

Industry:

Local property and Others (Dennis), Mainland financial, Utilities (Xingyu Chen), Mainland Telecom (Fanguohe), Mainland property, Oil and gas service (Chengeng), Air, Automobiles, Infrastructure (ZhangJing),

Analyst

Phillip Research Team

+65 65311240

research@phillip.com.sg

Local Property

In November, we updated research report on Fortune REIT (778.HK) and Link REIT (823.HK).

Fortune REIT (778.HK): The acquisition of Kingswood Ginza property was approved in EGM on 16 Sept, 13 and completed on 9 Oct, 13. We like Fortune REIT's move to add growth driver and consequently create value for shareholders. U.S. Treasury yield surged from 1.63% to nearly 3% during the 4 months period starting from May, 13. In the same period, Fortune REIT's share price slumped 14.2% to HK\$6.26. We observed that the 10-year U.S. treasury yield has calmed down to ~2.6% after Federal reserve announced the same bond purchase scale until more evidence to signal U.S. economy recovery. But it didn't give a positive impact to Fortune REIT's share price. For October, Fortune REIT's share price declined 2% while MSCI US REIT index climbed 2.7% and Link REIT (823.HK) gained 2.8%. We believe Fortune REIT is undervalued. Our TP is HKD6.64, representing FY14 dividend yield of 6.0% (vs. historical average of 5.72%). We gave an "Accumulate" rating and the major downside risk is the faster-than-expected interest rate hike.

Link REIT (823.HK): 1HFY14 results beat expectation due to margin improvement. The net property income margin improved to 72.1%, up 1.5 ppt YoY/ 0.8 ppt HoH, mainly due to better cost control (utilities expenses dropped 4.4% YoY through energy management measures, repair and maintenance costs declined 3.9% YoY). We revised up DPU estimates for FY14 and FY15 by 2.4% and 1.1% on higher revenue growth and net property income margin. Our new DDM based target price was HK\$37.20. Our target price implies forecast dividend yield of 4.4%, close to 5-year average of 4.44%, which we think more reasonable for investors amid the interest rate hike expectation. We gave a "Reduce" rating.

Mainland Financial

HSI showed the strong growth in November after the adjustment in October and it tried to touch the key point 24000 at the last trading day of this month. During the period, the large weighted sectors such as banking, and insurance appeared the better performance. Most of Chinese banks' prices increased slightly compared with the beginning of this month to varying degrees, this is mainly because the detailed policies have released in Shanghai FTZ after the Third Plenary Session, especially for some good news for financial sectors, which stimulated the market to make the good prospects for the future performance of banks and insurers. Additionally, there were two domestic banks listed in H Shares this month, plus one of the largest AMCs, China Cinda, promoted investment enthusiasm of the investors in domestic financial sectors.

As at the end of 29 November, 11 domestic listed banks increased by 3.4% approximately in average within one month, among which CMB's share price has the best performance with the growth of 7.3% in Nov, and considering two new listed banks, BOCQ recorded the worst one, decreased by 1.3% compared with its closing price at the first trading day. Overall, we still hold a cautiously optimistic view for the banks' future performance development, and maintain Buy rating to the sector.

Mainland Telecom

Overall speaking, the telecom sector has basically taken akin tendency to HSI since November. The early fall can be attributed to the failing expectation of 4G license issue in October. What's more, it was also suppressed by the weak market and the first fall of China Mobile's performance in 3Q13. Entering into the second half, the sector has risen with the market because of expected easing monetary environment by new Federal Reserve Chairman candidate and the reform expectation by the Third Plenary Session of 18th CPC Central Committee.

In our view, investors can become optimistic at the telecom sector after prior pullback. First, the capital expenditure of the three operators will accelerate in 4Q13, China Mobile and China Telecom have taken collective bidding and purchasing for 4G, which will help relative companies achieve better performance than the first half in 2013. Second, the award of 4G licenses will still be a positive catalyst for the sector.

According to Central Government, China National Security Council will be established after the Third Plenary Session of 18th CPC Central Committee, which will highlight the importance of national security and public security and verify the great attention paid by high-level leaders. We believe that the market of security and protection will be further supported by policies, and those security and protection enterprises with advanced technologies will benefit from this. So we recommend Anxin-China Holdings (1149.hk) and expect its performance can remain a compound growth rate of at least 30% in the next two years.

Mainland Property & Oil/Gas service

In November, 2013 I wrote four research reports on Poly, COLI, CCRE and Shimao Property, which got success by unique operation model. We recommend "Shimao Property". In 2014, the total sales scale of Shimao Property will be about 160bn RMB while the sales volume is expected to reach 60% of it. Thus we predict that it is really possible for the sales volume of 2014 to exceed 100bn RMB. The company has remained the compound growth rate of nearly 50% since 2012 to 2014, which is one of the highest among the mainland property stocks. We think that Shimao Property is in the best condition in terms of scale, increase and structure and it is currently a high-quality company within the industry. Therefore, we remain the valuation "Accumulate" for Shimao Property with 12m TP at 20.8 HKD, 5.6 times of expected price earning ratio in 2014.

Automobile & Air

The overall automotive sector in November performed well, among which, Dongfeng, GAC, Weichai and Sinotruk outperformed, others with the market trend. Airline stocks most of the time in sync with the market, but surged from late this month, outperforming the general trend. Particularly in our key recommendation in October of Cathay and Dongfeng showed strongest momentum.

In November, we updated 4 research reports including Weichai (2338.HK), GAC (2238.HK), CSR (1766.HK) and Zhongsheng (881.HK), in chronological order. We

recommend CSR and GAC firstly. The former will benefit from the restart of the railway equipment sector and the latter is expected to accelerate the introduction of new models.

New energy & Environmental Goods

We published two reports in this month and recommended Huaneng Renewables (958.HK) and Xinjiang Goldwind (2208.HK). By main business, they can be classified as wind power operator and wind power equity producer respectively. The stocks of wind power industry have a rise in price in this month. The main reason is that there is more confidence about wind power industry getting warmer gradually in the market after the 3rd quarter performance reports were published. The wind power operators locate in the downstream of industry and expand the utilization quantity sharply; this causes the orders of equity producer increase.

The price of Huaneng Renewables increases about 10 percent and the valuation level reaches a relative high point simultaneously. We suggest hold in cautious if no favorable policy will be published in the future. Xinjiang Goldwind stays in the process of shock adjustment and the price is relative stable in this month, we forecast upside potential exist in this stock as the revenues of wind power equity producers are realized later compared with that of wind power operators.

Fig1. Performance of Recommended stock

Time	Ticker	Company	Rating	Price on Recommendation			Last Month		Closing Price		1M Price Chg
				Date	Target Price	Expected Return	Closing Price	Last Month Return	2M ago		
2013-11-4	3328 HK Equity	BoCom	Accumulate	5.69	6.13	7.73%	5.79	1.76%	5.67	2.12%	
2013-11-5	119 HK Equity	POLY Property	Accumulate	4.68	5	6.84%	4.54	-2.99%	4.75	-4.42%	
2013-11-6	2338 HK Equity	Weichai	Accumulate	31.35	34.5	10.05%	34.3	9.41%	31.05	10.47%	
2013-11-7	762 HK Equity	China Unicom	Neutral	11.96	12.15	1.59%	12.34	3.18%	12.24	0.82%	
2013-11-8	778 HK Equity	Fortune REIT	Accumulate	6.25	6.64	6.24%	6.45	3.20%	6.28	2.71%	
2013-11-11	2628 HK Equity	China Life	Accumulate	20.5	24.55	19.76%	25	21.95%	20.6	21.36%	
2013-11-12	958 HK Equity	HN Renewables	Accumulate	3.1	3.27	5.48%	3.38	9.03%	2.99	13.04%	
2013-11-13	688 HK Equity	COLI	Accumulate	23.1	24.6	6.49%	24.1	4.33%	24	0.42%	
2013-11-14	2238 HK Equity	GAC	Accumulate	9.04	10	10.62%	10.3	13.94%	9.2	11.96%	
2013-11-15	728 HK Equity	China Telecom	Accumulate	3.88	4.35	12.11%	4.19	7.99%	4.05	3.46%	
2013-11-18	823 HK Equity	Link REIT	Reduce	39.55	37.2	-5.94%	38	-3.92%	38.3	-0.78%	
2013-11-19	1963 HK Equity	BCQ	Neutral	5.89	5.61	-4.75%	5.91	0.34%	NA	NA	
2013-11-20	832 HK Equity	CCRE	Accumulate	2.63	3	14.07%	2.65	0.76%	2.53	4.74%	
2013-11-21	1766 HK Equity	CSR	Accumulate	7.08	7.8	10.17%	7.2	1.69%	6.46	11.46%	
2013-11-22	1149 HK Equity	Anxin-China	Buy	2.11	2.85	35.07%	2.33	10.43%	2.51	-7.17%	
2013-11-25	992 HK Equity	Lenovo	Accumulate	9.03	9.82	8.75%	9.19	1.77%	8.25	11.39%	
2013-11-26	2208 HK Equity	Goldwind	Accumulate	7.23	8.27	14.38%	7.58	4.84%	7.92	-4.29%	
2013-11-27	813 HK Equity	Shimao Property	Accumulate	18.54	20.8	12.19%	19.38	4.53%	19.52	-0.72%	
2013-11-28	881 HK Equity	Zhongsheng	Accumulate	10.6	12.3	16.04%	10.44	-1.51%	12.42	-15.94%	
2013-11-29	1359 HK Equity	COSL	Buy	NA	4.5	NA	NA	NA	NA	NA	

Source: PSR

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold a interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Management

Chan Wai Chee
(CEO, Research - Special Opportunities)
Joshua Tan
(Head, Research - Equities & Asset Allocation)

+65 6531 1231
+65 6531 1249

Research Operations Officer
Jermaine Tock +65 6531 1240

Macro | Asset Allocation | Equities
Joshua Tan +65 6531 1249

Commodities | Offshore & Marine
Nicholas Ong +65 6531 1440

US Equities
Wong Yong Kai +65 6531 1685

Telecoms
Colin Tan +65 6531 1221

Real Estate
Caroline Tay +65 6531 1792

Real Estate
Lucas Tan +65 6531 1229

Market Analyst | Equities
Kenneth Koh +65 6531 1791

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
JI Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005

AUSTRALIA

PhillipCapital
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA

Asha Phillip Securities Limited
No 321, Lakshmans Building,
2nd floor, Galle Road,
Colombo 3, Sri Lanka
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199
Website: www.ashaphillip.net/home.htm

INDIA

PhillipCapital (India) Private Limited
No. 1, C Block, 2nd Floor, Modern Center,
Jacob Circle, K. K. Marg, Mahalaxmi
Mumbai 400011
Tel: (9122) 2300 2999
Fax: (9122) 6667 9955
Website: www.phillipcapital.in