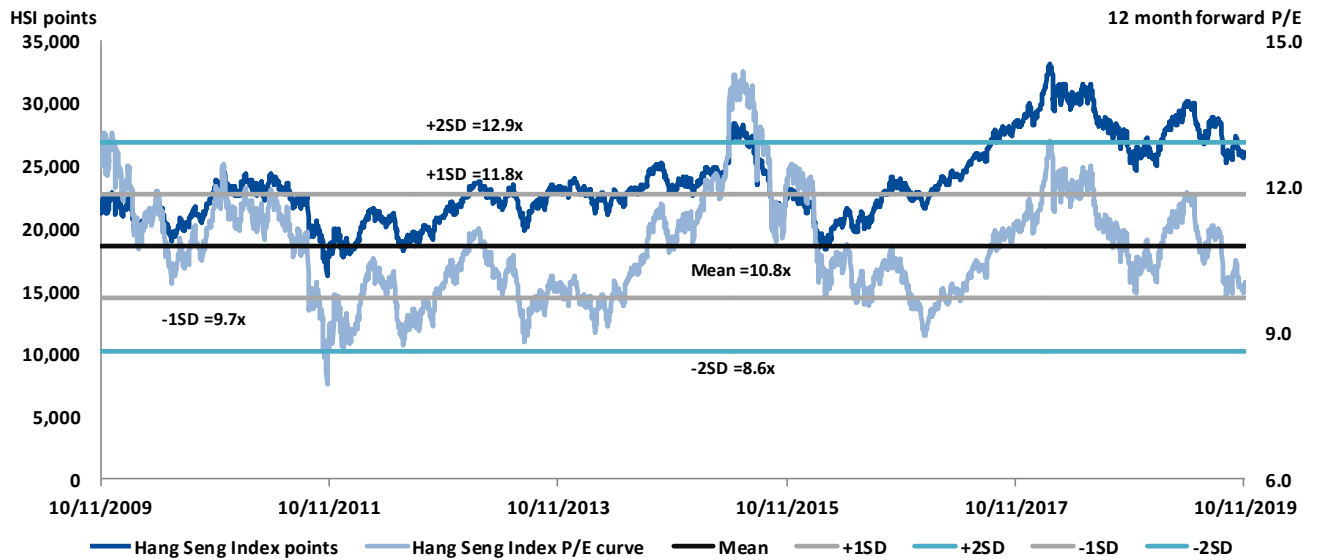


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HSI's FWD P/E is likely to hit as low as 8.6x

Hang Seng Index at 10-year horizon

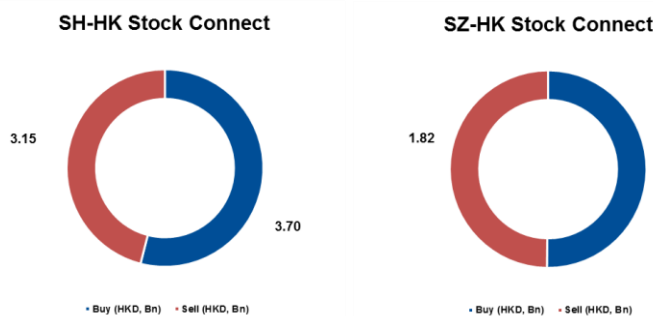


Source: Bloomberg and Mason Securities Limited

Market Overview

Hang Seng Index closed down 0.48% at 26,720. Market turnover improved to HKD 77.1bn. HSCEI retreated 0.45% at 10,540.

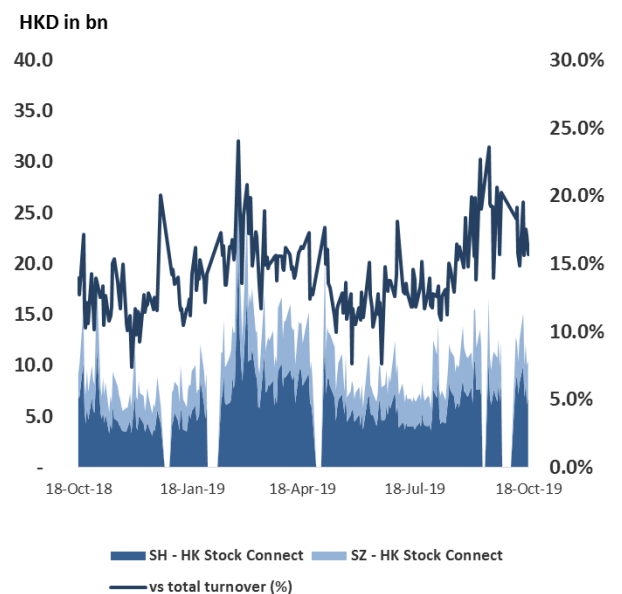
Southbound trading of SH-HK Stock Connect and SZ-HK Stock Connect attained HKD 6.9 bn and HKD 3.6bn respectively, making up a combined 15.7% of total HK stock market turnover.



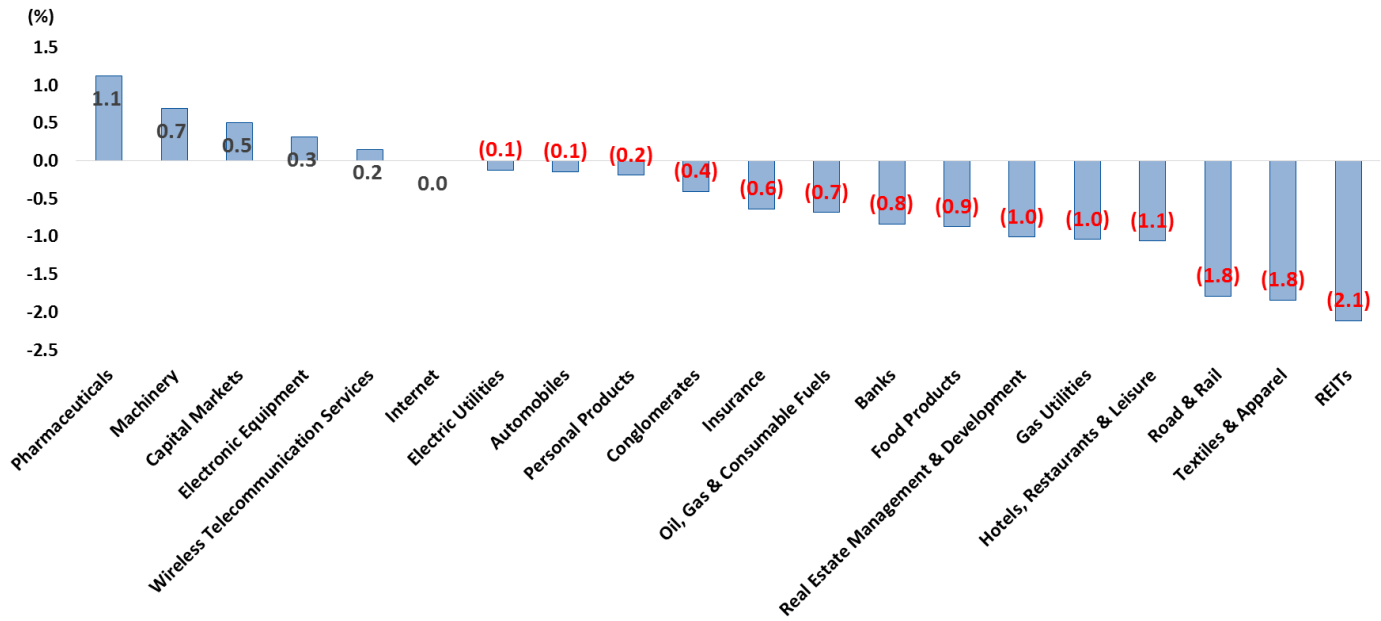
On 10 years horizon, we see HSI will fall into a range between 8.6x to 10.8x 12M forward P/E (10.1x currently), which is equivalent to 22,500 to 28,100 points respectively. This is also equal to average and 2.0 standard deviation below the past 10-year 12M forward P/E mean of 10.8x.

Source: Bloomberg and Mason Securities Limited

Southbound China-HK Stock Connect Turnover

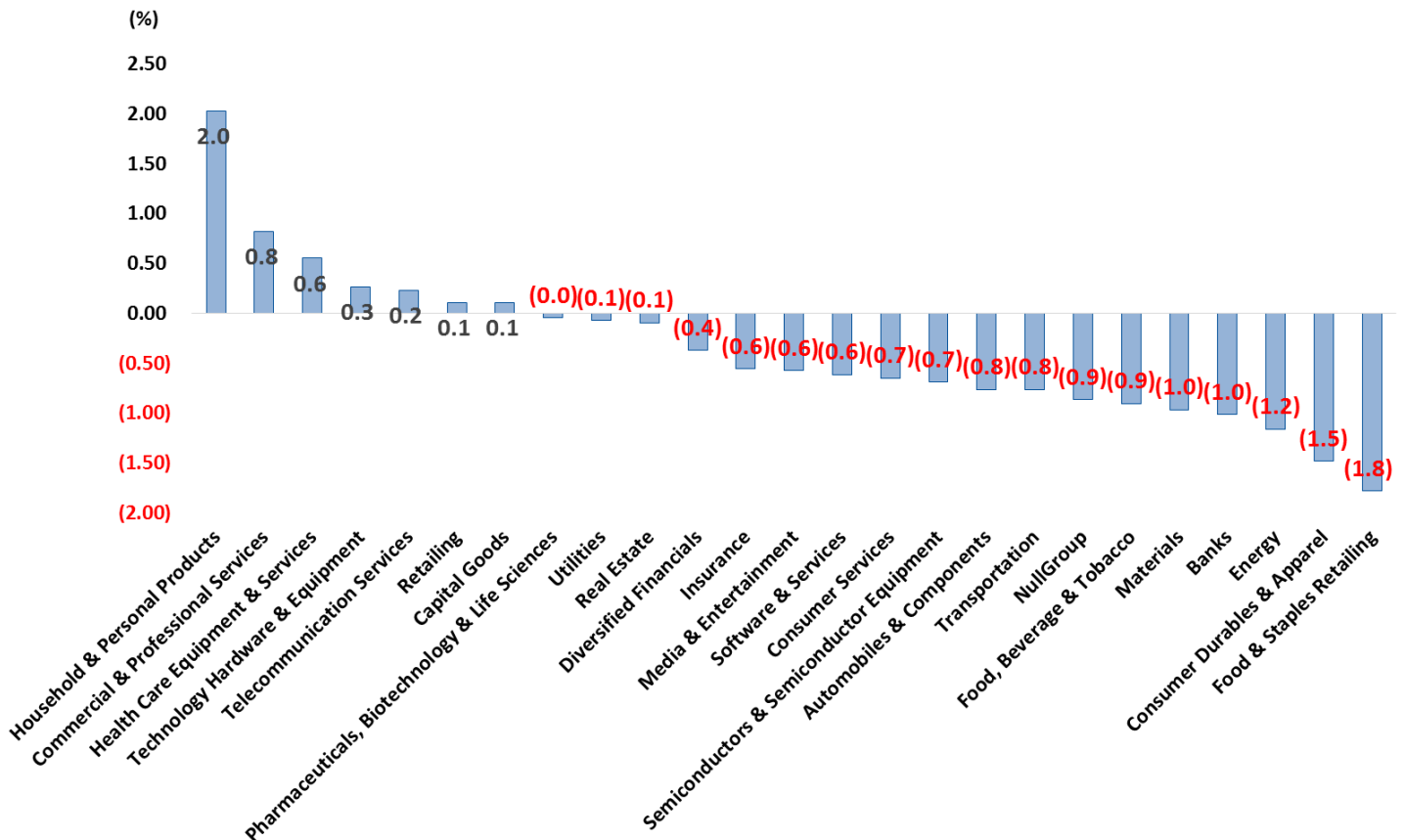


Sector Performance (%) in HSI (Last trading day)



Source: Bloomberg and Mason Securities Limited

Sector Performance (%) on Main Board (Last trading day)



Source: Bloomberg and Mason Securities Limited

Top 10 Traded Stock in Southbound China-HK Stock Connect (Last trading day)

| SZ-HK Stock Connect (Southbound) | | | | | | | | | | |
|----------------------------------|---------|------------------|------------|-------------|-----------------------|--------------|---------------------|----------------|----------------|----------------|
| Rank | Ticker | Company name | Buy (HKDm) | Sell (HKDm) | Net Buy (Sell) (HKDm) | Total (HKDm) | % of stock turnover | 1D Performance | 5D Performance | 1M Performance |
| 1 | 700 HK | TENCENT | 97 | 84 | 13 | 182 | 6% | 0.0% | 1.9% | (3.5%) |
| 2 | 763 HK | ZTE-H | 66 | 84 | (17) | 150 | 89% | 0.5% | (5.2%) | (4.4%) |
| 3 | 1918 HK | SUNAC | 54 | 66 | (12) | 119 | 18% | 1.0% | 3.8% | 6.0% |
| 4 | 3900 HK | GREENTOWN CHINA | 62 | 12 | 51 | 74 | 72% | 1.0% | 6.2% | 16.4% |
| 5 | 1233 HK | TIMES CHINA HOLD | 11 | 61 | (50) | 73 | 22% | 4.9% | 10.3% | 10.3% |
| 6 | 2269 HK | WUXI BIOLOGICS C | 49 | 21 | 28 | 70 | 15% | 1.3% | 0.6% | 6.3% |
| 7 | 2382 HK | SUNNY OPTICAL | 58 | 7 | 51 | 64 | 10% | 1.3% | 0.7% | 1.6% |
| 8 | 939 HK | CCB-H | 4 | 61 | (57) | 64 | 2% | (0.8%) | 2.1% | 4.3% |
| 9 | 1398 HK | ICBC-H | 3 | 58 | (55) | 60 | 9% | (1.1%) | 0.9% | 2.7% |
| 10 | 3968 HK | CM BANK-H | 5 | 52 | (47) | 57 | 6% | (1.6%) | (0.3%) | 0.7% |

| SH-HK Stock Connect (Southbound) | | | | | | | | | | |
|----------------------------------|---------|------------------|------------|-------------|-----------------------|--------------|---------------------|----------------|----------------|----------------|
| Rank | Ticker | Company name | Buy (HKDm) | Sell (HKDm) | Net Buy (Sell) (HKDm) | Total (HKDm) | % of stock turnover | 1D Performance | 5D Performance | 1M Performance |
| 1 | 939 HK | CCB-H | 1,045 | 862 | 182.4 | 1,907 | 65% | (0.8%) | 2.1% | 4.3% |
| 2 | 3968 HK | CM BANK-H | 55 | 534 | (478.9) | 590 | 58% | (1.6%) | (0.3%) | 0.7% |
| 3 | 700 HK | TENCENT | 297 | 86 | 211.1 | 383 | 12% | 0.0% | 1.9% | (3.5%) |
| 4 | 1918 HK | SUNAC | 165 | 128 | 36.8 | 293 | 45% | 1.0% | 3.8% | 6.0% |
| 5 | 2318 HK | PING AN | 104 | 53 | 51.1 | 156 | 8% | (0.3%) | 1.1% | 1.0% |
| 6 | 2382 HK | SUNNY OPTICAL | 144 | 9 | 135.2 | 153 | 24% | 1.3% | 0.7% | 1.6% |
| 7 | 998 HK | CITIC BANK-H | 101 | 50 | 50.7 | 151 | 55% | 0.5% | 2.3% | 3.3% |
| 8 | 1398 HK | ICBC-H | 128 | 14 | 113.9 | 142 | 21% | (1.1%) | 0.9% | 2.7% |
| 9 | 388 HK | HKEX | 124 | 14 | 109.5 | 138 | 7% | 0.5% | 0.4% | 2.1% |
| 10 | 2020 HK | ANTA SPORTS PROD | 81 | 29 | 52.4 | 109 | 22% | (2.0%) | 3.5% | 12.0% |

Source: Bloomberg, HKEx and Mason Securities Limited

Top 10 Traded Stock in Northbound China-HK Stock Connect (Last trading day)

| SZ-HK Stock Connect (Northbound) | | | | | | | | | | |
|----------------------------------|-----------|------------------|------------|-------------|-----------------------|--------------|---------------------|----------------|----------------|----------------|
| Rank | Ticker | Company name | Buy (RMBm) | Sell (RMBm) | Net Buy (Sell) (RMBm) | Total (RMBm) | % of stock turnover | 1D Performance | 5D Performance | 1M Performance |
| 1 | 000858 CH | WULIANGYE YIBI-A | 298 | 578 | (280) | 876 | 21% | (2.3%) | (3.0%) | (6.1%) |
| 2 | 000001 CH | PING AN BANK-A | 270 | 262 | 8 | 532 | 27% | (1.1%) | (1.8%) | 14.6% |
| 3 | 000651 CH | GREE ELECTRIC-A | 198 | 310 | (112) | 507 | 41% | (0.8%) | (1.3%) | (0.7%) |
| 4 | 002714 CH | MUYUAN FOODSTU-A | 232 | 263 | (31) | 494 | 23% | 5.1% | 6.1% | 21.1% |
| 5 | 002241 CH | GOERTEK INC -A | 153 | 183 | (30) | 336 | 19% | (5.3%) | (1.7%) | 15.0% |
| 6 | 000333 CH | MIDEA GROUP CO-A | 235 | 97 | 138 | 332 | 34% | (1.1%) | (0.5%) | (0.1%) |
| 7 | 000002 CH | CHINA VANKE CO-A | 78 | 210 | (133) | 288 | 17% | (1.4%) | 0.6% | 0.1% |
| 8 | 002475 CH | LUXSHARE PRECI-A | 94 | 168 | (74) | 262 | 18% | (1.3%) | 6.7% | 7.4% |
| 9 | 002415 CH | HANGZHOU HIKVI-A | 67 | 178 | (111) | 245 | 23% | (1.6%) | (0.8%) | (9.8%) |
| 10 | 300760 CH | SHENZHEN MINDR-A | 153 | 85 | 68 | 238 | 18% | (1.3%) | (3.0%) | (4.2%) |

| SH-HK Stock Connect (Northbound) | | | | | | | | | | |
|----------------------------------|-----------|------------------|------------|-------------|-----------------------|--------------|---------------------|----------------|----------------|----------------|
| Rank | Ticker | Company name | Buy (RMBm) | Sell (RMBm) | Net Buy (Sell) (RMBm) | Total (RMBm) | % of stock turnover | 1D Performance | 5D Performance | 1M Performance |
| 1 | 600519 CH | KWEICHOW MOUTA-A | 379 | 860 | (481) | 1,238 | 37% | (0.6%) | 0.1% | 2.3% |
| 2 | 601318 CH | PING AN INSURA-A | 429 | 710 | (281) | 1,139 | 21% | (2.1%) | (0.2%) | (0.3%) |
| 3 | 600276 CH | JIANGSU HENGRU-A | 181 | 391 | (209) | 572 | 43% | (1.8%) | 1.1% | 5.6% |
| 4 | 601166 CH | INDUSTRIAL BAN-A | 255 | 246 | 9 | 501 | 32% | (1.6%) | 0.4% | 7.4% |
| 5 | 600900 CH | CHINA YANGTZE-A | 172 | 285 | (114) | 457 | 86% | (0.8%) | (3.5%) | (5.6%) |
| 6 | 601012 CH | LONGI GREEN EN-A | 182 | 263 | (81) | 445 | 24% | (3.5%) | (12.0%) | (14.2%) |
| 7 | 600036 CH | CHINA MERCH BK-A | 104 | 291 | (187) | 395 | 24% | (2.2%) | (0.3%) | 4.0% |
| 8 | 600009 CH | SHANG INTL AIR-A | 126 | 239 | (113) | 365 | 32% | (1.4%) | (1.2%) | (4.2%) |
| 9 | 600048 CH | POLY DEVELOPME-A | 226 | 107 | 119 | 332 | 31% | (2.3%) | (2.5%) | 3.2% |
| 10 | 601288 CH | AGRICULTURAL-A | 37 | 207 | (170) | 244 | 32% | (0.6%) | 1.1% | 2.6% |

Source: Bloomberg, HKEx and Mason Securities Limited

Index Movers

| HSI | | | | HSCEI | | | |
|---------------------------------|---------|-------|--------|---|-------|-------|--------|
| Name | Price | % Chg | Points | Name | Price | % Chg | Points |
| CSPC Pharmaceutical (1093) | 17.4 | 3.0% | 7.1 | CSPC Pharmaceutical (1093) | 17.4 | 3.0% | 4.6 |
| Sunny Optical (2382) | 118.8 | 1.3% | 3.3 | China Telecom (728) | 3.63 | 1.4% | 1.4 |
| Techtronic Industries (669) | 58.2 | 0.7% | 1.8 | Sunac China (1918) | 35.6 | 1.0% | 1.7 |
| Want Want China (151) | 6.36 | 0.6% | 0.7 | China Gas (384) | 32.7 | 0.9% | 1.2 |
| HKEX (388) | 238.2 | 0.5% | 4.4 | Longfor Group Holdings (960) | 33 | 0.9% | 1.0 |
| CK Infrastructure (1038) | 55.8 | 0.4% | 0.5 | Guangdong Investment (270) | 16.62 | 0.8% | 0.8 |
| China Mobile (941) | 66.15 | 0.2% | 1.9 | Sinopharm Group (1099) | 26.35 | 0.8% | 0.5 |
| China Overseas (688) | 26.2 | 0.0% | 0.0 | Want Want China (151) | 6.36 | 0.6% | 0.4 |
| HSBC (5) | 60.9 | 0.0% | 0.0 | China Tower (788) | 1.72 | 0.6% | 0.9 |
| China Unicom (762) | 8.32 | 0.0% | 0.0 | CITIC Bank (998) | 4.39 | 0.5% | 0.4 |
| Tencent (700) | 331.0 | 0.0% | 0.0 | China Mobile (941) | 66.15 | 0.2% | 1.2 |
| WH Group (288) | 7.58 | -0.1% | -0.3 | CRRC Corp (1766) | 5.36 | 0.0% | 0.0 |
| Geely (175) | 13.72 | -0.1% | -0.3 | China Railway (390) | 4.78 | 0.0% | 0.0 |
| Country Garden (2007) | 10.84 | -0.2% | -0.5 | Tencent (700) | 331.0 | 0.0% | 0.0 |
| CLP Holdings (2) | 79.95 | -0.2% | -0.9 | ENN Energy Holdings (2688) | 87.7 | 0.0% | 0.0 |
| Hengan International (1044) | 52.4 | -0.2% | -0.2 | Geely Automobile (175) | 13.72 | -0.1% | -0.2 |
| CITIC (267) | 10.08 | -0.2% | -0.4 | Country Garden Holding (2007) | 10.84 | -0.2% | -0.3 |
| Ping An Insurance (2318) | 94.6 | -0.3% | -1.1 | Hengan International (1044) | 52.4 | -0.2% | -0.1 |
| Swire Pacific (19) | 73.1 | -0.3% | -0.4 | CITIC (267) | 10.08 | -0.2% | -0.2 |
| CNOOC (883) | 11.88 | -0.5% | -3.3 | Postal Savings Bank of China (1658) | 4.91 | -0.2% | -0.2 |
| AIA Group (1299) | 75.35 | -0.5% | -13.6 | BYD (1211) | 38.45 | -0.3% | -0.1 |
| Power Assets (6) | 54.45 | -0.5% | -1.3 | Ping An Insurance (2318) | 94.6 | -0.3% | 3.3 |
| BOC Hong Kong (2388) | 26.8 | -0.6% | -1.7 | China Resources Beer (291) | 42 | -0.5% | -0.6 |
| CK Hutchison (1) | 72.8 | -0.6% | -3.7 | CCCC (1800) | 6.13 | -0.5% | -0.3 |
| BOC (3988) | 3.17 | -0.6% | -4.8 | CNOOC (883) | 11.88 | -0.5% | -2.1 |
| China Shenhua (1088) | 15.7 | -0.6% | -1.0 | Anhui Conch Cement (914) | 47.55 | -0.5% | -0.6 |
| AAC Technologies (2018) | 45.75 | -0.7% | -0.6 | BOC (3988) | 3.17 | -0.6% | 3.1 |
| Sino Biopharmaceutical (1177) | 11.16 | -0.7% | -1.7 | Agricultural Bank (1288) | 3.17 | -0.6% | -1.1 |
| PetroChina (857) | 4.06 | -0.7% | -1.4 | China Shenhua (1088) | 15.7 | -0.6% | -0.7 |
| CK Asset Holdings (1113) | 53.4 | -0.7% | -3.1 | PetroChina (857) | 4.06 | -0.7% | -1.2 |
| CCB (939) | 6.26 | -0.8% | -16.4 | CCB (939) | 6.26 | -0.8% | -8.7 |
| Sinopec (386) | 4.61 | -0.9% | -3.1 | PICC Property & Casualty (2328) | 9.55 | -0.8% | -1.1 |
| Sun Hung Kai Properties (16) | 115.1 | -0.9% | -3.5 | Sinopec (386) | 4.61 | -0.9% | -2.0 |
| Sands China (1928) | 36.65 | -0.9% | -3.0 | Fosun International (656) | 10.04 | -1.0% | -0.5 |
| Hang Lung Properties (101) | 17.28 | -1.0% | -1.1 | China Pacific Insurance (2601) | 29.45 | -1.0% | -1.5 |
| Hong Kong & China Gas (3) | 15.22 | -1.0% | -4.9 | China Life Insurance (2628) | 18.76 | -1.1% | -2.9 |
| China Life Insurance (2628) | 18.76 | -1.1% | -4.5 | ICBC (1398) | 5.42 | -1.1% | -8.6 |
| ICBC (1398) | 5.42 | -1.1% | -13.5 | China Vanke (2202) | 28.7 | -1.2% | -1.0 |
| Wharf (1997) | 44.5 | -1.1% | -1.8 | People's Insurance (1339) | 3.2 | -1.2% | -0.6 |
| Galaxy Entertainment (27) | 50.6 | -1.2% | -4.0 | New China Life (1336) | 31.55 | -1.3% | -0.6 |
| New World Development (17) | 11.04 | -1.3% | -2.4 | China Minsheng Banking (1988) | 5.47 | -1.3% | -0.9 |
| Hang Seng Bank (11) | 163.3 | -1.3% | -4.9 | China Resources Land (1109) | 36.2 | -1.4% | -2.7 |
| China Resources Land (1109) | PX_LAST | -1.4% | -4.2 | China National Building Material (3323) | 6.88 | -1.4% | -0.8 |
| BOCOM (3328) | 5.28 | -1.5% | -2.1 | China Taiping Insurance (966) | 17.82 | -1.4% | -0.8 |
| MTR (66) | 43.95 | -1.8% | -3.7 | BOCOM (3328) | 5.28 | -1.5% | -1.8 |
| Shenzhou International (2313) | 106.6 | -1.8% | -4.6 | CMB (3968) | 37.95 | -1.6% | -4.6 |
| Henderson Land (12) | 38 | -1.9% | -3.3 | Shenzhou International (2313) | 106.6 | -1.8% | 2.9 |
| Link (823) | 83.35 | -2.1% | -11.5 | ANTA Sports Products (2020) | 73.15 | -2.0% | 3.2 |
| Sino Land (83) | 12.02 | -2.3% | -2.4 | CITIC Securities (6030) | 14.82 | -2.5% | -1.8 |
| Mengniu Dairy (2319) | 31.1 | -3.1% | -8.4 | Haitong Securities (6837) | 8.15 | -3.2% | -1.5 |

Source: Bloomberg and Mason Securities Limited

Major Market Indicators

| | | % Change | | | |
|--------------------------|-----------|----------|--------|--------|--------|
| Hong Kong | Close | 1-Day | 1-Mth | 6-Mth | 12-Mth |
| Hang Seng Index | 26,719.58 | -0.5% | 1.1% | -10.8% | 4.5% |
| HSCEI (H-Shares) | 10,540.04 | -0.5% | 1.6% | -10.4% | 3.1% |
| Mkt T/O (\$ Mn) | 77,086.88 | 6.8% | 29.5% | -15.5% | -12.2% |
| Overseas | | | | | |
| DJIA | 26,770.20 | -0.9% | -0.6% | 0.8% | 5.2% |
| NASDAQ | 8,089.54 | -0.8% | -0.3% | 1.1% | 8.6% |
| Shanghai SE Composite | 2,938.14 | -1.3% | -2.3% | -10.2% | 15.2% |
| Shenzhen Component | 9,533.51 | -1.2% | -3.5% | -8.5% | 29.0% |
| Commodities and FX | | | | | |
| Crude Oil Futures (US\$) | 53.65 | -0.5% | -7.6% | -16.2% | -22.4% |
| Gold Futures (US\$) | 1,494.30 | 0.0% | -0.9% | 17.1% | 21.6% |
| Baltic Dry Index | 1,855.00 | -0.3% | -13.0% | 134.8% | 17.7% |
| USD / Euro | 1.12 | 0.0% | 1.6% | -0.9% | -2.7% |
| Yen / USD | 108.45 | 0.0% | -0.9% | 3.2% | 3.9% |
| CNH / USD | 7.069 | 0.1% | 0.6% | -5.0% | -1.7% |

Source: Bloomberg and Mason Securities Limited

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BUY Based on a current 12-month view of total shareholder return (change in share price from current price + projected dividend yield), we expect a positive return of over 10%.

HOLD Based on a current 12-month view of total shareholder return, we expect the return to range between +10% to -10%.

SELL Based on a current 12-month view of total shareholder return we expect a negative return of over 10%.

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