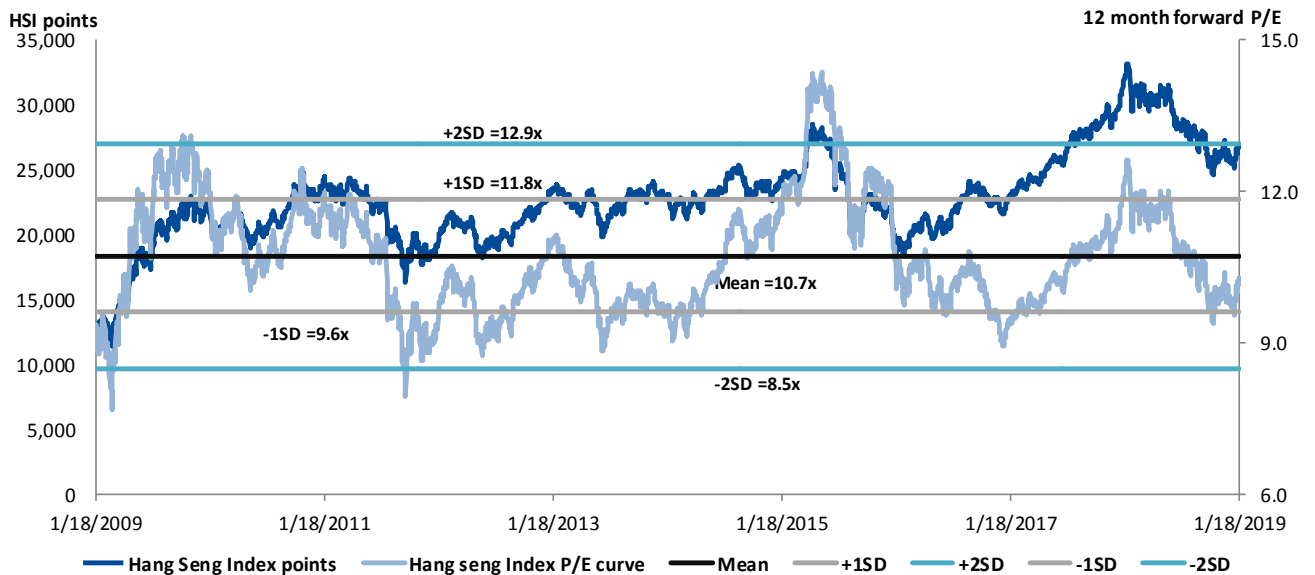


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HSI's FWD P/E Reminiscent to 2016's Lowest

Hang Seng Index at 10-year horizon



Source: Bloomberg, Mason Securities Limited

Market Overview

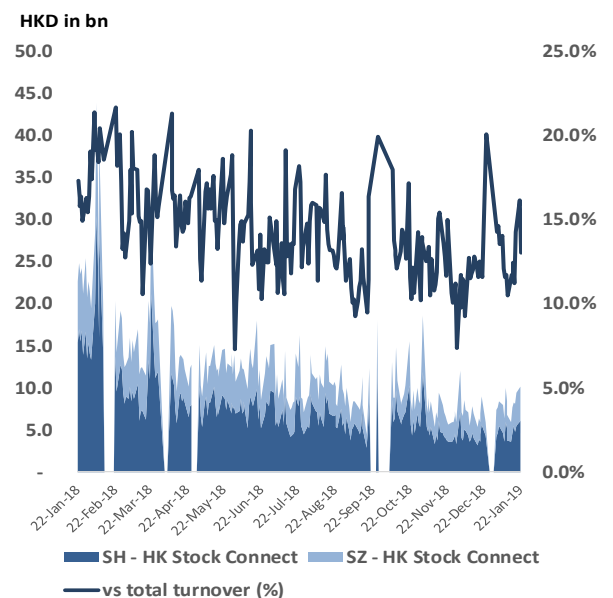
Hang Seng Index closed down 0.7% at 27,005. Market turnover decreased to \$84.2Bn. HSCEI retreated 0.9% at 10,613.

Local property, HK banking, telecom, power and utilities stocks all outperformed the HK market (HSI). While consumer stocks, Macau gaming, technology, PRC property, insurance, automobile, oil and pharmaceutical stocks underperformed the market. PRC banking, securities and railway stocks moved in consistent with that of Hang Seng Index.

Southbound trading of SH-HK Stock Connect and SZ-HK Stock Connect attained HKD 4.6bn and HKD 2.6bn respectively, making up a combined 13.0% of total HK stock market turnover.

On 10 years horizon, we see HSI can be traded as low as 8.5x 12M forward P/E (10.2x currently), which is equivalent to 22,300 points. This is also equal to 2 standard deviation below past 10-year 12M forward P/E mean, consistent with the latest lowest point in 2016 at 8.9x.

Southbound China-HK Stock Connect Turnover



Source: Bloomberg, Mason Securities Limited

Index Movers

HSI			
Name	Price	% Chg	Points
Link (823)	80.1	1.8%	9.0
Wharf (1997)	51.5	1.6%	3.0
China Resources Power (836)	15.4	1.3%	1.2
CK Infrastructure (1038)	62	1.1%	1.4
Hang Seng Bank (11)	176.6	1.0%	4.2
CLP Holdings (2)	90.9	0.8%	4.0
AIA Group (1299)	68.8	0.3%	7.4
CK Asset Holdings (1113)	63.35	0.2%	1.2
Hong Kong & China Gas (3)	16.8	0.1%	0.6
Sino Land (83)	14.1	0.0%	0.0
BOC Hong Kong (2388)	30.05	0.0%	0.0
Swire Pacific (19)	89.1	-0.1%	-0.2
Hang Lung Properties (101)	15.92	-0.1%	-0.1
Want Want China (151)	6.02	-0.2%	-0.2
New World Development (17)	11.6	-0.2%	-0.4
China Unicom (762)	8.67	-0.2%	-0.4
MTR (66)	42.35	-0.2%	-0.6
BOCOM (3328)	6.42	-0.3%	-0.5
HSBC (5)	65.1	-0.4%	-9.6
Sun Hung Kai Properties (16)	123.7	-0.4%	-1.8
Ping An Insurance (2318)	72.25	-0.5%	-6.0
CCB (939)	6.65	-0.6%	-13.2
CITIC (267)	11.84	-0.7%	-1.4
ICBC (1398)	5.8	-0.7%	-9.6
China Mobile (941)	80.35	-0.7%	-11.2
HKEx (388)	241	-0.8%	-7.2
Power Assets (6)	53.8	-0.8%	-1.9
BOC (3988)	3.48	-0.9%	-7.3
Mengniu Dairy (2319)	25.15	-1.0%	-2.1
China Overseas (688)	27.05	-1.1%	-3.5
Sinopec (386)	6.18	-1.1%	-5.4
Tencent (700)	335.8	-1.2%	-34.9
CNOOC (883)	12.94	-1.4%	-9.8
Shenzhou International (2313)	91.4	-1.4%	-3.0
China Life Insurance (2628)	18.8	-1.5%	-6.4
Henderson Land (12)	42.75	-1.5%	-2.6
CK Hutchison (1)	78.2	-1.6%	-10.7
Sands China (1928)	36	-1.6%	-4.4
Galaxy Entertainment (27)	49.4	-1.9%	-6.9
China Resources Land (1109)	29.95	-2.0%	-5.1
Country Garden (2007)	9.62	-2.1%	-4.8
WH Group (288)	6.7	-2.3%	-4.3
Geely (175)	12.4	-2.7%	-5.6
Hengan International (1044)	56.35	-2.8%	-3.6
China Shenhua (1088)	18.92	-2.9%	-5.8
Sino Biopharmaceutical (1177)	6.03	-3.2%	-4.2
Sunny Optical (2382)	73.1	-3.3%	-5.4
PetroChina (857)	4.96	-3.3%	-10.9
CSPC Pharmaceutical (1093)	12.64	-3.7%	-6.8
AAC Technologies (2018)	45.55	-5.1%	-5.5

HSCEI			
Name	Price	% Chg	Points
Guangdong Investment (270)	15.32	3.0%	2.2
China Telecom (728)	4.14	2.0%	2.5
Huaneng Power International (902)	5	1.4%	0.7
CRRC Corp (1766)	7.76	1.2%	0.9
CMB (3968)	31.25	0.3%	0.9
Air China (753)	7.35	0.3%	0.1
China Gas (384)	25.45	0.2%	0.2
China Tower (788)	1.6	0.0%	0.0
CGN Power (1816)	1.99	0.0%	0.0
BOCOM (3328)	6.42	-0.3%	-0.4
CITIC Bank (998)	4.89	-0.4%	-0.5
Postal Savings Bank of China (1658)	4.3	-0.5%	-0.5
Haitong Securities (6837)	8.43	-0.5%	-0.3
Ping An Insurance (2318)	72.25	-0.5%	-4.7
BYD (1211)	44.5	-0.6%	-0.4
CCB (939)	6.65	-0.6%	-6.4
CITIC Securities (6030)	15.2	-0.7%	-0.5
Huarong Asset (2799)	1.51	-0.7%	-0.2
CITIC (267)	11.84	-0.7%	-0.8
ICBC (1398)	5.8	-0.7%	-7.1
China Minsheng Banking (1988)	5.71	-0.7%	-0.6
China Mobile (941)	80.35	-0.7%	-6.4
BOC (3988)	3.48	-0.9%	-5.7
Dongfeng Motor (489)	7.97	-0.9%	-0.5
China Vanke (2202)	28.3	-1.0%	-0.9
China Pacific Insurance (2601)	26.75	-1.1%	-1.9
Agricultural Bank (1288)	3.55	-1.1%	-2.7
Sinopec (386)	6.18	-1.1%	-4.3
Huatai Securities (6886)	13.68	-1.2%	-0.6
Guangzhou Automobile (2238)	8.37	-1.2%	-0.7
Tencent (700)	335.8	-1.2%	-11.1
CNOOC (883)	12.94	-1.4%	-5.5
Shenzhou International (2313)	91.4	-1.4%	-1.7
China Life Insurance (2628)	18.8	-1.5%	-5.0
China Railway (390)	7.2	-1.5%	-1.1
GF Securities (1776)	11.32	-1.6%	-0.7
People's Insurance (1339)	3.11	-1.6%	-0.9
Zhongan (6060)	27.25	-1.8%	-0.4
New China Life (1336)	29.45	-1.8%	-1.1
Sinopharm Group (1099)	34	-1.9%	-1.9
Cinda Asset Management (1359)	2.06	-1.9%	-0.8
China Resources Land (1109)	29.95	-2.0%	-2.9
PICC Property & Casualty (2328)	7.88	-2.2%	-3.0
Anhui Conch Cement (914)	39.1	-2.4%	-2.8
CCCC (1800)	7.65	-2.4%	-2.0
Great Wall Motor (2333)	5.12	-2.5%	-1.0
Hengan International (1044)	56.35	-2.8%	-2.1
China Shenhua (1088)	18.92	-2.9%	-4.6
PetroChina (857)	4.96	-3.3%	-8.6
CSPC Pharmaceutical (1093)	12.64	-3.7%	-3.6

Source: Bloomberg, Mason Securities Limited

Today in Focus



Name Future Land Development
Stock Code 1030 HK Equity

MKT Cap (\$Bn) / Free Float	37.2	28.3%
Turnover / 30D Avg (\$Mn)	132	92
Turnover vs 5D & 30D Avg	108%	143%
Forward PER / PBR	6.5X	1.84X
Net Debt (Cash) / Equity	117%	

Technical Indicator

SMA10	5.72	RSI (14)	67.3
SMA20	5.41	BB (Upper)	6.22
SMA100	5.08	BB (Lower)	4.61



Name Luye Pharma Group
Stock Code 2186 HK Equity

MKT Cap (\$Bn) / Free Float	18.5	53.7%
Turnover / 30D Avg (\$Mn)	50	57
Turnover vs 5D & 30D Avg	56%	88%
Forward PER / PBR	12.1X	1.85X
Net Debt (Cash) / Equity	-14%	

Technical Indicator

SMA10	5.43	RSI (14)	51.6
SMA20	5.32	BB (Upper)	5.70
SMA100	6.14	BB (Lower)	4.94

Source: Bloomberg, Mason Securities Limited

Major Market Indicators

		% Change			
Hong Kong	Close	1-Day	1-Mth	6-Mth	12-Mth
Hang Seng Index	27,005.45	-0.7%	4.9%	-4.3%	-16.6%
HSCEI (H-Shares)	10,613.48	-0.9%	5.1%	-0.6%	-19.6%
Mkt T/O (\$ Mn)	84,187.18	-6.8%	-7.7%	-16.1%	-50.2%
Oversea					
DJIA	24,706.35	1.4%	10.1%	-1.4%	-5.2%
NASDAQ	7,157.23	1.0%	13.0%	-8.5%	-2.4%
Shanghai SE Composite	2,579.70	-1.2%	2.5%	-8.8%	-26.3%
Shenzhen Component	7,516.79	-1.4%	2.4%	-18.8%	-34.7%
Commodities and FX					
Crude Oil Futures (US\$)	53.15	-1.9%	16.6%	-24.6%	-16.3%
Gold Futures (US\$)	1,283.90	0.1%	2.1%	4.3%	-3.6%
Baltic Dry Index	1,092.00	-1.8%	-14.6%	-35.3%	-3.3%
USD / Euro	1.14	0.0%	-0.4%	-2.9%	-7.2%
Yen / USD	109.46	0.2%	0.8%	1.8%	1.5%
CNH / USD	6.815	-0.2%	1.3%	0.1%	-6.0%

Source: Bloomberg, 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%.

Research Team Contact

Research Team,

Mason Securities Limited,
Portion 1, 12/F, The Center,
99 Queen's Road Central, Hong Kong
Tel: (+852) 2218 2818
Email: research@masonhk.com