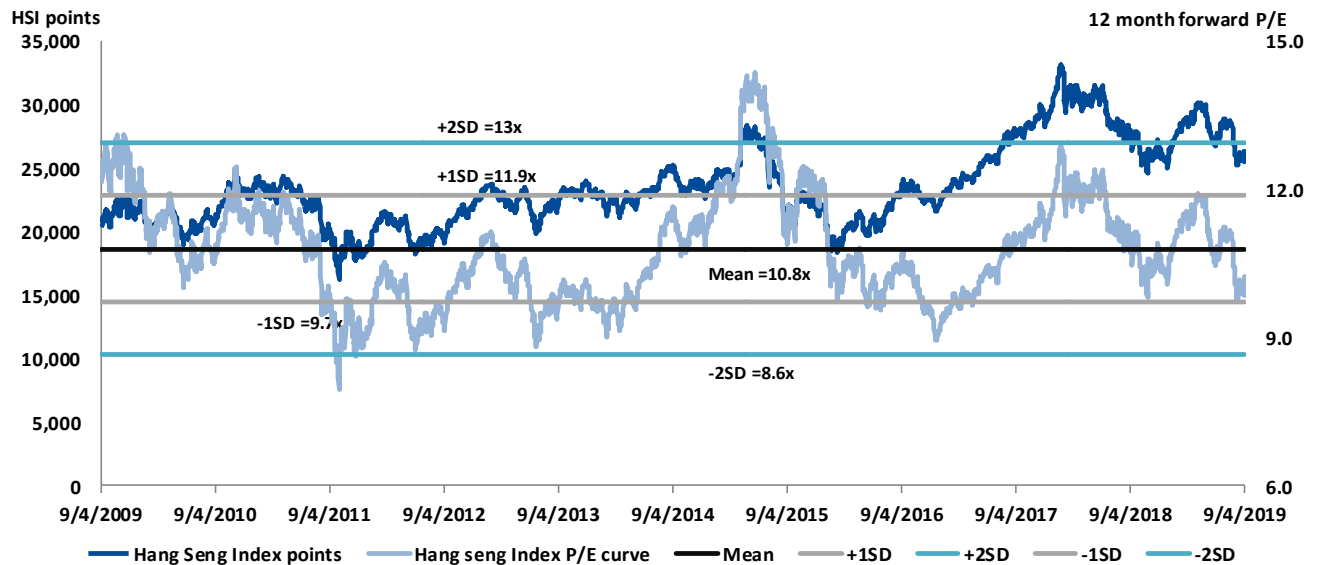


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HSI's FWD P/E is likely to hit as low as 8.6x

Hang Seng Index at 10-year horizon



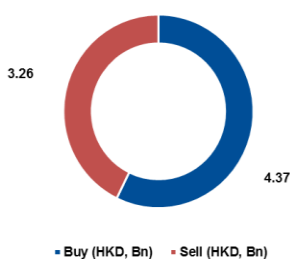
Source: Bloomberg, Mason Securities Limited

Market Overview

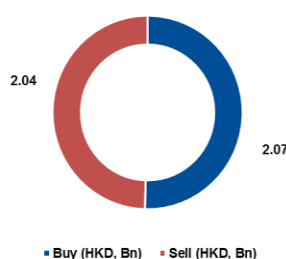
Hang Seng Index closed up 0.66% at 26,691. Market turnover improved to HKD 99.9bn. HSCEI climbed 0.45% at 10,431.

Southbound trading of SH-HK Stock Connect and SZ-HK Stock Connect attained HKD 7.6bn and HKD 4.1bn respectively, making up a combined 13.8% of total HK stock market turnover.

SH-HK Stock Connect

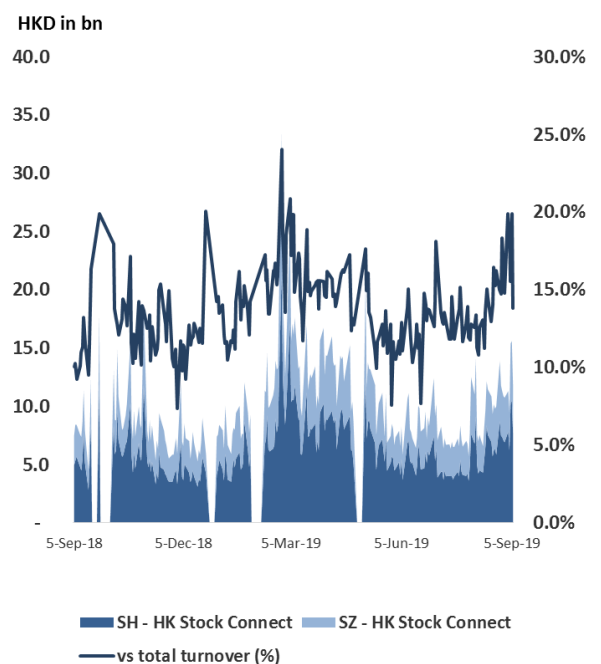


SZ-HK Stock Connect



On 10 years horizon, we see HSI will fall into a range between 8.6x to 10.8x 12M forward P/E (10.3x currently), which is equivalent to 22,500 to 28,200 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.

Southbound China-HK Stock Connect Turnover



Source: Bloomberg, Mason Securities Limited

Index Movers

HSI				HSCEI			
Name	Price	% Chg	Points	Name	Price	% Chg	Points
Shenzhou International (2313)	112.4	3.0%	5.5	Huarong Asset (2799)	1.27	4.1%	1.0
AAC Technologies (2018)	40.25	2.9%	2.5	Guangzhou Automobile (2238)	7.83	4.0%	1.8
Sunny Optical (2382)	116.4	2.7%	6.7	Huatai Securities (6886)	12.88	3.0%	1.3
WH Group (288)	6.97	2.3%	4.3	Shenzhou International (2313)	112.4	3.0%	3.7
Galaxy Entertainment (27)	53	2.1%	7.2	China Tower (788)	1.91	2.7%	4.5
CK Hutchison (1)	70.45	2.1%	11.9	Haitong Securities (6837)	8.69	2.6%	1.4
Sands China (1928)	37.15	1.9%	5.1	Cinda Asset Management (1359)	1.7	2.4%	0.7
China Shenhua (1088)	16.32	1.5%	2.5	CRRC Corp (1766)	5.59	2.4%	1.2
AIA Group (1299)	79.7	1.5%	41.5	BYD (1211)	41.3	2.4%	1.2
CNOOC (883)	12	1.4%	8.7	China National Building Material (3323)	7.26	2.0%	1.1
CK Asset Holdings (1113)	55.85	1.2%	5.1	China Railway (390)	5.25	1.9%	0.8
Swire Pacific (19)	76.95	1.1%	1.3	Dongfeng Motor (489)	7.25	1.8%	0.7
Geely (175)	12.76	1.1%	2.3	CITIC Securities (6030)	15.68	1.7%	1.0
BOC Hong Kong (2388)	27.1	0.9%	2.8	China Shenhua (1088)	16.32	1.5%	1.7
Sinopec (386)	4.64	0.9%	-7.0	China Telecom (728)	3.56	1.4%	1.4
HKEx (388)	249.4	0.9%	8.0	PICCC Property & Casualty (2328)	9.33	1.4%	1.8
China Life Insurance (2628)	19.02	0.8%	3.6	CNOOC (883)	12	1.4%	5.8
Henderson Land (12)	37.8	0.8%	1.3	Postal Savings Bank of China (1658)	4.8	1.1%	1.0
ICBC (1398)	5.18	0.8%	8.9	People's Insurance (1339)	3.23	0.9%	0.5
HSBC (5)	57.9	0.7%	16.8	Sinopec (386)	4.64	0.9%	-4.1
CCB (939)	6.03	0.7%	13.1	China Life Insurance (2628)	19.02	0.8%	2.4
Hong Kong & China Gas (3)	15.46	0.7%	3.1	ICBC (1398)	5.18	0.8%	6.0
China Unicom (762)	7.99	0.6%	0.9	China Pacific Insurance (2601)	32.95	0.8%	1.3
Ping An Insurance (2318)	93.8	0.6%	9.3	CCB (939)	6.03	0.7%	6.6
Tencent (700)	343.4	0.6%	16.1	Agricultural Bank (1288)	3.08	0.7%	1.1
CK Infrastructure (1038)	52.9	0.6%	0.7	Ping An Insurance (2318)	93.8	0.6%	6.3
CLP Holdings (2)	81	0.6%	2.6	Tencent (700)	343.4	0.6%	6.1
Sino Land (83)	11.72	0.5%	0.6	ANTA Sports Products (2020)	63.75	0.6%	0.8
China Overseas (688)	25.7	0.4%	1.2	China Vanke (2202)	28.1	0.5%	0.5
Country Garden (2007)	10.36	0.4%	0.9	New China Life (1336)	33.3	0.5%	0.3
BOCOM (3328)	5.3	0.4%	0.5	Country Garden Holding (2007)	10.36	0.4%	0.6
Hang Seng Bank (11)	168.6	0.4%	1.4	BOCOM (3328)	5.3	0.4%	0.4
Techtronic Industries (669)	57.9	0.3%	0.9	China Minsheng Banking (1988)	5.36	0.4%	0.3
BOC (3988)	3.09	0.3%	2.4	BOC (3988)	3.09	0.3%	1.6
PetroChina (857)	3.99	0.3%	0.6	CMB (3968)	38.45	0.3%	0.8
Wharf (1997)	44.9	0.1%	0.2	PetroChina (857)	3.99	0.3%	0.4
Hengan International (1044)	53.55	0.1%	0.1	Longfor Group Holdings (960)	29.05	0.2%	0.2
China Mobile (941)	66.1	0.1%	0.9	CCCC (1800)	6.22	0.2%	0.1
Power Assets (6)	52.3	0.0%	0.0	Guangdong Investment (270)	16.18	0.1%	0.1
Sun Hung Kai Properties (16)	115.1	0.0%	0.0	Hengan International (1044)	53.55	0.1%	0.1
Link (823)	89.35	-0.1%	-0.3	China Mobile (941)	66.1	0.1%	0.6
Mengniu Dairy (2319)	30.55	-0.2%	-0.4	CITIC Bank (998)	4.21	0.0%	0.0
China Resources Land (1109)	33.35	-0.3%	-0.8	Sinopharm Group (1099)	26.95	-0.2%	-0.1
MTR (66)	46.55	-0.3%	-0.7	China Resources Land (1109)	33.35	-0.3%	-0.6
CITIC (267)	9.7	-0.5%	-0.9	CITIC (267)	9.7	-0.5%	-0.6
New World Development (17)	10.24	-0.6%	-1.1	ENN Energy Holdings (2688)	80	-0.9%	-1.1
Hang Lung Properties (101)	18.28	-0.9%	-1.0	Anhui Conch Cement (914)	47.2	-0.9%	-1.1
Want Want China (151)	6.23	-1.3%	-1.4	China Resources Beer (291)	43.15	-1.4%	-2.0
CSPC Pharmaceutical (1093)	15.98	-2.1%	-4.8	CSPC Pharmaceutical (1093)	15.98	-2.1%	-3.2
Sino Biopharmaceutical (1177)	11.42	-3.2%	-8.0	China Gas (384)	30.1	-7.0%	-9.6

Source: Bloomberg, Mason Securities Limited

Major Market Indicators

		% Change			
Hong Kong	Close	1-Day	1-Mth	6-Mth	12-Mth
Hang Seng Index	26,690.76	0.7%	2.9%	-5.4%	-1.0%
HSCEI (H-Shares)	10,430.67	0.4%	4.4%	-6.5%	-1.2%
Mkt T/O (\$ Mn)	99,865.27	20.1%	-18.6%	-12.8%	-4.9%
Oversea					
DJIA	26,797.46	0.3%	1.9%	5.3%	3.4%
NASDAQ	8,103.07	-0.2%	1.8%	9.4%	2.5%
Shanghai SE Composite	2,999.60	0.5%	8.1%	1.0%	11.0%
Shenzhen Component	9,823.42	0.4%	11.7%	4.9%	18.0%
Commodities and FX					
Crude Oil Futures (US\$)	56.91	1.1%	4.4%	1.5%	-16.0%
Gold Futures (US\$)	1,509.70	0.0%	0.5%	16.2%	26.3%
Baltic Dry Index	2,462.00	-1.5%	40.8%	279.4%	65.2%
USD / Euro	1.10	-0.2%	-1.7%	-2.0%	-5.0%
Yen / USD	106.94	-0.1%	-1.3%	4.0%	3.9%
CNH / USD	7.116	-0.1%	-0.2%	-5.4%	-3.5%

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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