

Investment Advisory Team

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Daily commentary

- **Suggest trade of the day:**
 - CSCL (2866)
- **Companies with positive newsflow today:**
 - Gold miners and jewelers, interest rate sensitive plays, Hanergy (566), China Environment Resources (1130)
- **Companies with negative newsflow today:**
 - Wison Engineering (2236), Hong Kong Television Network (1137), MMG (1208)
- **Daily market outlook commentary:**
 - Surprise! Surprise! Don't what our readers feel, but to me the Fed's decision is unexpected by most of the analysts – now we see the danger of follow the “consensus” view. Bernanke's gift (before his retirement) to all the bulls? Not so simple if you notice that 12 out of the 15 officials expect interest rate hike to happen in 2015. ADR is benchmarking a strong HSI open with around 500 points, and there should be some short squeeze as well, especially on some stocks like AIA (1299) and Lenovo (992). Interest rate related stocks like REITs, utilities or even China banks may see some rebounds. Strength in commodities related plays (esp gold miners and jewelers) is also expected. While the market never really “corrected” before the Fed meeting, we still believe that the rally should have some legs in short term. After all, Bernanke caught most of the people by surprise, and it's a “WOW” moment.
 - HK properties plays were already strong yesterday (don't know if anyone is so resourceful that “know” the Fed decision in advance), and the strength is likely to continue in short term, as interest rate would likely rise slower than expected. The Shatin auction is surely bad news, so for a longer horizon it seems that the luxury developer (and the physical properties as well) would have tough days, while the mass market (maybe Cheung Kong (1) and Sun Hung Kai Props (16)) should be in relatively better position. China properties price continue to rise again, and it seems that there had not been any serious correction in the property prices after the credit crunch in 2008. Positive to the share price of developers? Maybe not. The new China leadership seems tougher than the previous one in many aspects, and don't forget with the “hard-landing” chance seems lower now, the government would have some room to curb the property prices.
 - To be honest, expect strength across the board today, and investors will likely ignore fundamentals or newsflow before the long weekend. Saw the 3 local banks Chong Hing (1111), Wing Hang (302) and Dah Sing (2356) retreated yesterday. Understandable as some may prefer to lock in profit. For those who has patience, Dah Sing (2356) still look reasonably cheap at the moment, and can be something to look at whenever the stock corrects. Current share price is near 1x book value – for sure the price paid by acquirer will be higher, and to me the M&A is only a matter of time, after seeing all the family-run banks being phased out in the past 10 years.

Key Indices

Index	Last	% Change
HSI	23,117	(0.27)
HSCEI	10,588	(0.59)
Light Crude	111.59	2.69
BDI	1,822	4.71

- For some thoughts on the other sector, beware of the US-related stocks like Li & Fung (494) etc. No doubt that stock will still perform today, but US Fed is surely not optimistic on the economy outlook. Shipping stocks may well continue to perform, giving the surge in BDI. CSCL (2866) looks interesting as it is backed by the news of selling vessels to parent. Solar plays also strong yesterday after the new government policies. Hanergy (566) is the one with newsflow, buying technology from parent. Can also look at some of the second or third year Macau related names, eg. Polytech (208) or Future Bright (703). Forgame (484) start IPO today, the competition landscape is tough, for every successful games there maybe 10,000 failed games before, but the sector is surely hot. Will spend some time to look at it and send over our comments later.

Selective headline news

- 1) The Federal Reserve is not going to slow down the pace of its bond purchases yet. And that was just what investors wanted to hear. The S&P 500 immediately jumped to a new record high, and the Dow quickly followed. The Nasdaq also moved up after the Fed's surprise announcement. All three indexes closed up more than 1%. Fed chair Ben Bernanke added fuel to Wednesday's stock rally during his press conference. Bernanke laid out plans to maintain the central bank's "highly accommodative monetary policy" for the foreseeable future, even if the Fed eventually chooses to taper. Bond yields, which have been rising lately, slid back as well as investors bought more bonds. The 10-year Treasury yield fell to 2.71% from 2.87% earlier in the day. The Fed's moves also pushed down the dollar and drove up commodities. Gold prices spiked more than 4% following the announcement. Oil prices rose more than 2%. Adobe Systems (ADBE) shares hit all-time highs after the software maker reported strong subscription growth for its "Creative Cloud" service on Tuesday. FedEx (FDX, Fortune 500) reported an increase in quarterly sales and net income, compared to a year-ago. Earnings topped forecasts and shares rose on the news.
- 2) ADRs all went up higher than HK close. ADR of China Mobile ended 1.4% higher vs HK closing, equivalent to HKD88.58 per share. ADR of HSBC up 2.3% vs HK closing, equivalent to HKD88.15 per share. ADR of Hutchison ended 1.6% higher vs HK closing, equivalent to HKD94.29 per share. Cheung Kong's ADR closed at HKD122.59, 2.2% higher than HK closing. ADR of Tencent closed at HKD412.5, 2.5% higher than HK closing.
- 3) Short sell as a percentage of turnover decreased from 9.9% to 9.1%. Stock alert: AIA (1299), HK & China Gas (3), Lenovo (992), Baoxin Auto (1293), Sunart Retail (6808), Brilliance Chi (1114), Sunny Optical (2382)
- 4) From HKEx daily quotation on 18 September trading, stock advanced = 1,867 stock declined = 3,043 stock unchanged = 2,404. (Advance vs Decline ratio 1.82: 1).
- 5) Selective share buyback transactions on 18 September 2013 :
 - i) First Pacific (142) – 236K shares at HKD8.62 to HKD8.7.
 - ii) Road King (1098) – 60K shares at HKD7.91 to HKD7.95

- iii) China Water (855) – 800K shares at HKD 2.76 to HKD2.84.
 - iv) Luks (366) – 188K shares at HKD1.98-HKD2.02.
 - v) IPE Group (929) – 690K shares at HKD0.52.
 - vi) SOCAM (983) – 542K shares at HKD8.98
 - vii) National Electronics (213) – 100K shares at HKD0.98
 - viii) Sun Hung Kai (86) – 45K shares at HKD4.39
- 6) The auction of a luxury land parcel in Shatin area was won by Regal (78) and Pariburg (617), at HKD6,837 per square feet, much lower than expected
 - 7) Wison Engineering (2236) inform the shareholders and investors of the Company that Mr. Hua Bangsong (“Mr. Hua”) and the Company are still assisting the relevant authorities in the PRC in their investigations. Mr. Zhao Hongbin (“Mr. Zhao”), manager of the Finance Department of Wison Engineering Limited (a non wholly-owned subsidiary of the Company) and an employee of the Group, is also assisting in the investigations
 - 8) SUNAC (1918) succeeded in the bidding of Tiantuo Land from Tianjin Bureau of Land Resources at a consideration of RMB10.32 billion, which will be satisfied by the Company and Tianjin Real Estate Group in the proportion of 51% : 49% pursuant to the terms of the Cooperation Agreement
 - 9) HK Education international agreed to up to 272,800,000 Placing Shares, to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert with the connected persons of the Company at a price of HKD0.220 per Placing Share
 - 10) Macau Legend (1680) clarified that the Company plans to issue preferred shares raising not more than US\$300 million which is to be arranged by CLSA, CITIC Securities and Credit Suisse, and to issue notes for fund raising; the Company’s current public float is between 15% and 16%; and the expected revenue in the fourth quarter in 2014 will have a “double-digit” growth.
 - 11) GoldPoly (686) announce that the 20MW ground solar power plant project in Qinghai Province, which is indirectly owned by the Company’s wholly-owned subsidiary China Solar Power Group Limited (formerly known as China Merchants New Energy Holdings Limited), successfully achieved on-grid connection on 18 September 2013.
 - 12) CSCL (2866) has agreed to sell and CIC Digang has agreed to purchase the Container Vessels at a total cash consideration of RMB33,858,897.91 (approximately HKD42,323,622.39).
 - 13) SunWah Kingway Capital (188) recorded a loss of HKD2 million for FY2013, as compared to a loss of HKD119 million for FY2012.
 - 14) China Environment Resources (1130) expected to record a decrease in losses for the year ended 30 June 2013 as compared to the audited results for last year, mainly attributed to the decrease in loss on changes in fair value of biological assets during the year ended 30 June 2013.
 - 15) Hong Kong Television Network (1137) clarify that the Company has not entered into any agreement and there is no on-going negotiation for the acquisition of any interest in ATV

- 16) Bossini (592) profit for the year attributable to owners increased 39% to HKD22 million (2012: HKD16 million)
- 17) MMG (120) gave notice to terminate the EPC Contract with Forge Group Minerals & Resources in accordance with its terms, such termination to take effect on 26 September 2013
- 18) Hanergy (566) announce that its subsidiaries agreed to acquire from Hanergy Holding all intellectual property rights of MiaSolé's CIGS thin film solar technology, being one of the world's leading CIGS thin film solar technologies in terms of the conversion efficiency rate for flexible thin film solar modules, at a consideration of RMB350,000,000 (equivalent to approximately HKD444,500,000).
- 19) Forgame (484) start IPO today

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