

# Morning Express

China Merchants Securities (HK)  
Hong Kong Equity Research

## CMS(HK) Research Highlights

### HK Market Strategy Bi-weekly

#### Earnings revision and capital inflow to sustain upward trend

The earnings upward revision since early June is the endogenous driver of market rally, while Shanghai-HK Stock Connect as well as China/HK's comparatively low valuation and lagging performance make up the catalysts for short-term capital back flow. Premier Li's call for expanding targeted RRR cut on May 30 became the threshold event, as China economy has stabilized since then. From July, signs of capital inflow have emerged as HKD continuously hit its strong side of exchange link while RMB exchange trended strong. The valuation of HK stocks and A-share ETFs expanded significantly.

There is still room for further rally of the stock market, as earnings upward revision and valuation expansion may continue given a recovering in China economy and capital inflow. The mix of fundamental, policy and liquidity remain favorable in 3Q 2014. There is no need to worry too much about the correction of US stocks and its potential impact on HK as the Fed is not viewing all the inflation and employment data as pro-rate-hike. We believe HK market may pick up later in August after the initial dent caused by US correction, and resume its upward trend until peaking in September within the euphoria of Shanghai-HK Stock Connect.

We are more cautious for 4Q 2014 and 1H 2015, as HK market might meet the challenging combination of the Fed's taper and China's economic slowdown then. Given such estimation, the honeymoon period from now until 4Q is even more unmissable.

Thus, we recommend to continue a calculated offensive strategy, buying into property laggards (CR Land 1109 HK, Country Garden 2007 HK, Hopson 754 HK), financials (CCB 939 HK, CQRC Bank 3618 HK, China Galaxy Securities 6881 HK), selected metal & minings (China Hongqiao 1378 HK, China Coal Energy 1898 HK), oil service equipment (Hilong 1623 HK), as well as policy and economy transition beneficiaries such as environmental protection (Dongjiang 895 HK, China Everbright International 257 HK) and new energy (Goldwind 2208 HK, GCL-Poly 3800 HK). Buy on dip for healthcare (Sihuan Pharm 460 HK, Dawnrays 2348 HK, CSPC 1093 HK) and internet (Kingsoft 3888 HK, Wisdom Group 1661 HK, NetDragon 777 HK). (Cliff ZHAO, Zhizhong CHEN, Zichen XU)

### Beijing Jingneng (579 HK, BUY, TP:HK\$4.38)

#### Explosive earning growth expected for 2015

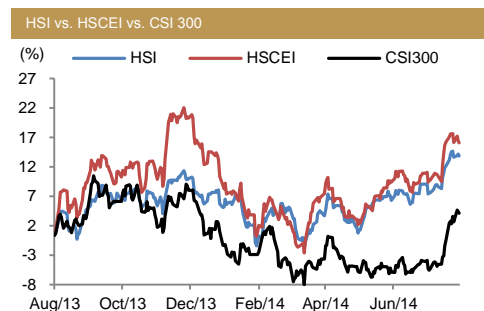
Net profit expected to rise by 2.2% YoY for 1H14:

We expect BJJN's revenue to grow by 10% to RMB3.23bn for 1H14, net profit to grow by 2.2% to RMB650mn and EPS to be RMB0.10, flat with 2013 but lower than Bloomberg consensus by 9%. With the coming peak season of summer for power demand, improving wind condition and new capacities installed, we believe the company's profitability will be better

Stock Market Indices	Close	1-day chg	% chg
Hang Seng Index	24584.13	-64.13	-0.26
Hang Seng Finance Index	32865.21	-66.64	-0.2
Hang Seng Utilities Index	7514.86	+83.09	+1.12
Hang Seng Property Index	31293.04	-78.72	-0.25
Hang Seng Composite Index	15186.24	-62.17	-0.41
HSCEI	10979.93	-29.91	-0.27
CSI 300	2363.22	-6.13	-0.26
Shanghai Composite Index	2217.47	-2.48	-0.11
TWSE	9143.97	+2.53	+0.03

Global	Last price	chg	%chg
Brent Oil	104.88	-0.55	-0.52
COMEX Gold	1289.0	+0.9	+0.07
COMEX Copper	325.7	+3.25	+1.01
LME Copper	1979.0	0.0	0.0
LME Aluminum	7087.0	+9.5	+0.13
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	6.23	-0.0	-0.02
3M Libor	0.23	-0.0	-1.22
3M Shibor	4.7	-0.01	-0.14
10Y US T-Note Yield	2.49	-0.02	-0.8



than 1H14. We expect 2014E EPS to be RMB0.21, up 16.7% YoY, lower than market consensus by 8.7%. The company is currently trading at 7.9x2015E P/E and 1.3x2015E P/B. Based on the industry average of 10x2015E P/E, we revise up 12-month TP to HK\$4.38. Reiterate BUY.

Explosive earning growth expected in 2015:

We expect the Jingxi, Gaoantun and Changping generation units, with capacity of 1,308MW, 845MW and 240MW, to start operation in early 2015, Oct 2014 and 2H14 respectively. The company's gas-fired capacities installed are expected to double to 4,421MW in early 2015, driving gas-fired power generation to grow by 115% YoY. Gas-fired power tariff was raised to RMB0.65 from RMB0.57 per KWH and so the increased gas costs can be passed through. The company plans to add new wind power capacity of 200MW, along with 950MW of reserve capacity, its 2015E wind power generation is expected to grow by 23%. We expect the company's gas-fired, wind, hydro and solar power capacity of 2014/2015E to grow by 53.5%/63.2%, 11.7%/10.5%, 13.6%/11.9% and 162.2%/76.3%, boosting 2014/2015E revenue and net profit by 31%/92% and 18%/66%, increasing ROE to 11.5% and 16.4% from 10.7% in 2013.

Acquisition of 75% stake in Gullen a positive catalyst:

As the acquisition still has uncertainty, it is not included in our earnings estimates yet. If the acquisition is successful, we expect it to enhance the company's wind power generation ability and raise the 2015E and 2016E net profit by 3.7% and 2.4% to RMB2.33bn and RMB2.60bn and increase net margin by 0.3ppt to 12.0% and 12.3% respectively. (Vera Liang)

## A-share Research Highlights

### Recent Investment Strategy of Coal Industry

Review: Since 2009, coal stocks have experienced 7 times of large and small uptrend, and each time with differing background. As coal stocks surged, the first driving reason would be the macro-economic policy while the fundamentals could be lagging behind. Yet after 2010, the relationship with fundamentals has become even closer.

For the seven times of uptrend after 2009, three of them (in 2009, early 2012 and June 2014) did not have any immediate fundamental support, in which for the overall uptrend in 2009, the subsequent rise of coal price provided support. In early 2012 it was driven up by expectation, and the market trend reversed upon the subsequent fall of coal price.

Four of them had fundamental support (in 2010, in 2011, from the end of 2012 to early 2013 and in the middle of 2013), in which for the uptrend from the end of 2012 to early 2013 and in the middle of 2013, coking coal price surged while thermal coal price fell in all these cases. It was mainly driven by the restocking cycle of coking coal and steel, whereas in the chain of thermal coal, electricity could not be stored and inventory chain was shorter, coupled with the serious oversupply of capacity. The opposite price

trend of coking coal and thermal coal would finally return to downtrend.

Conclusion: The uptrend of coal stocks was mainly driven by the expected rise of coal price. With the macro-economic policy or macro economy expected to be strong (2009 was a prime example), GDP growth is expected to accelerate gradually and coal price will follow to rise gradually. The uptrend of coal stocks will be able to continue.

Outlook: This round of market trend originated from the macro-economic expectations, which would be difficult to validate in the short-term. We return to the two conditions for subsequent verification: whether GDP growth accelerates and coal price follows to rise.

Will GDP growth accelerate? With the increasing mini-stimulus, PMI indicators rise and various economic indicators are upbeat. It is expected that 3Q GDP growth should be better than 2Q.

Will coal price follow to rise? At present, after the fall of coal price earlier, coal is basically recording losses in the overall industry. Coal price will find a short-term bottom. With the starting of winter coal reserve and the recession of hydropower, coal price is expected to rebound in 4Q. If implementing limited production and restricted imports, coal price will find further support.

Is the overall logic of industry going up? Firstly, GDP is having a short-term rally by stimulus or a long-term rise. This trend will not go too far if it is driven by stimulus. Secondly, how much can coal price rise? The short-term expectation is rally after excessive fall. However, if various large enterprises implement limited production strictly, coal price will return to an equilibrium level (we estimate the equilibrium price of Qinhuangdao 5500kcal coal to be RMB545/ton). The association expects Qinhuangdao 5500kcal coal price will recover to RMB550-660/ton, up by 15-38% from now.

Investment views: Small cycle is expected to be upward, while the expectation of stabilizing macro-economy and rising coal price still exists. Coal stocks remain in the swamp of low valuation, with the recovery trend of valuation still continuing. Our recommendations are stocks with potentially strong rally, namely Jizhong Energy (000937 CH), Luan Environmental (601699 CH), Yan Quan Coal Industry (600348 CH) and Wintime Energy (600157 CH).

Risk factors: Macro-economic recovery below expectation, effects of production limitation below expectation. (Lu Ping, Zhang Shun and Kong Weiwei, August 5, 2014)

## What to Watch

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### Company Events

Date	Ticker	Company	Event
2014/08/07	00042 .HK	NE ELECTRIC	Result/ Dividend
2014/08/07	00051 .HK	HARBOUR CENTRE	Interim Result/ Dividend
2014/08/07	00329 .HK	Dragonite Int'l	Interim Result
2014/08/07	00665 .HK	HAITONG INT'L	Interim Result
2014/08/07	00762 .HK	CHINA UNICOM	Interim Result
2014/08/07	00770 .HK	SHANGHAI GROWTH	Interim Result/ Dividend
2014/08/07	00945 .HK	MANULIFE-S	Result
2014/08/07	01061 .HK	ESSEX BIO-TECH	Interim Result
2014/08/07	01111 .HK	CHONG HING BANK	Interim Result
2014/08/07	01270 .HK	LANGHAM-SS	Interim Result
2014/08/07	01393 .HK	HIDILI INDUSTRY	Interim Result/ Dividend
2014/08/07	01883 .HK	CITIC TELECOM	Interim Result/ Dividend
2014/08/07	02200 .HK	HOSA INT'L	Interim Result
2014/08/07	03999 .HK	DACHAN FOOD	Interim Result
2014/08/07	06883 .HK	MELCO CROWN	Interim Result
2014/08/07	08026 .HK	PROSTEN TECH	First Quarter Result/ Dividend
2014/08/07	08050 .HK	YUNBO DIGITAL	First Quarter Result
2014/08/07	08068 .HK	NU INT'L	Interim Result
2014/08/07	08077 .HK	KVB KUNLUN FG	Interim Result/ Dividend
2014/08/07	08080 .HK	NAS HOLDINGS	First Quarter Result
2014/08/07	08123 .HK	FIRST CHINA NET	Interim Result/ Dividend
2014/08/07	08138 .HK	TONGRENTANGCM	Interim Result
2014/08/07	08181 .HK	KONGSHUMUNION	First Quarter Result/ Dividend
2014/08/07	08189 .HK	TEDA BIOMEDICAL	Result/ Dividend
2014/08/07	08235 .HK	CCID CONSULTING	Interim Result
2014/08/07	08242 .HK	MEGALOGICTECH	Interim Result/ Dividend
2014/08/07	08243 .HK	DAHE MEDIA	Interim Result/ Dividend
2014/08/07	08320 .HK	C CHENG HLDGS	Result/ Dividend
2014/08/07	08351 .HK	Larry Jewelry	Interim Result/ Dividend
2014/08/07	08356 .HK	CNC HOLDINGS	First Quarter Result/ Dividend

## Research Coverage List

As of August 7, 2014. Updated weekly.

Company	Ticker	Rating	Share px			Mkt cap (US\$m)	EPS			P/E			Analyst
			Aug. 6	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
<b>Auto &amp; Auto Parts</b>													
Brilliance China	1114 HK	BUY	HK\$14.44	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\$51.85	HK\$32.9	-37	4,558	0.27	0.69	1.03	132.5	51.9	34.7	Colleen LI
China ZhengTong Auto	1728 HK	BUY	HK\$4.13	HK\$5.85	42	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\$7.19	HK\$8.08	12	1,522	0.31	0.40	0.45	15.1	11.7	10.4	Colleen LI
Great Wall Motor	2333 HK	BUY	HK\$32.45	HK\$43.4	34	3,838	2.74	3.40	3.82	8.4	6.8	6.1	Colleen LI
CSR Times Electric	3898 HK	BUY	HK\$26.6	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\$15.32	HK\$13.2	-14	2,123	0.78	0.87	0.97	15.5	13.9	12.5	Colleen LI
Dongfeng Motor	489 HK	BUY	HK\$13.32	HK\$14.17	6	5,113	1.13	1.26	1.29	9.9	8.9	8.6	Colleen LI
Zhongsheng Group	881 HK	NEUTRAL	HK\$9.82	HK\$10.3	5	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\$3.97	HK\$6.2	56	807	0.20	0.23	0.32	16.4	14.2	10.2	Michael YUK
Hilong Holding	1623 HK	BUY	HK\$4.3	HK\$5.2	21	842	0.21	0.28	0.37	15.5	11.7	8.7	Michael YUK
Chu Kong Petroleum	1938 HK	BUY	HK\$2.7	HK\$3.8	41	350	0.04	0.28	0.40	53.8	7.7	5.4	Michael YUK
China Oilfield Services	2883 HK	NEUTRAL	HK\$19.1	HK\$21.0	10	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	-38	173	0.08	0.09	0.10	20.5	18.1	16.1	Michael YUK
Anton Oilfield Services	3337 HK	BUY	HK\$4.26	HK\$5.5	29	1,493	0.18	0.22	0.29	23.6	19.3	14.6	Michael YUK
NewOcean Energy	342 HK	BUY	HK\$5.37	HK\$9.83	83	1,110	0.55	0.56	0.75	10.6	10.4	7.7	Michael YUK
Sinopec	386 HK	BUY	HK\$7.49	HK\$7.52	0	24,322	0.57	0.66	0.68	10.4	9.0	8.7	Michael YUK
CIMC Enric	3899 HK	NEUTRAL	HK\$9.24	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\$1.1	HK\$2.0	82	1,936	0.09	0.12	0.16	12.8	9.6	7.2	Michael YUK
China Oil And Gas Group	603 HK	NEUTRAL	HK\$1.38	HK\$1.45	5	922	0.08	0.10	0.13	17.9	14.3	11.0	Michael YUK
Petrochina	857 HK	BUY	HK\$10.12	HK\$11.2	11	26,646	0.71	0.74	0.78	11.1	10.6	10.1	Michael YUK
CNOOC	883 HK	BUY	HK\$13.98	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\$17.1	HK\$17.0	-1	10,666	2.52	2.11	2.28	5.6	6.7	6.2	Feiqin DUAN
Sunac China	1918 HK	BUY	HK\$5.94	HK\$6.7	13	1,884	0.96	1.14	1.34	3.7	3.1	2.6	Feiqin DUAN
Evergrande Real Estate	3333 HK	BUY	HK\$3.29	HK\$4.38	33	5,641	0.79	0.79	0.80	3.1	3.1	3.0	Feiqin DUAN
Greentown China	3900 HK	BUY	HK\$8.58	HK\$15.8	84	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
			Aug. 6	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
China Overseas Land	688 HK	BUY	HK\$22.95	HK\$22.56	-2	19,820	2.82	2.91	3.50	6.7	6.5	5.4	Feiqin DUAN
Hopson Development	754 HK	BUY	HK\$8.23	HK\$19.1	132	2,185	2.10	2.00	2.22	3.6	3.8	3.4	Feiqin DUAN
Optics Valley Union	798 HK	BUY	HK\$0.78	HK\$1.06	36	392	0.08	0.15	0.23	7.6	4.1	2.7	Feiqin DUAN
<b>Metals and Mining</b>													
China Hongqiao	1378 HK	BUY	HK\$6.72	HK\$6.2	-8	4,229	0.95	1.08	1.32	4.7	4.1	3.4	Shawn LEE
Zhaojin Mining	1818 HK	NEUTRAL	HK\$4.92	HK\$4.7	-4	500	0.25	0.24	0.17	14.2	14.8	20.9	Shawn LEE
Aluminum Corp of China	2600 HK	NEUTRAL	HK\$3.74	HK\$2.8	-25	1,414	0.07	-0.07	-0.06	31.9	N.A.	N.A.	Shawn LEE
Zijin Mining	2899 HK	NEUTRAL	HK\$2.05	HK\$1.57	-23	1,364	0.10	0.10	0.08	14.1	14.1	17.7	Shawn LEE
Jiangxi Copper	358 HK	SELL	HK\$14.88	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\$5.37	HK\$3.1	-42	671	0.19	0.20	0.21	16.8	15.9	15.2	Shawn LEE
RUSAL	486 HK	NEUTRAL	HK\$4.12	HK\$3.1	-25	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\$4.14	HK\$3.45	-17	6,785	0.22	0.25	0.28	13.8	12.2	10.9	Alex NG
China Unicom	762 HK	NEUTRAL	HK\$13.0	HK\$11.34	-13	36,759	0.44	0.65	0.76	21.9	14.8	12.7	Alex NG
China Mobile	941 HK	NEUTRAL	HK\$84.65	HK\$78.0	-8	196,089	6.02	5.34	5.27	10.0	11.3	11.5	Alex NG
Wisdom	1661 HK	BUY	HK\$3.88	HK\$7.0	80	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\$2.59	HK\$2.0	-23	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	58	3,563	0.55	0.63	0.95	34.1	29.8	19.7	Jeff HAO
SinoMedia	623 HK	BUY	HK\$6.0	HK\$8.07	35	448	0.64	0.73	0.83	7.5	6.6	5.8	Jeff HAO
Tencent	700 HK	BUY	HK\$132.9	HK\$127.6	-4	28,432	1.66	2.45	3.15	57.2	38.7	30.1	Jeff HAO
NetDragon	777 HK	BUY	HK\$14.58	HK\$20.34	40	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\$48.75	HK\$40.0	-18	7,992	1.83	2.16	2.48	22.1	18.8	16.3	Alex NG
Coolpad	2369 HK	BUY	HK\$1.84	HK\$2.73	48	588	0.13	0.21	0.26	16.5	10.2	8.2	Alex NG
Sunny Optical	2382 HK	NEUTRAL	HK\$10.14	HK\$8.37	-17	1,551	0.41	0.54	0.73	21.5	16.3	12.1	Alex NG
TCL Comm	2618 HK	BUY	HK\$10.24	HK\$12.5	22	1,406	0.28	0.98	1.34	33.5	9.6	7.0	Alex NG
Truly	732 HK	BUY	HK\$4.5	HK\$7.15	59	1,775	0.56	0.67	0.79	8.4	7.0	6.0	Alex NG
Lenovo Group	992 HK	BUY	HK\$10.84	HK\$10.5	-3	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\$5.05	HK\$5.14	2	766	0.43	0.41	0.44	9.2	9.7	9.0	Ivy ZHAO
361 Degrees	1361 HK	NEUTRAL	HK\$1.88	HK\$1.76	-6	472	0.12	0.12	0.13	11.8	11.8	10.9	Ivy ZHAO

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Xtep International	1368 HK	BUY	HK\$3.33	HK\$3.31	-1	918	0.28	0.29	0.31	9.4	9.1	8.5	Ivy ZHAO
Belle	1880 HK	NEUTRAL	HK\$9.64	HK\$7.89	-18	9,357	0.52	0.52	0.54	13.3	13.3	12.8	Ivy ZHAO
Peak Sport	1968 HK	BUY	HK\$2.11	HK\$2.72	29	512	0.12	0.16	0.17	12.7	9.5	8.9	Ivy ZHAO
ANTA Sports Products	2020 HK	BUY	HK\$14.24	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\$4.88	HK\$5.3	9	6,470	-0.30	-0.21	0.06	N.A.	N.A.	60.5	Ivy ZHAO
China Dongxiang	3818 HK	BUY	HK\$1.54	HK\$1.59	3	1,043	0.04	0.04	0.05	29.3	29.3	23.5	Ivy ZHAO
Ports Design	589 HK	NEUTRAL	HK\$3.28	HK\$4.0	22	250	0.54	0.55	0.66	5.2	5.1	4.3	Ivy ZHAO
Trinity	891 HK	BUY	HK\$1.92	HK\$2.0	4	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\$10.86	HK\$13.05	20	18,685	0.05	0.06	0.07	28.7	24.0	20.5	Ling HUA
China Mengniu Dairy	2319 HK	BUY	HK\$37.9	HK\$47.0	24	9,052	0.90	1.24	1.54	32.0	23.2	18.7	Ling HUA
Tingyi	322 HK	BUY	HK\$22.55	HK\$24.9	10	15,134	0.07	0.10	0.11	40.0	28.0	25.5	Ling HUA
Vitasoy	345 HK	NEUTRAL	HK\$10.04	HK\$10.8	8	1,319	0.30	0.36	0.39	33.1	28.2	25.6	Ling HUA
<b>Retail</b>													
Haier Electronics	1169 HK	BUY	HK\$22.7	HK\$24.6	8	7,709	0.78	0.89	1.05	23.1	20.2	17.1	Gloria WANG
Springland International	1700 HK	NEUTRAL	HK\$3.14	HK\$3.3	5	1,019	0.28	0.29	0.33	9.2	8.9	7.8	Gloria WANG
Sa Sa International	178 HK	NEUTRAL	HK\$6.05	HK\$5.7	-6	2,212	0.34	0.35	0.38	17.7	17.2	15.9	Gloria WANG
Intime Retail Group	1833 HK	BUY	HK\$7.56	HK\$10.3	36	1,759	0.52	0.60	0.69	10.5	9.1	7.9	Gloria WANG
GOME ELECTRICAL	493 HK	BUY	HK\$1.34	HK\$1.8	34	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
<b>Alternative Energy</b>													
Datang Renewable Power	1798 HK	SELL	HK\$1.15	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\$0.62	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\$9.11	HK\$12.3	35	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	7	5,174	-0.04	0.11	0.18	N.A.	23.6	14.4	Lei YIN
Singyes Solar	750 HK	BUY	HK\$12.84	HK\$14.23	11	1,169	0.75	1.02	1.14	14.0	10.3	9.2	Lei YIN
Tianneng Power	819 HK	BUY	HK\$2.9	HK\$6.65	129	419	0.16	0.57	1.10	14.7	4.1	2.1	Lei YIN
China Longyuan Power	916 HK	BUY	HK\$8.09	HK\$9.84	22	3,624	0.26	0.36	0.45	24.7	17.8	14.3	Lei YIN
Huaneng Renewables	958 HK	BUY	HK\$2.64	HK\$3.2	21	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\$11.56	HK\$12.46	8	4,035	0.25	0.12	0.13	5.5	11.6	10.7	Kate LI
China Merchants	144 HK	NEUTRAL	HK\$25.75	HK\$26.43	3	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
			Aug. 6	12-month TP	% Upside		2014E	2015E	2016E	2014E	2015E	2016E	
CSCCL	2866 HK	NEUTRAL	HK\$2.22	HK\$1.82	-18	968	-0.22	0.01	0.05	N.A.	160.6	32.1	Kate LI
Orient Overseas	316 HK	BUY	HK\$40.7	HK\$51.0	25	3,064	0.08	0.21	0.37	61.2	23.3	13.2	Kate LI
Sinotrans Shipping	368 HK	NEUTRAL	HK\$2.17	HK\$2.4	11	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\$5.05	HK\$4.2	-17	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\$1.39	HK\$2.06	48	734	0.11	0.13	0.16	9.7	8.2	6.7	Yiding JIAO
Sany Heavy	631 HK	NEUTRAL	HK\$1.84	HK\$1.47	-20	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\$4.98	HK\$6.1	22	866	0.56	0.61	0.65	6.7	6.2	5.8	Vera LIANG
China Power	2380 HK	BUY	HK\$3.32	HK\$3.6	8	2,542	0.40	0.41	0.47	6.1	6.0	5.2	Vera LIANG
Huaneng Power	902 HK	BUY	HK\$8.76	HK\$9.65	10	4,013	0.74	0.77	0.86	9.5	9.1	8.2	Vera LIANG
Datang Power	991 HK	BUY	HK\$4.0	HK\$4.4	10	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\$2.75	HK\$4.12	50	181	0.10	0.12	0.14	25.2	21.0	18.0	Jonathan HSU
CSPC Pharmaceutical	1093 HK	BUY	HK\$6.2	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	3	2,750	0.66	0.82	1.01	26.1	21.0	17.1	Jonathan HSU
Sino Biopharm	1177 HK	BUY	HK\$6.76	HK\$6.7	-1	4,003	0.09	0.18	0.22	69.8	34.9	28.6	Jonathan HSU
Phoenix Healthcare	1515 HK	BUY	HK\$11.48	HK\$16.6	45	1,256	0.13	0.23	0.28	72.2	40.8	33.5	Jonathan HSU
Dawnrays	2348 HK	BUY	HK\$6.31	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\$13.26	HK\$12.3	-7	1,451	0.91	0.78	0.89	12.0	14.0	12.3	Jonathan HSU
Sihuan Pharmaceutical	460 HK	BUY	HK\$5.07	HK\$5.5	8	6,329	0.13	0.15	0.18	29.3	25.4	21.2	Jonathan HSU
iKang Healthcare Group	KANG US	BUY	US\$18.65	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\$3.74	HK\$4.19	12	143,803	0.51	0.55	0.60	5.6	5.2	4.7	Donger WANG
ICBC	1398 HK	BUY	HK\$5.22	HK\$5.95	14	226,646	0.75	0.79	0.84	5.4	5.1	4.8	Donger WANG
Minsheng	1988 HK	BUY	HK\$7.94	HK\$8.35	5	25,944	1.49	1.60	1.78	3.8	3.6	3.2	Donger WANG
BOCOM	3328 HK	NEUTRAL	HK\$5.88	HK\$4.81	-18	45,689	0.84	0.87	0.92	5.0	4.8	4.6	Donger WANG
CQRCB	3618 HK	BUY	HK\$3.93	HK\$4.15	6	4,271	0.64	0.71	0.78	4.5	4.0	3.7	Donger WANG
BOC	3988 HK	BUY	HK\$3.66	HK\$4.05	11	126,133	0.56	0.59	0.63	5.0	4.8	4.5	Donger WANG
China Construction Bank	939 HK	BUY	HK\$5.88	HK\$6.98	19	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	-19	28,850	0.84	0.85	0.96	4.6	4.5	4.0	Donger WANG



Company	Ticker	Rating	Share px Aug. 6	12-month TP	% Upside	Mkt cap (US\$mn)	2014E	EPS 2015E	2016E	2014E	P/E 2015E	2016E	Analyst
<b>Gaming</b>													
Wynn Macau	1128 HK	SELL	HK\$31.75	HK\$31.7	-0	20,344	1.48	1.65	1.76	20.5	18.4	17.3	Angela HAN LEE
Sands China	1928 HK	BUY	HK\$55.55	HK\$81.2	46	60,865	2.13	3.09	3.63	27.5	19.0	16.1	Angela HAN LEE
MGM China	2282 HK	BUY	HK\$27.6	HK\$42.9	55	13,187	1.40	1.70	1.88	19.2	15.8	14.3	Angela HAN LEE
Galaxy Entertainment	27 HK	BUY	HK\$63.45	HK\$79.9	26	33,685	2.39	2.96	3.91	25.9	21.0	15.9	Angela HAN LEE
Melco Crown	6883 HK	BUY	HK\$82.6	HK\$120.6	46	20,004	3.00	4.16	4.79	31.3	22.6	19.6	Angela HAN LEE
SJM	880 HK	SELL	HK\$20.45	HK\$16.3	-20	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\$10.5	HK\$12.2	16	6,409	0.30	0.38	0.48	36.9	29.2	23.1	Shawn LEE
Dongjiang Environmental	895 HK	BUY	HK\$29.8	HK\$34.1	14	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\$1.02	HK\$1.74	71	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
2014-08-06	HK Market Strategy Bi-weekly	Cliff ZHAO, George CHEN, Zichen XU
2014-08-06	China Sportswear Industry Report	Ivy ZHAO
2014-08-04	Macau Gaming - July review	Angela HAN LEE
2014-08-04	Kingsoft(03888.HK)	Jeff Hao
2014-08-04	Hopson Development (754 HK)	Feiqin DUAN, Kate LI
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2014-07-22	TCL Comm (2618 HK)	Alex NG
2014-07-21	Sunac China Holdings Limited (1918 HK)	Kate LI

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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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