Daily Commentary

- **Suggest trade of the day:**
  - Sinopec Engineering (2386)

- **Companies with positive newsflow today:**
  - Chow Tai Fook (1929), Texwinca (321), Sinopec Engineering (2386) and Citic Pacific (267)

- **Companies with negative newsflow today:**
  - Termbray (93), Ping Shan Tea Group (364), China Modern Dairy (1117) and BYD (1211)

- **Daily market outlook commentary:**
  - We highlighted many times that rotational buying and selling has been dominating the market momentum and yesterday's strength from mainland banks and mainland developers at the expenses of tech names, Macau gaming stocks and some high-flying market darlings was not something totally unexpected. Use Kingsoft (3888) as an example, the 10% decline in share price yesterday still left the company to be up 2.46x YTD. Will regard this as a correction rather than something disastrous. Investors may draw a dotted line between the weakness of the tech companies to the pessimistic guidance from Sohu while explaining the strength on mainland banks on news that they may be the first batch to be benefited from offering preferred shares. The resumption of reverse repo by PBOC, although at a relative small amount, also helping the financial sector. Remember we have 2 mainland banks kicking off their IPOs this week and really wonder strength of the sector has anything to do with it. Anyway, the index future, ADR benchmarking and strength from US market all pointing to a higher opening for HSI today, 23,000 looks a big resistance last round and we may see the market bouncing around this level today.

  - Lots of 3Q results released. Sinopec (386), CM Bank (3968) and Citic Bank (998) are those who beat expectation. Results from Angang (347) and Datang (991) also strong. On the flip side, Petrochina (857), Stanchart (2888) and BYD (1211) may under pressure on disappointed numbers. Esprit (330)’s quarter update not inspiring but at least some sign of light from the Europe retail side, which may cheer some investors on this well-beaten stock. China Modern Dairy (1117) will face some selling pressure with existing shareholders cutting stakes. Nothing to do with fundamentals, will be buyer at around HKD3.4 level. Chow Tai Fook (1929)’s positive profit alert shouldn’t be a big surprise to the market given the gold rush earlier in the year. On the other hand, Texwinca (321)’s positive profit alert should be more loud and clear. Compared to other textile peers which share price has ramped (Texhong (2678), Shenzhou (2313) and etc), Texwinca has been a big laggard as investors always have doubt on the prospect of their retail division (i.e. Baleno). Expecting more re-rating from the market to come. Share price of Same Time (451) likely to be volatile today after GCL Poly (3800) signed a MOU to subscribe shares and CB of the company amounting to HKD 1.8 billion. With a market cap. of only HKD650m and moving into business of solar plants and renewable energy businesses, the news can attract a lot of speculators despite the significant

**Key Indices**

<table>
<thead>
<tr>
<th>Index</th>
<th>Last</th>
<th>% Change</th>
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<tbody>
<tr>
<td>HSI</td>
<td>22,847</td>
<td>0.18</td>
</tr>
<tr>
<td>HSCEI</td>
<td>10,391</td>
<td>1.29</td>
</tr>
<tr>
<td>Light Crude</td>
<td>109.07</td>
<td>(0.33)</td>
</tr>
<tr>
<td>BDI</td>
<td>1,551</td>
<td>(4.20)</td>
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discount for the consideration shares. The huge presence of GCL Poly in upstream polysilicon can trigger a lot of thoughts on synergy and vertical co-operation. Share price of Sinopec Engineering (2386) also likely to react positively to the new contract awarded in Indonesia. The contract amount of US 738m is equivalent to around 13% of their FY12 revenue. Recall that other construction companies like CSR (1766) and CMEC (1829) also ran after their respective contract awarded. Newtimes Energy (166) can be another high flyer after blessings from 2 local newspaper.....something very familiar on China Star (326) last week. Very risky I must admit and those who want to punt should be aware that it's like a musical chair game... and you certainly don't want to be the last one to get out!

Selective headline news

1) Dow and S&P reached record closing high again despite a lackluster report on retail sales and a brief glitch involving the Nasdaq. Dow gained 111 points or 0.72% while S&P edged 10 points or 0.56% higher. On the economic front, retail sales slipped 0.1% in September. The decline was the first since March but was in line with expectations. A separate report showed that home prices kept rising in August, with prices in 20 big cities climbing at a 12.8% annual rate, according to the S&P/Case-Shiller index. The Federal Reserve was also be in focus as the central bank kicked off its two-day policy meeting. A statement is due Wednesday afternoon. The Fed is widely expected to keep its stimulus measures in place, but investors will be looking for signs to determine when the Fed may begin scaling back, or tapering, its $85 billion monthly bond buying program. On corporate side, Apple shares started the day higher but ended down 2.5% as investors worried about the company's declining profit margin. Shares of rival Nokia were 10.4% higher after the company reported a jump in smartphone sales and issued an optimistic outlook. Nokia is in the process of selling its mobile device unit to Microsoft. Shares of LinkedIn were down 2.7% in extended trading after the company reported earnings and sales for the third quarter that topped forecasts. IBM shares jumped 2.7% after the company announced it will buy back $15 billion in stock, adding to its existing buyback program. IBM is one of the most heavily weighted stocks in the Dow. So its move helped push the Dow higher. Tesla managed to erase earlier losses and end higher for the first time in three days. The stock has taken a dive this month, but is still up 370% for the year. Trading volume was at 81.8% of the 3-month average. Crude retreated 0.49% to US 98.2 per barrel and Gold off 0.5% to US 1,345.5 per ounce. Yield of US 10-Year treasuries flat at 2.51%. (Source from CNN Money)

2) ADRs are generally higher than HK closing, with ADR of China Mobile up 0.81% to HKD80.85 per share. ADR of HSBC up 0.76% vs HK closing, equivalent to HKD85.9 per share. ADR of Hutchison ended 0.69% higher vs HK closing, equivalent to HKD95.9 per share. Cheung Kong’s ADR closed at HKD121.1, 0.67% higher than HK closing. ADR of Tencent closed at HKD420.67, 0.54% higher vs HK closing.

3) Short sell as a percentage of turnover increased from 8.3% to 9.3%. Stock alert: CM Bank (3968), China Overseas (688), Franshion Ppt (817), UPC (220), L’occitane (973) and China Pharma (1093).
4) From HKEx daily quotation on 29 October trading, stock advanced = 2,731 stock declined = 2,687 stock unchanged = 1,874. (Advance Vs Decline ratio 1.02: 1).

5) Selective share buyback transactions on 29 October 2013:
   i) Fantasia (1777) – 3.5295m shares at HKD1.25 to HKD1.27.
   iii) COL Capital (383) – 292K shares at HKD2.35 to HKD2.36.
   iv) Golden Eagle (3308) – 341K shares at HKD10.82 to HKD11.
   v) IPE Group (929) – 800K shares at HKD0.54.

6) Positive profit alert from Chow Tai Fook (1929) for the six months ended 30 September 2013 (increase in revenue and the reduced effect of the unrealised hedging loss). Positive profit alert from Texwinca (321) for the six months ended 30 September 2013. (improvement in gross profit of the textile business as a result of stable cotton price during the period) Profit warning from Termbray (93) for the six months ended 30 September 2013

7) GCL Poly (3800) entered into a non- legally binding MOU with Same Time Holdings Limited (451), pursuant to which the Company intends to subscribe for (i) new shares of HKD0.10 each in the share capital of Same Time, which represents approximately 29.00% of the issued share capital of Same Time upon completion (at HKD4 per share, a 47% discount to the last traded price of HKD7.56) (ii) convertible bonds, which are convertible into the shares of Same Time. The aggregate subscription amount for the Proposed Transaction shall be HKD1.8 billion. The Directors consider that the Proposed Transaction, if it materializes, represents a good opportunity for the Company as it has the intention to leverage on a separate listing platform to focus on the renewable energy sector and in particular, solar plants, solar projects and solar energy assets.

8) Placing of new shares by Ping Shan Tea Group (364). 83.72m new share will be placed at a price of HKD0.215, a discount of approximately 10.79% to the closing price of HKD0.241 per Share.

9) 361 Degrees (1361) announced formation of a JV with One Way (one of the global leading companies for Nordic and outdoor sports goods and has capabilities in design and marketing of premium-quality carbon poles, technical apparel, footwear and accessories for consumers around the world). JV will be 70% owned by 361 Degrees and 30% owned by One Way. The company will contribute Rmb 12m to the JV. The Directors considers that the formation of the Joint Venture will enable the Group to gain access to technological knowhow of One Way in Nordic and outdoor sports which can help to diversify the Group’s business and product portfolio and is beneficial to the Company and its shareholders as a whole.

10) China Flavors (3318) announced disposal of 50% issued share capital of Universal Fragrances to Jovory Special Opportunity Fund SPC for a consideration of HKD143.3m. The disposal assets principally engaged in the manufacturing and selling of pharmaceutical intermediates as well as flavor and fragrance ingredients. Company is not expecting any disposal gain or loss for the transaction.

11) Sinopec Engineering (2386) made a voluntary announcement, saying that together with Sinopec Kantons (934), they entered into the Batam Construction Project Framework Master Agreement of which the Company agrees to be the general contractor in relation to the
proposed construction project for, among other things, the Batam oil storage tanks, of Sinomart KTS in West Point Maritime Industrial Park, Batam Island, Indonesia. The scope of services to be provided by the Group primarily includes the design, the procurement of equipment and materials, construction and project arrangements, post-completion coordination and trial operation and related services, and the maximum fees payable in relation to our services are expected to be approximately USD738 million.

12) Esprit (330) announced appointment of Mr Rafael Pastor Espuch as chief product officer. For twelve years from February 2001 to January 2013, Mr. Pastor has been executive director of "Zara Basic", a woman product division of Zara. Meanwhile, the company made an announcement for first quarter (3 months ended 30 September 2013) update, saying that group turnover declined by 0.8% (or a decline of 5.2% in local currency) YoY. Breaking it down, retail turnover declined by 1.2% YoY in local currency with Same-store sales in Europe grew 1.6%, though that was offset by a 15.1% decline in retail turnover in the Asia Pacific region. Wholesale turnover declined by 10.9% in local currency.

13) Citic Pacific (267) announced disposal of a property with total gross floor area of 47,815 sq.m. located at Shanggangxincunjiedao, Pudong New Area, Shanghai, PRC to Citic Bank (998) for a consideration of Rmb 2.5 billion. The Group is expected to record an estimated profit attributable to CITIC Pacific of approximately Rmb 330 million on the disposal.

14) BYD (1211) estimated that the net profit attributable to shareholders of the listed company during the year of 2013 will increase by 570% to 619% YoY (FY12 net profit was Rmb 81.38m), below market expectation.

15) Apple daily reported that 3 shareholders (Yinmu Holdings,Xinmu Holdings and Youmu Dairy Holdings) of China Modern Dairy (1117) are placing 250m shares of the company at a price range of HKD3.38 to HKD3.45, 4.2% to 6.1% discount to the last traded price of HKD3.6.

16) Bloomberg reported that PBOC conducted Rmb 13 billion of seven-day reverse-repurchase agreements yesterday, according to a statement on its website. That compares with the Rmb 102.5 billion drained from the banking system in the last two weeks as existing contracts matured and the monetary authority suspended sales of new agreements at a time when companies need funds to pay tax.
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