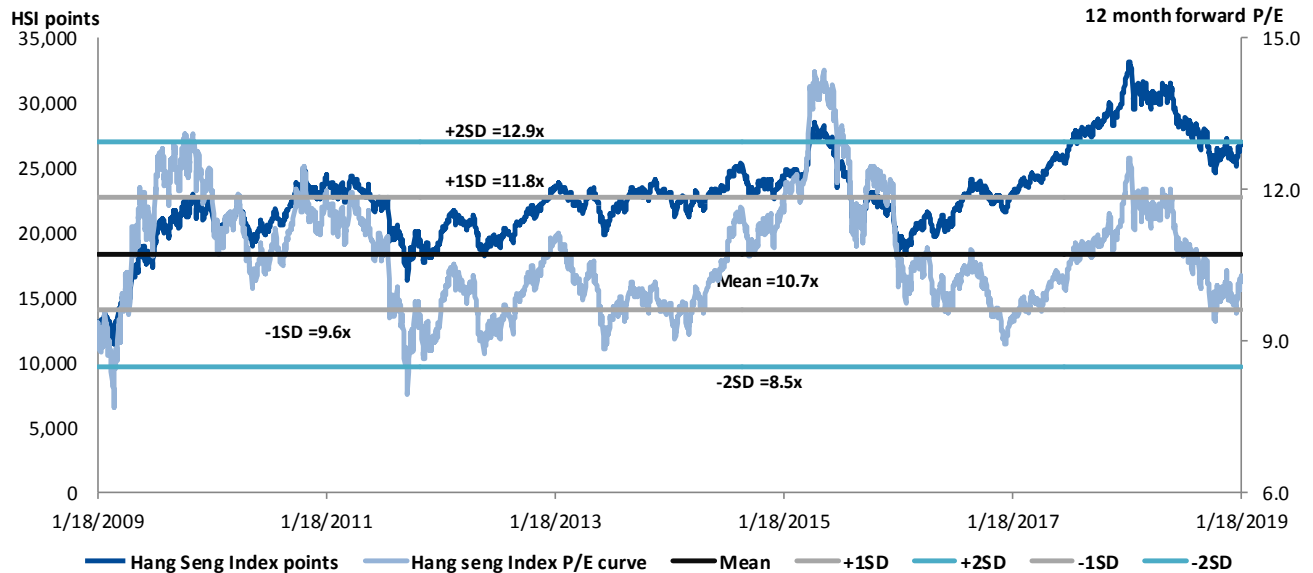


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HSI's FWD P/E Reminiscent to 2016's Lowest

Hang Seng Index at 10-year horizon



Source: Bloomberg, Mason Securities Limited

Market Overview

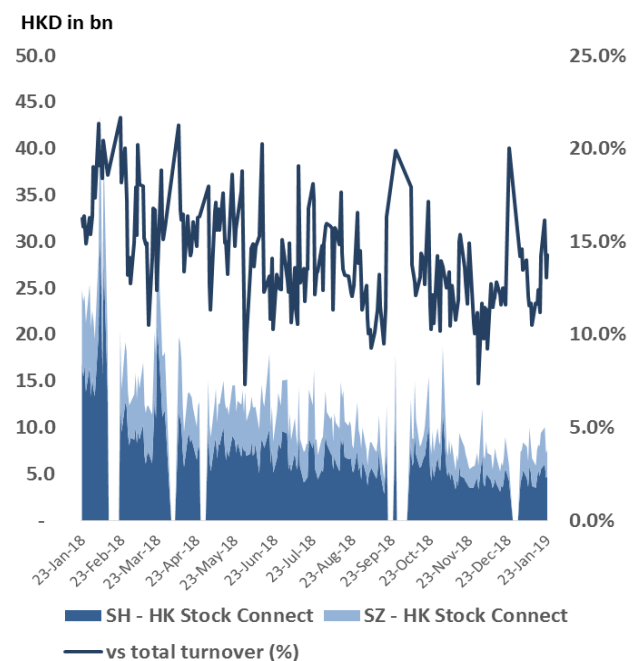
Hang Seng Index closed up 0.0% at 27,008. Market turnover decreased to \$77.8Bn. HSCEI climbed 0.2% at 10,631.

Local property, consumer stocks, telecom, automobile, power, utilities and pharmaceutical stocks all outperformed the HK market (HSI). While , Macau gaming, technology, PRC property, securities and oil stocks underperformed the market. HK banking, PRC banking , insurance 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 4.8bn and HKD 2.9bn respectively, making up a combined 14.3% 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
China Unicom (762)	9.04	4.3%	6.9
China Resources Power (836)	15.84	2.9%	2.6
China Shenhua (1088)	19.28	1.9%	3.7
CSPC Pharmaceutical (1093)	12.86	1.7%	3.1
Hengan International (1044)	57.3	1.7%	2.1
Wharf (1997)	52.2	1.4%	2.6
China Overseas (688)	27.4	1.3%	4.1
China Life Insurance (2628)	19.04	1.3%	5.4
Sun Hung Kai Properties (16)	125.2	1.2%	5.8
China Mobile (941)	81.3	1.2%	17.8
Sino Biopharmaceutical (1177)	6.1	1.2%	1.5
Link (823)	81	1.1%	5.8
CK Hutchison (1)	79	1.0%	6.6
New World Development (17)	11.7	0.9%	1.9
Hang Lung Properties (101)	16.04	0.8%	0.7
Hong Kong & China Gas (3)	16.92	0.7%	3.4
CK Asset Holdings (1113)	63.8	0.7%	3.1
Henderson Land (12)	43.05	0.7%	1.1
Want Want China (151)	6.06	0.7%	0.7
Swire Pacific (19)	89.6	0.6%	0.8
CLP Holdings (2)	91.35	0.5%	2.6
BOCOM (3328)	6.45	0.5%	0.8
MTR (66)	42.5	0.4%	0.8
ICBC (1398)	5.82	0.3%	4.5
CCB (939)	6.67	0.3%	6.6
Sino Land (83)	14.14	0.3%	0.4
Hang Seng Bank (11)	177	0.2%	0.9
BOC Hong Kong (2388)	30.1	0.2%	0.6
Shenzhou International (2313)	91.45	0.1%	0.1
Power Assets (6)	53.8	0.0%	0.0
BOC (3988)	3.48	0.0%	0.0
Mengniu Dairy (2319)	25.15	0.0%	0.0
Country Garden (2007)	9.62	0.0%	0.0
WH Group (288)	6.7	0.0%	0.0
CITIC (267)	11.82	-0.2%	-0.4
HSBC (5)	64.95	-0.2%	-6.0
CK Infrastructure (1038)	61.8	-0.3%	-0.4
HKEx (388)	240.2	-0.3%	-4.9
Galaxy Entertainment (27)	49.2	-0.4%	-1.4
China Resources Land (1109)	29.8	-0.5%	-1.3
AIA Group (1299)	68.45	-0.5%	-12.9
Tencent (700)	333.2	-0.8%	-21.6
Ping An Insurance (2318)	71.65	-0.8%	-10.2
Sinopec (386)	6.12	-1.0%	-8.7
Sands China (1928)	35.65	-1.0%	-1.5
AAC Technologies (2018)	45.1	-1.0%	-1.0
PetroChina (857)	4.9	-1.2%	-8.9
Geely (175)	12.24	-1.3%	-1.5
CNOOC (883)	12.62	-2.5%	-17.4
Sunny Optical (2382)	70.8	-3.1%	-5.0

HSCEI			
Name	Price	% Chg	Points
China Telecom (728)	4.36	5.3%	7.0
China Tower (788)	1.68	5.0%	8.5
Great Wall Motor (2333)	5.32	3.9%	1.5
Sinopharm Group (1099)	35.05	3.1%	3.0
China Shenhua (1088)	19.28	1.9%	2.9
BYD (1211)	45.3	1.8%	1.2
CSPC Pharmaceutical (1093)	12.86	1.7%	1.8
Hengan International (1044)	57.3	1.7%	1.2
Guangdong Investment (270)	15.52	1.3%	1.0
China Life Insurance (2628)	19.04	1.3%	4.3
China Minsheng Banking (1988)	5.78	1.2%	1.1
Huaneng Power International (902)	5.06	1.2%	0.6
China Mobile (941)	81.3	1.2%	10.1
Anhui Conch Cement (914)	39.45	0.9%	1.0
Guangzhou Automobile (2238)	8.44	0.8%	0.5
Dongfeng Motor (489)	8.03	0.8%	0.4
New China Life (1336)	29.65	0.7%	0.4
Huarong Asset (2799)	1.52	0.7%	0.2
CMB (3968)	31.45	0.6%	1.9
BOCOM (3328)	6.45	0.5%	0.6
CCCC (1800)	7.68	0.4%	0.3
ICBC (1398)	5.82	0.3%	3.6
CCB (939)	6.67	0.3%	3.2
Agricultural Bank (1288)	3.56	0.3%	0.7
Air China (753)	7.37	0.3%	0.1
Shenzhou International (2313)	91.45	0.1%	0.1
CRRC Corp (1766)	7.76	0.0%	0.0
CGN Power (1816)	1.99	0.0%	0.0
Postal Savings Bank of China (1658)	4.3	0.0%	0.0
BOC (3988)	3.48	0.0%	0.0
Cinda Asset Management (1359)	2.06	0.0%	0.0
PICC Property & Casualty (2328)	7.88	0.0%	0.0
China Railway (390)	7.19	-0.1%	-0.1
CITIC (267)	11.82	-0.2%	-0.2
People's Insurance (1339)	3.1	-0.3%	-0.2
China Gas (384)	25.35	-0.4%	-0.3
CITIC Securities (6030)	15.14	-0.4%	-0.3
China Resources Land (1109)	29.8	-0.5%	-0.7
GF Securities (1776)	11.26	-0.5%	-0.2
Haitong Securities (6837)	8.38	-0.6%	-0.4
Tencent (700)	333.2	-0.8%	-6.9
CITIC Bank (998)	4.85	-0.8%	-0.9
Ping An Insurance (2318)	71.65	-0.8%	-8.1
Sinopec (386)	6.12	-1.0%	-0.7
PetroChina (857)	4.9	-1.2%	-0.0
Huatai Securities (6886)	13.5	-1.3%	-0.7
China Vanke (2202)	27.9	-1.4%	-1.2
China Pacific Insurance (2601)	26.35	-1.5%	-0.5
Zhongnan (6060)	26.8	-1.7%	-0.4
CNOOC (883)	12.62	-2.5%	-8.9

Source: Bloomberg, Mason Securities Limited

Today in Focus



Name China Power International
Stock Code 2380 HK Equity

MKT Cap (\$Bn) / Free Float	19.2	44.0%
Turnover / 30D Avg (\$Mn)	47	24
Turnover vs 5D & 30D Avg	204%	198%
Forward PER / PBR	12.3X	0.55X
Net Debt (Cash) / Equity	127%	

Technical Indicator

SMA10	1.86	RSI (14)	68.7
SMA20	1.81	BB (Upper)	1.93
SMA100	1.72	BB (Lower)	1.69



Name Xinyi Glass
Stock Code 868 HK Equity

MKT Cap (\$Bn) / Free Float	36.3	44.3%
Turnover / 30D Avg (\$Mn)	67	94
Turnover vs 5D & 30D Avg	115%	71%
Forward PER / PBR	8.4X	1.77X
Net Debt (Cash) / Equity	29%	

Technical Indicator

SMA10	8.75	RSI (14)	62.1
SMA20	8.57	BB (Upper)	9.07
SMA100	8.82	BB (Lower)	8.08

Source: Bloomberg, Mason Securities Limited

Major Market Indicators

		% Change			
Hong Kong	Close	1-Day	1-Mth	6-Mth	12-Mth
Hang Seng Index	27,008.20	0.0%	5.3%	-5.8%	-18.1%
HSCEI (H-Shares)	10,631.03	0.2%	5.6%	-3.1%	-22.0%
Mkt T/O (\$ Mn)	77,818.98	-7.6%	-14.7%	-7.3%	-60.7%
Oversea					
DJIA	24,575.62	0.7%	12.8%	-2.6%	-6.4%
NASDAQ	7,025.77	0.1%	13.4%	-10.4%	-5.3%
Shanghai SE Composite	2,581.00	0.1%	2.1%	-11.2%	-27.5%
Shenzhen Component	7,523.77	0.1%	1.8%	-20.5%	-35.2%
Commodities and FX					
Crude Oil Futures (US\$)	52.39	-0.3%	23.2%	-23.5%	-20.1%
Gold Futures (US\$)	1,282.30	-0.1%	0.8%	4.6%	-5.5%
Baltic Dry Index	1,036.00	-5.1%	-18.5%	-41.6%	-13.7%
USD / Euro	1.14	-0.1%	-0.2%	-2.5%	-8.1%
Yen / USD	109.62	-0.1%	0.7%	1.5%	-0.4%
CNH / USD	6.788	0.1%	1.7%	0.3%	-6.4%

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%.

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