



Presents:

## The China Stock Cheat Sheet Of 2014



**\*Disclaimer:** This report highlights stocks that contain a high level of speculative risk. The information herein should be considered as entertainment value and not official investment advice of any sort. By reading this report, you agree to assume all risk involved with any stock mentioned in this report.

## Intro...

Most people understand and recognize that the Chinese economy is the fastest growing economy in the world. The opportunities in that formerly closed (although technically still Communist) land have created more than a few millionaires.

Stories of Americans who traveled to China to start manufacturing businesses are common (I've heard of a few).

However, when it comes to Chinese stocks...western investors often stop dead in their tracks. After an early boom in 2010 and 2011, Chinese companies trading on U.S. stock exchanges started to become something that few would even consider buying for a short term trade, let alone an investment.

This was in large part due to savvy short sellers publishing information that exposed many Chinese stocks as being nothing less than complete frauds. The short sellers made millions in profit, at least during the initial phase.

However, short selling Chinese stocks for fun and profit is now just as dangerous as it was to “go long” a basket of these stocks in your portfolio a few years ago.

A good example that illustrates my point, is the company/stock “VIPS”. This Chinese “Deal of The Day” type company has seen its share price elevate from the \$5 level all the way to +\$200 per share in just a couple of years. I’d hate to be short that name!

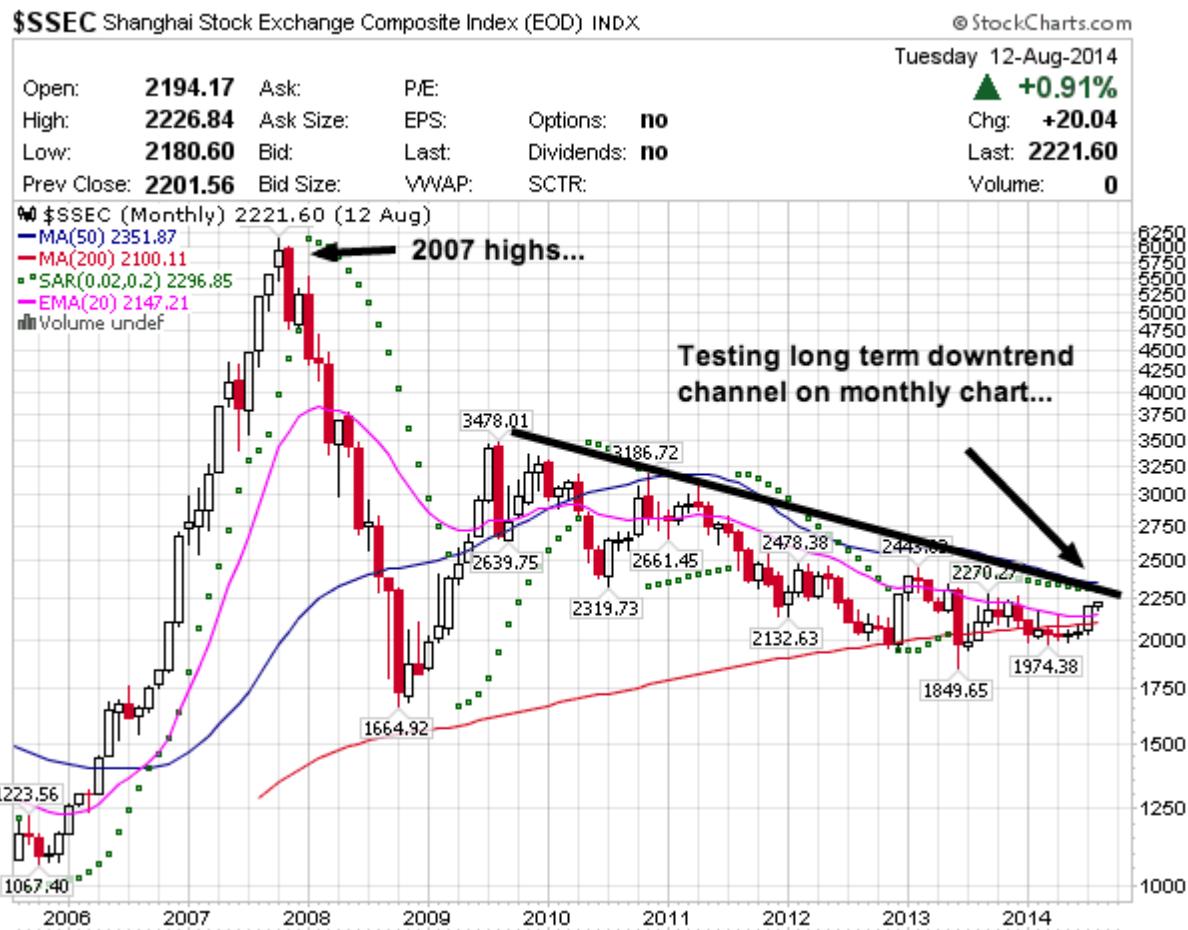
The reason I published this report is not due to some basic or general sense of bullishness in the Chinese markets, though.

So I’ll lay out my “Big Picture” rationale for you, right here, even before I name specific stocks that I like:

**Reason 1)** Many Chinese stocks that were frauds/scams have been exposed by short sellers over the last 2-4 years and are no longer actively trading. This helps us lessen our risk of being stuck in a “scam stock”, since the easy money for short sellers has been made.

**Reason 2)** The overall Chinese market has been depressed even though Chinese GDP (gross domestic product) numbers blow away any other nation’s output. It’s time for that to change, and for that Chinese market as a whole to make a move to the upside...and not a small one either, in my opinion.

This chart illustrates my point better than words:



You don't have to be a chart reading genius to see the opportunity there, right?

And finally...

**Reason 3)** The Alibaba IPO. Not only will this bring headline exposure to Alibaba, but I believe many Chinese stocks will get publicity and “get hot” during the Alibaba buzz in the fall of 2014. As I mentioned in the video, big IPO’s can help a lot of smaller stocks that are related to the “big IPO name” make big moves due to the press. (reference the FB example in the video that advertised this report)

So now that you know my “Big Picture” thesis, lets drill down and talk specific stocks that could make big moves for you!

\*Remember this is not registered investment advice and should be construed as entertainment value alone. (Sorry, but they make me say that...)

### **China Stock 1: EJ**

This company is a real estate services provider. Management has done a good job in the regard that the company has beaten Wall Street estimates for quarterly earnings 5 out of the last 6 times (as of 2<sup>nd</sup> half 2014).

This stock originally started trading (or “IPO’d”) back in 2008, and it’s been a bumpy ride since. I’m sure much of that is due to the 2008 worldwide market turmoil, and with that in the rear view mirror, this consistent earnings performer could be a good addition to any speculative Chinese stock portfolio in 2014 and 2015.

The risks to consider include the prospect of the Chinese real estate market cooling off more than analysts expect and shareholder dilution through secondary offerings.



## China Stock 2: LEJU

The apple doesn't fall too far from the tree with LEJU. It is a "spinoff" of EJ (meaning it's business assets were once part of EJ's business). This company sells "discount coupons" to home buyers.

Revenues are growing over 100% year over year, which is a very exciting backdrop to what's going on with this company. The question is, will their business model reach long term sustainability or not?

Have a look at a recent blurb (courtesy of Briefing.com) that gives you the highlights of a May 2014 earnings report:

Leju Holdings beats by \$0.02, beats on revs; guides FY14 revs above ... - □ X

# Briefing.com

Leju Holdings beats by \$0.02, beats on revs; guides FY14 revs above consensus LEJU

BRIEFING.COM - 05/20/2014 - 2.0 months ago

Reports Q1 (Mar) earnings of \$0.06 per share, excluding non-recurring items, **\$0.02 better than** the Capital IQ Consensus Estimate of \$0.04; revenues rose 102.3% year/year to \$78.5 mln vs the \$67.39 mln consensus.

- Co issues **upside guidance** for FY14, sees FY14 revs of \$500-520 mln vs. \$471.89 mln Capital IQ Consensus Estimate.
- Revenues from e-commerce services were \$49.7 million, an increase of 238% from \$14.7 million for the same quarter of 2013, primarily due to a 167% increase in discount coupons redeemed, as a result of the expansion of the Company's e-commerce business through partnerships with additional property developers.
- "We reported strong top-line growth on a year-over-year basis, and achieved profitability as a result of our increased scale and efficiency. With our successful initial public offering in April on the New York Stock Exchange, we also enhanced our brand name and added to our strong cash balance and liquidity position. We believe there is tremendous growth potential in the real estate e-commerce business and plan to continue to invest in product development and in marketing efforts to capture these growth opportunities and increase our market share."

Story ID: IN20140520064434LEJU

In case you are new to stocks, many times the question of whether or not a stock will go up is if they outperform analyst expectations...or miss them (stocks generally perform poorly when they report poor earnings). This earnings blurb paints the picture of an exciting, young company.

Risks are still moderately high, as with any company that hasn't traded publicly for a solid year yet, but I think LEJU is worth considering as a speculative play on the Chinese real estate market.

I'll also add a snapshot of the chart for you:



## China Stock 3: JRJC

This stock is a financial services firm that offers the Chinese the ability to trade Chinese stocks and futures. It also offers fee based wealth management services. This stock could end up being one of the most effective ways to play a resurgence in the overall Chinese market (Shanghai Index).

\*To see a real time chart of how the Shanghai Index is performing, simply use this URL: <http://scharts.co/1nSkFyC>

Here is a chart of JRJC for you to study:



The thing that concerns me is that JRJC is still posting losses in their quarterly reports. With that said, as of spring 2014 they were growing revenue over 350% year over year.

So if they can turn the corner into profitability, and if the Shanghai Index gets hot...this could be one of the biggest percentage gainers of all Chinese stocks.

### **China Stock 4: JD**

JD.com is worth considering going into the end of 2014, for one big, glaring reason in my opinion. It's the closest competitor and has the most similar business model to "Alibaba" than any other publicly traded Chinese stock.

That alone has it on my wish list to buy, and I will consider doing so on any pullbacks. I see a major risk as something unexpected like a market swoon in China, or if Alibaba were to cancel their IPO.

Don't let the stock price deter you from thinking this stock can't print a 25%, 50% or even a 100% gain in a short period of time if China and Alibaba get hot!

Here's a chart of JD:



## China Stock 5: CCSC

This Chinese restaurant company is growing rapidly. They opened 59 new stores in 2013 and are continuing to grow quickly. The mid and long term question is whether or not they can expand profitability margins.

This could be another Chinese stock that gets hot simply due to the combination of the Alibaba IPO Buzz and an uptrending Shanghai Index.

Here is a chart of CCSC:



## China Stock 6: LONG

This is an online travel stock, similar to Priceline.com (PCLN). With the Chinese becoming more and more affluent this company could rapidly grow revenues and eventually produce earnings of the same magnitude of companies like Priceline (my opinion only). It is a long way off, but the money is made when you are willing to place your bet early in the life of a company.

Let's take a look at the LONG chart:



This report is in no way an all encompassing essay of all the opportunities in Chinese stocks. It is, however, a good starting point if you have an appetite for risk in companies leveraged to the Chinese economy, who also may benefit from the popularity of the “Alibaba IPO”.

Alibaba will trade under the symbol “BABA”.

**\*BONUS!!: If you want to be a “smarter than the average bear” type trader/investor, make an attempt to purchase shares of BABA “pre-IPO”.**

**If you succeed, you could literally make thousands of dollars overnight (during the day that BABA starts trading).**

**Don’t know how to buy shares “pre-IPO”? Fear not!**

**This video explains the process (it was from the “LOCO” IPO): <http://mmpublishing.evsuite.com/elpollooco-preipo-buymp4/>**

(you may need to copy and paste that web address into your browser)

I hope you make a fortune! ☺  
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p.s. I'm looking for a small group of people to work with more closely...if that's you...stay tuned for more info soon!