One of the potential hit game 神之遗迹 is expected to launch in Oct in overseas market first, through Cheetah Mobile platform
- 5) Xiaomi and Cheetah are two major distribution channels for WestHouse's mobile game
- 6) Clean Master DAU reached over 100mn

We become more positive on outlook of WestHouse's mobile games in 2H2014 and 2015. If new games can be launched according to schedule, mobile game can start to contribute meaningful revenue from 4Q2014.

Kingsoft announced that the annual caps of the fees in respect of the promotion services payable by Tencent to Cheetah for 2014 and 2015 are revised up to RMB100mn and RMB105mn (from RMB22mn and RMB33mn).

We believe the substantial increase of annual promotion service fees was mainly due to 1) fast growing user base of Cheetah Mobile's mobile applications, especially in overseas market 2) Tencent's needs in promoting mobile products in overseas market. We reiterate our view that Cheetah Mobile has become more and more valuable as a mobile app distribution channel especially in overseas market. It is well positioned to meet the exploding demand of overseas expansion from domestic mobile app and game developers.

Reiterate buy with TP of HK\$37.05, implying 44x2014 PE, the stock is trading at 27x2014 PE (Jeff HAO)

China Healthcare Sector

Our view on recent sector performance and upcoming 1H14 results

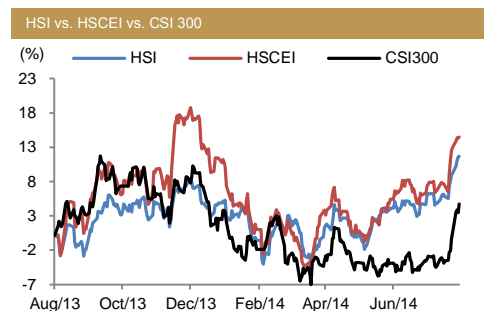
We expect strong earnings delivery for leading pharma players in 1H14, and further pickup in momentum in 2H14 for the sector. Our top picks are long-term winners like Sihuan Pharma (460 HK, Buy, TP HK\$5.50), CSPC (1093 HK, Buy, \$8.00), Sinopharm (1099 HK, Buy, \$24.40), Dawnrays Pharma (2348 HK, Buy, \$8.20), Essex Biotech (1061 HK, Buy, \$4.00), and Phoenix Healthcare (1515 HK, Buy, \$16.60). We believe upside is largely priced in for Sino Biopharm (1177 HK, Buy, \$6.70) and Shineway Pharma (2877 HK, Neutral, \$14.00).

Strong 1H14 results are expected to be driven by 1) solid demand

Stock Market Indices	Close	1-day chg	% chg
Hang Seng Index	24756.85	+24.64	+0.1
Hang Seng Finance Index	33128.4	+100.14	+0.3
Hang Seng Utilities Index	7417.0	-2.66	-0.04
Hang Seng Property Index	32496.09	+326.64	+1.02
Hang Seng Composite Index	15183.86	-52.4	-0.34
HSCEI	11130.2	+10.88	+0.1
CSI 300	2350.25	+28.24	+1.22
Shanghai Composite Index	2201.56	+20.32	+0.93
TWSE	9315.85	-131.17	-1.39

Global	Last price	chg	%chg
Brent Oil	106.01	-1.5	-1.4
COMEX Gold	1295.6	-3.0	-0.23
COMEX Copper	324.15	+2.0	+0.62
LME Copper	1982.0	+8.0	+0.41
LME Aluminum	7089.0	-31.0	-0.44
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	6.25	-0.0	-0.01
3M Libor	0.23	0.0	0.0
3M Shibor	4.72	-0.01	-0.21
10Y US T-Note Yield	2.57	+0.1	+4.05



increase, 2) better pricing environment, and 3) market under-expectations. We see outperformance potential for Sihuan, Dawnrays, CSPC, Sinopharm, PHG, and CMS (867 HK, NR) vs. consensus earnings estimates.

Further momentum in 2H14, due to 1) growth acceleration as industry entering higher seasonality in 2H13; 2) easy comparison, 3) MNCs under increasing govt/media scrutiny, benefiting domestic players; 4) limited pricing pressure as the tendering process continues to progress behind schedule; 5) rapid development of private hospitals adding another leg to growth; and 6) sector valuation rolling over to 2015 PER at an attractive mid-high teens level (Currently 17x FY15E vs. 22x FY14E PER). We further believe that Hugantong should favour HK-listed pharma stocks thanks to 1) cheaper valuation (H-share/24x FY14E PER is 20% lower than A-shares/29x), and 2) scarcity value (not too much overlap or direct comparables between H and A-share plays).

Recent sector sell-down was not fundamentally-based. It was mainly due to 1) profit-taking ahead of interim results reporting season, which kicks off mid-next week but concentrate towards end of August, and 2) market sentiment shift in favour of cyclicals like banks vs. non-cyclicals like pharma. We view such slowdown to be temporary that presents attractive Buy on dip opportunities for our top picks.

In conclusion, our key takeaway message is that the sector should be fundamentally sound in terms of 1H14 results and downside is limited. For a risk-averse investor, we would suggest buy after results are released and sellside analysts have finished revising their estimates/views based on the latest company guidance.

Note that yesterday we saw especially significant share price drop in CSPC (-13% in the morning session, -2.6% at closing) and Pioneer Pharma (1345 HK, NR) (-8% at closing) which was later confirmed by company management to be non-fundamentally based. We reiterate BUY rating on CSPC on 1) Avg 30% multi-year growth target on-track, 2) competitive product offerings and sales performance, and 3) attractive drug pipeline taking the US FDA approval path. (Jonathan Hsu)

US 2Q14 GDP rebounded to 4.0% QoQ SAAR, reflecting recovery in motion

Rebound exceeded market expectations

Key data:

- On QoQ SAAR basis, US 2Q14 GDP rose to 4.0% from -2.1% (revised up). On YoY basis, GDP grew to 2.4% from 1.9% (revised up)
- Personal consumption expenditures increased 2.5% QoQ SAAR, up from 1.2% QoQ SAAR
- Nonresidential fixed investment increased 5.5% QoQ SAAR, up from 1.6% QoQ SAAR
- Trade continued to drag growth; exports of goods and services increased 9.5% QoQ SAAR (up from -9.2%), while imports rose 11.7% QoQ SAAR (up from 2.2%)
- Federal government consumption expenditures and gross

investment registered at -0.8% QoQ SAAR

■ 2Q PCE inflation rose to 2.3% YoY, up from 1.4% YoY in 1Q, but monthly core PCE remained below Fed target

Comment:

The US GDP released confirmed the data published over the last several months illustrating a rebound of the economy after a weak 1Q attributed to weather factors. Growth was higher than consensus forecasts, and the strength was even greater than seen on the surface as the 1Q growth was also revised up.

By contribution, most subcategories improved from 1Q. Personal consumption expenditure continued to be the largest contributor to GDP growth on a QoQ SAAR basis, contributing 1.69 ppt to growth, up from 0.83 ppt. Change in private inventories also contributed significantly in 2Q, up to 1.66 ppt after dragging 1Q growth by -1.16 ppt. Importantly, government expenditures also provided a lift of 0.3 ppt in 2Q, after being negative or zero for 14 of the past 15 quarters.

As we have communicated over the past several months, the US is in the best shape of the major developed economies. While there are several weak points such as what was seen in the June new homes market, on a whole recent data indicates that the recovery is likely to continue. With that being said, factoring in the base effect, 3Q growth is likely to moderate slightly. We also caution readers to note that a downward revision of the 2Q numbers is possible, particularly as the 1Q growth was revised down twice earlier; recovery remains gradual rather than explosive.

Overall, the higher than expected GDP growth and inflation data will raise the likelihood of an earlier than expected rate hike. In our view, unless inflation exceeds 2.5% YoY for a sustained period, it will have a limited impact on the Fed's decision making process. We view a rate hike in 2Q15 as the likeliest timing currently. (Lynn Song)

HK Stock Market Fund Flows (Issue of July 2014)

■ The CMS Capital Flow Index indicated that capital inflow continued in July, peaking at the start of the month. Capital inflow over the last several months has helped the HSI rise to a recovery high in July.

■ According to historical data, the prediction of market turning points can be made by observing the difference between trend of CMS Capital Flow Index and the HK equity market, with relatively reliable results. (See Focus Chart 2) The difference between the two measures widened further in July, hinting at a possible correction of the HSI in the upcoming months.

■ Fed is leaning toward ending QE taper in October meeting with 15 bn final installment, in line with our expectations. Our current expectation is for a rate hike around June 2015, and for clearer guidance to be given in 4Q14 at the end of QE tapering.

Overview:

The state of Hong Kong's FX reserves edged up in June, as did the nominal value of reserves as well as the proportion of reserves relative to the total money supply. The HKMA was forced to defend the dollar peg multiple times over the last several months, as the strong side convertibility

value was repeatedly reached. We continue to expect the HKD to remain on the edge of 7.75.

With the exception of M1, the growth of the money supply accelerated in June. After seasonal adjustment in May, M1 grew 6.3% YoY (down from 9.2% YoY), M2 grew 10.0% YoY (up from 8.6% YoY), and M3 grew by 10.0% YoY (up from 8.7% YoY).

At the end of May, HK investment funds registered a net investment of USD 860 mn, down from USD 1.48 bn, mostly reflecting increased redemptions. A breakdown of fund flows showed that the outflow was mostly across the board with the exception of Europe, and most of the outflow was from the equity markets rather than bond markets.

In July, the VIX and the Emerging Market Volatility index rose slightly. Emerging markets regained some traction as they are relatively inexpensive compared to the developed markets which performed strongly in 1H14, and also as scares emerged in Europe led to outflow. Trading volume in the Hong Kong market also rebounded on the month. Fund flow is likely also impacted by the upcoming Hong Kong-Shanghai Stock Connect; it is likely funds are already flowing into Hong Kong to prepare for the October start, reflected by the increased turnover of A-Share ETFs.

The CMS CF Index indicated that capital continues to flow into HK, with both the stock and bond markets benefiting. Using the difference between the CMS CFI and the HSI as a leading indicator, recent trends hint that there may be some correction of the HSI in the upcoming months. (Lynn Song)

A-share Research Highlights

Macroeconomic Forecast July 2014

Credit Still Needed for Stabilization of the Economy

Investment thesis:

1. The macroeconomic data published in the month indicated that stabilization of the economy in China is inarguable. However, various microeconomic high-frequency data were rather weak. For example, prices of cement, deformed steel bars and thermal coal had no sign of improvement, whilst sales of excavators continued falling. Divergence between micro- and macroeconomic data might be due to the absence of sizable stimulating policies in the current round of growth stabilization, but changes in 2Q14 GDP suggested that service industries alone were not sufficient to support the economy to move within reasonable range, and manufacturing industries were still critical to stabilization of the economy. As a result, the sluggish prices of industrial products suggested that economic consolidation was still not certain and further policy support was still needed, and the support of credit funds was particularly important given the issue of high financing costs.

2. We estimate the CPI for July to increase by 2.3% YoY and PPI decrease by 0.8% YoY. The Ministry of Commerce released the prices of edible agricultural products for the first 3 weeks of the month, the index moved down 0.4% MoM. The HSBC Flash PMI for July released earlier showed significant improvement from June, the momentum indicator suggested that

the economy has been improving but the power behind was weakening. The CRB Index, a leading indicator of PPI, began to trend down YoY from June. Its earlier rally might consequently lead to the narrowing of the negative growth of the PPI.

3. We estimate M2 for July to increase 14.8% YoY, with new credit of RMB770 bn. Under the high base effect, the 3Q14 growth undergoes increasing pressure. The current stabilization of the economy is not solid. Fiscal expenditure for May and June provided huge amount of funds to the real economy, which was related to the request of the Ministry of Finance to step up the execution of budget by June 30. As a result, the economy still needs the support of increasing credit supply for its ongoing stabilization. In such circumstances, we expect that new credit and financing of the economy will still increase, and the growth of M2 may not immediately move down to the target range.

4. According to the HSBC PMI, the economy is still improving on MoM basis. However, the YoY growth of industry value added for July may drop to around 8.9% as the base for that has surged. Growth in investment and consumer expenditure may be flat with the previous month, and we estimate that fixed investment for July may increase 17.2% YoY, while consumer expenditure may increase 12.3% YoY, with low possibility of significant fluctuation. (Xie Yaxuan, Zhao Wenli, Zhang Yiping, Yan Ling and Zhao Ke, July 30, 2014)

Pharmaceutical Industry Data Comment (June 2014)

Industry growth has improved, 3Q is also expected to have good performance

Pharmaceutical industry data in June has improved: From Jan to Jun 2014, pharmaceutical industry realized revenue and total profit of RMB1.0797 trillion and RMB105.6 billion respectively, with growth rate of 13.5% YoY and 14.9% YoY, in which growth of revenue and profit for June was 15.5% and 16% respectively. Though the industry growth was below that of around 18% in 2013, it was above the level of 13% from Jan to May, and from the sub-sectors one could see improving growth generally.

Tendering is an important variable affecting industry growth, 3Q is expected to maintain considerable growth of June: With the introduction of essential drugs list and the absence of medicare standard tendering for years, the industry generally expects tendering to accelerate, but the actual progress of tendering is much slower than expected. The industry has remained on the sideline since early this year, with the existence of a process to de-inventory and maintain low inventory at the channels, which has resulted in 14 years with low level of growth in the pharmaceutical industry. It is very normal for industry growth to recover now after the digestion earlier, and 3Q industry growth is expected to maintain the level of June due to a generally low base because of the GSK incident in 3Q13.

Trend of tendering is accelerating in various provinces, time for increasing pharmaceutical allocations gradually arrives: With the possible release of guidance document on tendering by the National Health and Family Commission in 3Q plus the tendering proposals by Hebei and Hubei provinces at present, the progress of tendering in various provinces will accelerate, followed by a restocking process at the channels. Growth of the industry is expected to accelerate generally, which will provide a favorable

environment for pharmaceutical investment. We maintain our view of “3Q deployment, 4Q reward” for the industry.

From the sub-sectors, growth of proprietary Chinese medicines rebounded greatly in June, with revenue growth improving generally:

Proprietary Chinese medicines rebounded greatly in June: Revenue and profit growth of proprietary Chinese medicines was 19% YoY and 42% YoY in June respectively, much higher than the level of 13% and 11% from Jan to May 2014. Yet, one would need to monitor the sustainability after the great rebound in June as the sub-sectors of proprietary Chinese medicines were affected by the factors of tendering earlier, which resulted in the lack of momentum of the industry.

Profit growth of pharmaceutical preparations declined significantly in June: After several years of maximum retail price adjustments, the industry of pharmaceutical preparations is expected to be relatively stable now. From 2014 onwards, there will not be base effects of price adjustments.

Trend of bottoming out for active pharmaceutical ingredients: Revenue growth of active pharmaceutical ingredients has been 12% since this year, which even reached 16% in June, slightly lower than the level of 2013. The industry bottoming out was mainly due to the rebound of antibiotics industry and significant rise in prices of certain vitamins.

Growth of Chinese medicine pieces industry declined significantly: Slowdown of growth was related to the general downtrend of medicine prices, with price hike for sales, reduced market circulation and declining profitability.

The main risk is more-than-expected price cuts of drugs. (Xu Liehai, Li Shanshan, Zhang Tong, Li Yongjian, July 31, 2014)

What to Watch

Company Events

Date	Ticker	Company	Event
2014/08/01	00023 .HK	BANK OF E ASIA	Interim Result
2014/08/01	00174 .HK	GEMINI INV	Interim Result
2014/08/01	00688 .HK	CHINA OVERSEAS	Interim Result/Dividend
2014/08/01	00978 .HK	CHI MER LAND	Interim Result

Research Coverage List

As of August 1, 2014. Updated weekly.

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 31	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
Auto & Auto Parts													
Brilliance China	1114 HK	BUY	HK\$14.54	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\$51.75	HK\$32.9	-36	4,558	0.27	0.69	1.03	132.5	51.9	34.7	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.32	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\$3.14	HK\$5.04	61	3,100	0.32	0.36	0.38	6.9	6.1	5.8	Colleen LI
CSR	1766 HK	BUY	HK\$7.0	HK\$8.08	15	1,522	0.31	0.40	0.45	15.1	11.7	10.4	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$32.1	HK\$43.4	35	3,838	2.74	3.40	3.82	8.4	6.8	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$26.7	HK\$32.03	20	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\$13.88	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\$9.89	HK\$10.3	4	2,797	0.58	0.71	0.99	14.0	11.4	8.2	Colleen LI
Oil and Gas													
SPT Energy	1251 HK	BUY	HK\$4.13	HK\$6.2	50	807	0.20	0.23	0.32	16.4	14.2	10.2	Michael YUK
Hilong Holding	1623 HK	BUY	HK\$4.38	HK\$5.2	19	842	0.21	0.28	0.37	15.5	11.7	8.7	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.77	HK\$3.8	37	350	0.04	0.28	0.40	53.8	7.7	5.4	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$19.54	HK\$21.0	7	4,355	1.49	1.52	1.61	10.1	9.9	9.3	Michael YUK
Jutal Offshore Oil Services	3303 HK	NEUTRAL	HK\$2.89	HK\$1.8	-38	173	0.08	0.09	0.10	20.5	18.1	16.1	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$4.39	HK\$5.5	25	1,493	0.18	0.22	0.29	23.6	19.3	14.6	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.32	HK\$9.83	85	1,110	0.55	0.56	0.75	10.6	10.4	7.7	Michael YUK
Sinopec	386 HK	BUY	HK\$7.7	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\$9.28	HK\$13.88	50	2,492	0.50	0.59	0.68	16.4	13.9	12.1	Michael YUK
United Energy Group	467 HK	BUY	HK\$1.15	HK\$2.0	74	1,936	0.09	0.12	0.16	12.8	9.6	7.2	Michael YUK
China Oil And Gas Group	603 HK	NEUTRAL	HK\$1.39	HK\$1.45	4	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$10.18	HK\$11.2	10	26,646	0.71	0.74	0.78	11.1	10.6	10.1	Michael YUK
CNOOC	883 HK	BUY	HK\$13.88	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\$18.2	HK\$17.0	-7	10,666	2.52	2.11	2.28	5.6	6.7	6.2	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$6.39	HK\$6.7	5	1,884	0.96	1.14	1.34	3.7	3.1	2.6	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$3.38	HK\$4.38	30	5,641	0.79	0.79	0.80	3.1	3.1	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$9.99	HK\$15.8	58	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. 31	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
China Overseas Land	688 HK	BUY	HK\$23.8	HK\$22.56	-5	19,820	2.82	2.91	3.50	6.7	6.5	5.4	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$8.73	HK\$19.1	119	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN
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\$1.17	HK\$2.3	97	645	0.11	0.17	0.19	7.5	4.8	4.3	Feiqin DUAN
Metals and Mining													
China Hongqiao	1378 HK	BUY	HK\$6.65	HK\$6.2	-7	4,229	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.87	HK\$4.7	-3	500	0.25	0.24	0.17	14.2	14.8	20.9	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$3.58	HK\$2.8	-22	1,414	0.07	-0.07	-0.06	31.9	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$2.02	HK\$1.57	-22	1,364	0.10	0.10	0.08	14.1	14.1	17.7	Shawn LEE
Jiangxi Copper	358 HK	SELL	HK\$14.84	HK\$10.2	-31	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	-40	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$4.14	HK\$3.1	-25	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\$4.39	HK\$3.45	-21	6,785	0.22	0.25	0.28	13.8	12.2	10.9	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$13.6	HK\$11.34	-17	36,759	0.44	0.65	0.76	21.9	14.8	12.7	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$85.9	HK\$78.0	-9	196,089	6.02	5.34	5.27	10.0	11.3	11.5	Alex NG
Wisdom	1661 HK	BUY	HK\$4.15	HK\$7.0	69	920	0.14	0.20	0.29	25.4	17.8	12.3	Jeff HAO
Kingdee	268 HK	NEUTRAL	HK\$2.72	HK\$1.4	-49	836	0.05	0.08	0.10	40.8	25.5	20.4	Jeff HAO
Chinasoft	354 HK	NEUTRAL	HK\$2.43	HK\$2.0	-18	530	0.08	0.10	0.13	22.2	17.8	13.7	Jeff HAO
Kingsoft	3888 HK	BUY	HK\$23.25	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\$128.4	HK\$127.6	-1	28,432	1.66	2.45	3.15	57.2	38.7	30.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.64	HK\$20.34	39	940	0.32	0.65	0.82	35.9	17.7	14.0	Jeff HAO
Hardware Technology													
AAC Technologies	2018 HK	NEUTRAL	HK\$46.4	HK\$40.0	-14	7,992	1.83	2.16	2.48	22.1	18.8	16.3	Alex NG
Coolpad	2369 HK	BUY	HK\$1.83	HK\$2.73	49	588	0.13	0.21	0.26	16.5	10.2	8.2	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.26	HK\$8.37	-18	1,551	0.41	0.54	0.73	21.5	16.3	12.1	Alex NG
TCL Comm	2618 HK	BUY	HK\$9.75	HK\$12.5	28	1,406	0.28	0.98	1.34	33.5	9.6	7.0	Alex NG
Truly	732 HK	BUY	HK\$4.7	HK\$7.15	52	1,775	0.56	0.67	0.79	8.4	7.0	6.0	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.66	HK\$10.5	-2	14,203	0.06	0.07	0.11	22.8	19.5	12.4	Alex NG
Textile & Garment													
China Lilang	1234 HK	BUY	HK\$5.1	HK\$5.14	1	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. 31	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
361 Degrees	1361 HK	NEUTRAL	HK\$1.82	HK\$1.76	-3	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	0	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$9.69	HK\$7.89	-19	9,357	0.52	0.52	0.54	13.3	13.3	12.8	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$2.07	HK\$2.72	31	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO
ANTA Sports Products	2020 HK	BUY	HK\$12.8	HK\$13.47	5	3,966	0.53	0.57	0.63	18.7	17.4	15.7	Ivy ZHAO
Li Ning	2331 HK	NEUTRAL	HK\$4.71	HK\$5.3	13	6,470	-0.30	-0.21	0.06	N.A.	N.A.	60.5	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.52	HK\$1.59	5	1,043	0.04	0.04	0.05	29.3	29.3	23.5	Ivy ZHAO
Ports Design	589 HK	NEUTRAL	HK\$3.32	HK\$4.0	20	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.96	HK\$2.0	2	369	0.18	0.16	0.18	9.2	10.3	9.2	Ivy ZHAO
Food & Beverage													
Want Want China	151 HK	NEUTRAL	HK\$10.64	HK\$13.05	23	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	25	9,052	0.90	1.24	1.54	32.0	23.2	18.7	Ling HUA
Tingyi	322 HK	BUY	HK\$22.05	HK\$24.9	13	15,134	0.07	0.10	0.11	40.0	28.0	25.5	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$10.02	HK\$10.8	8	1,319	0.30	0.36	0.39	33.1	28.2	25.6	Ling HUA
Retail													
Haier Electronics	1169 HK	BUY	HK\$22.3	HK\$24.6	10	7,709	0.78	0.89	1.05	23.1	20.2	17.1	Gloria WANG
Springland International	1700 HK	NEUTRAL	HK\$3.2	HK\$3.3	3	1,019	0.28	0.29	0.33	9.2	8.9	7.8	Gloria WANG
Sa Sa International	178 HK	NEUTRAL	HK\$6.19	HK\$5.7	-8	2,212	0.34	0.35	0.38	17.7	17.2	15.9	Gloria WANG
Intime Retail Group	1833 HK	BUY	HK\$7.24	HK\$10.3	42	1,759	0.52	0.60	0.69	10.5	9.1	7.9	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.32	HK\$1.8	36	2,938	0.05	0.08	0.09	21.7	13.6	12.0	Gloria WANG
Bonjour Holdings	653 HK	NEUTRAL	HK\$1.19	HK\$1.2	1	532	0.09	0.09	0.10	13.4	13.4	12.1	Gloria WANG
Alternative Energy													
Datang Renewable Power	1798 HK	SELL	HK\$1.16	HK\$0.74	-36	316	0.03	0.03	0.04	26.2	26.2	19.7	Lei YIN
China Wind Power	182 HK	BUY	HK\$0.64	HK\$1.1	72	716	0.02	0.04	0.06	31.0	15.5	10.3	Lei YIN
Xinjiang Goldwind	2208 HK	BUY	HK\$8.86	HK\$12.3	39	582	0.16	0.37	0.55	45.3	19.6	13.2	Lei YIN
GCL-Poly Energy	3800 HK	BUY	HK\$2.53	HK\$2.83	12	5,174	-0.04	0.11	0.18	N.A.	23.6	14.4	Lei YIN
Singyes Solar	750 HK	BUY	HK\$11.4	HK\$14.23	25	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	123	419	0.16	0.57	1.10	14.7	4.1	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$7.9	HK\$9.84	25	3,624	0.26	0.36	0.45	24.7	17.8	14.3	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.6	HK\$3.2	23	2,982	0.10	0.12	0.19	20.6	17.1	10.8	Lei YIN
Port & Shipping													
COSCO Pacific	1199 HK	BUY	HK\$11.7	HK\$12.46	7	4,035	0.25	0.12	0.13	5.5	11.6	10.7	Kate LI

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 31	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
China Merchants	144 HK	NEUTRAL	HK\$26.3	HK\$26.43	0	7,889	1.67	1.75	2.05	14.5	13.8	11.8	Kate LI
CSC	2866 HK	NEUTRAL	HK\$2.26	HK\$1.82	-19	968	-0.22	0.01	0.05	N.A.	160.6	32.1	Kate LI
Orient Overseas	316 HK	BUY	HK\$41.4	HK\$51.0	23	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	12	1,143	0.00	0.01	0.01		28.6	28.6	Kate LI
Machinery & Equipment													
Zoomlion Heavy	1157 HK	NEUTRAL	HK\$4.9	HK\$4.2	-14	885	0.51	0.26	0.29	7.2	14.0	12.6	Yiding JIAO
CMEC	1829 HK	BUY	HK\$4.74	HK\$7.01	48	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	47	734	0.11	0.13	0.16	9.7	8.2	6.7	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.83	HK\$1.47	-20	675	0.12	0.12	0.13	11.5	11.5	10.6	Yiding JIAO
Electric Power													
Huadian Power	1071 HK	BUY	HK\$4.79	HK\$6.1	27	866	0.56	0.61	0.65	6.7	6.2	5.8	Vera LIANG
China Power	2380 HK	BUY	HK\$3.26	HK\$3.6	10	2,542	0.40	0.41	0.47	6.1	6.0	5.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$8.67	HK\$9.65	11	4,013	0.74	0.77	0.86	9.5	9.1	8.2	Vera LIANG
Datang Power	991 HK	BUY	HK\$3.86	HK\$4.4	14	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\$2.65	HK\$4.12	55	181	0.10	0.12	0.14	25.2	21.0	18.0	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.03	HK\$8.0	33	4,461	0.17	0.23	0.29	36.4	26.9	21.3	Jonathan HSU
Sinopharm Group	1099 HK	BUY	HK\$22.85	HK\$24.4	7	2,750	0.66	0.82	1.01	26.1	21.0	17.1	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.67	HK\$6.7	0	4,003	0.09	0.18	0.22	69.8	34.9	28.6	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$11.56	HK\$16.6	44	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	30	586	0.19	0.25	0.32	23.9	18.2	14.2	Jonathan HSU
Shineway Pharma	2877 HK	NEUTRAL	HK\$13.0	HK\$12.3	-5	1,451	0.91	0.78	0.89	12.0	14.0	12.3	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$4.79	HK\$5.5	15	6,329	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG US	BUY	US\$18.76	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\$3.79	HK\$4.19	11	143,803	0.51	0.55	0.60	5.6	5.2	4.7	Donger WANG
ICBC	1398 HK	BUY	HK\$5.33	HK\$5.95	12	226,646	0.75	0.79	0.84	5.4	5.1	4.8	Donger WANG
Minsheng	1988 HK	BUY	HK\$8.07	HK\$8.35	3	25,944	1.49	1.60	1.78	3.8	3.6	3.2	Donger WANG
BOCOM	3328 HK	NEUTRAL	HK\$5.96	HK\$4.81	-19	45,689	0.84	0.87	0.92	5.0	4.8	4.6	Donger WANG
CQRCB	3618 HK	BUY	HK\$3.86	HK\$4.15	8	4,271	0.64	0.71	0.78	4.5	4.0	3.7	Donger WANG
BOC	3988 HK	BUY	HK\$3.72	HK\$4.05	9	126,133	0.56	0.59	0.63	5.0	4.8	4.5	Donger WANG
China Construction Bank	939 HK	BUY	HK\$5.98	HK\$6.98	17	179,963	0.86	0.92	0.99	5.2	4.9	4.5	Donger WANG

Company	Ticker	Rating	Share px		% Upside	Mkt cap (US\$m)	EPS			P/E			Analyst
			Jul. 31	12-month TP			2014E	2015E	2016E	2014E	2015E	2016E	
Citic	998 HK	SELL	HK\$5.17	HK\$4.1	-21	28,850	0.84	0.85	0.96	4.6	4.5	4.0	Donger WANG
Gaming													
Wynn Macau	1128 HK	SELL	HK\$33.25	HK\$31.7	-5	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela HAN LEE
Sands China	1928 HK	BUY	HK\$57.65	HK\$81.2	41	60,865	2.13	3.09	3.63	27.5	19.0	16.1	Angela HAN LEE
MGM China	2282 HK	BUY	HK\$28.6	HK\$42.9	50	13,187	1.40	1.70	1.88	19.2	15.8	14.3	Angela HAN LEE
Galaxy Entertainment	27 HK	BUY	HK\$65.95	HK\$79.9	21	33,685	2.39	2.96	3.91	25.9	21.0	15.9	Angela HAN LEE
Melco Crown	6883 HK	BUY	HK\$87.4	HK\$120.6	38	20,004	3.00	4.16	4.79	31.3	22.6	19.6	Angela HAN LEE
SJM	880 HK	SELL	HK\$20.9	HK\$16.3	-22	13,905	1.39	1.51	1.71	14.0	12.9	11.4	Angela HAN LEE
Environmental Protection													
Everbright International	257 HK	BUY	HK\$10.44	HK\$12.2	17	6,409	0.30	0.38	0.48	36.9	29.2	23.1	Shawn LEE
Dongjiang Environmental	895 HK	BUY	HK\$28.95	HK\$34.1	18	1,125	0.60	0.84	1.28	33.6	24.0	15.8	Shawn LEE
Industrial Goods													
TK group	2283 HK	BUY	HK\$1.03	HK\$1.74	69	131	0.14	0.18	0.21	8.8	6.8	5.9	Ling HUA

Source: Bloomberg, CMS (HK)

Recently Published Reports

Date published	Name of report	Analyst
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2014-07-31	China Banks – interim results preview	Donger WANG
2014-07-30	Wynn Macau (1128 HK)	Angela HAN LEE
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2014-07-21	Li Ning (2331 HK)	Ivy ZHAO
2014-07-21	Zoomlion (1157 HK)	Yiding JIAO
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2014-07-14	Macau Gaming - 2Q14 Preview	Angela HAN LEE

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	xiexx@cmschina.com.cn
Macro Research		
Chief Strategist	Cliff ZHAO	wenlizhao@cmschina.com.cn
China Macro Economy	David XIE	xiexx@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	hanleeam@cmschina.com.cn
Hardware Technology	Alex NG	ngh@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

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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

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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