



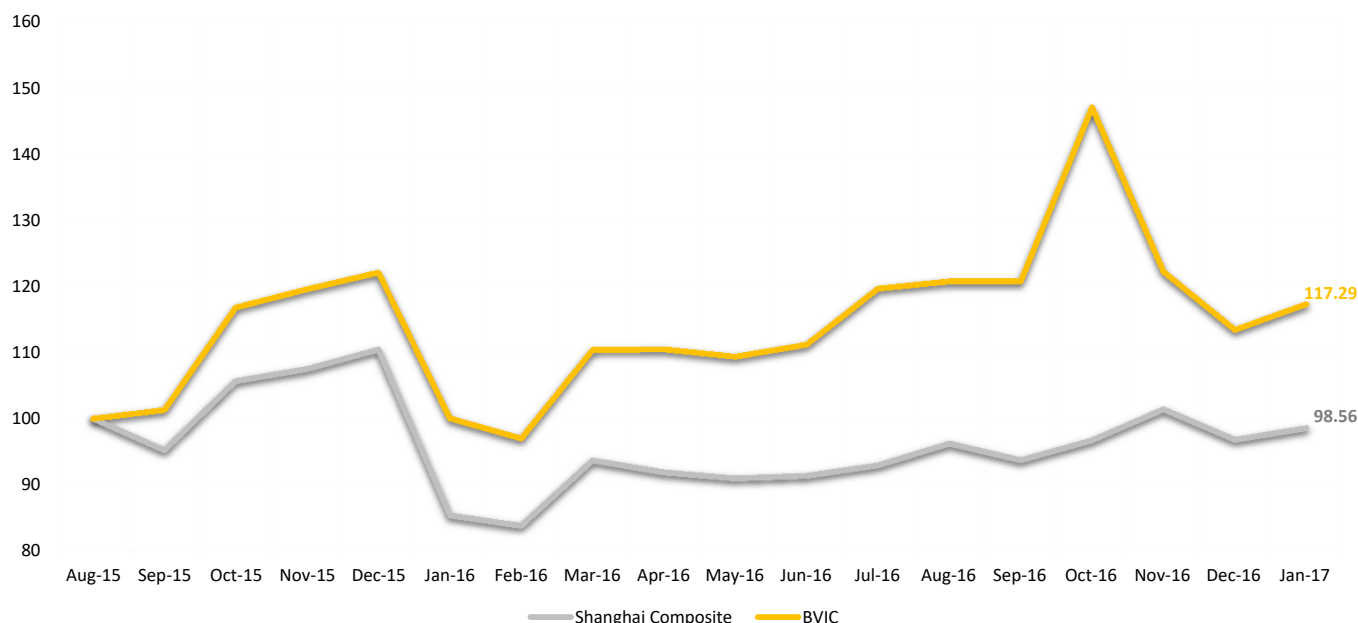
Market commentary

The Shanghai Composite capped a 1.8% gain in January, with analysts attributing the gains to increasing confidence in the earnings outlook of major companies. With China's currency rebounding against the greenback and the nation's economy showing signs of accelerating, investors are pouncing on beaten-down industries with the greatest prospect for profit growth. A gauge of Chinese real-estate companies surged 5.7 percent on Wednesday, the most in almost a year, after analysts at Goldman Sachs Group Inc. and Citigroup Inc. said the stocks are in far better shape than their rock-bottom valuations indicate. Great Wall Motor Co. extended its 2017 gain to 19 percent, while BYD Co. jumped the most in 12 months. Consensus earnings estimates have been raised for both last year and this year for most Chinese automakers, according to a note by Bloomberg Intelligence

Macro indicators

Indicator	Period	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
GDP (yoy)	Q4 16	7.0%	6.9%	6.8%	6.7%	6.7%	6.7%	6.8%
Inflation (yoy)	Q4 16	1.4%	1.6%	1.6%	2.3%	1.9%	2.1%	2.5%
Unemployment	Q4 16	4.1%	4.1%	4.1%	4.0%	4.1%	4.0%	4.0%
Services PMI	Q4 16	51.8	50.5	50.2	51.8	52.7	52.4	53.1
EUR/CNY		6.9	7.1	7.0	7.4	7.4	7.4	7.3
Brent oil		\$63.6	\$48.4	\$37.3	\$45.0	\$48.0	\$43.8	\$56.7

Bernstein Value Index China



BVIC Bernstein Value Index China is an equal-weighted index compiled of 18-20 Chinese consumer value plays selected using Bernstein's proprietary long-term value screening indicators.

SH COMP The SSE Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.



Index constituents news

Ticker	Name	Date	Recent Key News and Events
601021.SS	Spring Airlines	13.02.2017	Says board elects Wang Zhenghua as chairman
603885.SS	Juneyao Airlines	16.02.2017	China's Juneyao Airlines finalizes \$1.32 billion order for five Boeing 787s
000069.SZ	Shenzhen Overseas	15.02.2017	Says preliminary 2016 net profit up 41.19 percent y/y at 6.55 billion yuan (\$953.48 million)
000895.SZ	Henan Shuanghui		
600741.SS	Huayu Automotive		
1057.HK	Zhejiang Shibao		
2238.HK	GAC Group	25.01.2017	Says it expects 2016 net profit to rise 30-55 percent y/y
600104.SS	SAIC Motor	24.01.2017	Says it completed issuing 657.9 million new shares at 22.8 yuan per share through private placement
600066.SS	Zhengzhou Yutong Bus Co.	15.02.2017	Zhengzhou Yutong Bus is the largest bus maker in China and exports busses to Europe and South America. New electric models have sold well at home and could see strong demand in Europe in coming years. The shares go for 12 times earnings. Morgan Stanley predicts a rise to 28 yuan
1211.HK	BYD Co Ltd	8.02.2017	Consensus earnings estimates have been raised for both last year and this year for most Chinese automakers, according to a note by Bloomberg Intelligence
600887.SS	Inner Mongolia Yili		
603288.CH	Foshan Haitian Flavouring	6.02.2017	Lock-up period for Foshan Haitian Flavouring and Food's 2.4 bln shares to end
000333.SZ	Midea Group	15.02.2017	Chinese electronics giant Midea Group has purchased more than 50 percent of the Israeli automation company Servotronics Motion Control
1033.HK	Sinopec SSC	19.02.2017	China's state owned enterprise (SOE) reform is facing fresh questioning as a state controlled company is almost certain to post the greatest financial loss among the country's nearly 2,800 A-share listed firms in 2016.
1766.HK	CRRC		
0995.HK	Anhui Expressway		
CTRP.O	Ctrip.com International Ltd.	21.02.2017	Ctrip has built up high entry barriers with its strong R&D, largest local hotel network and exclusive OTA (online travel agency) platform. Online travel in China is still underpenetrated at 12% vs the U.S.' 44%. As the domestic market leader, Ctrip is expected to capture the strong growth of online travel



Index constituents performance

Ticker	Name	Industry	Share price 31.01.17			Performance				Mcap EURb	Net Debt EURb	EV/EBITDA TTM	P/E			P/B TTM	EBITDA% TTM	Div yld N12M
			HKX	SSE	Diff.	LTM Low	LTM High	% off L	% off H				TTM	TTM	2017F			
601021.SS	Spring Airlines	Airlines		37.1		35.0	54.9	6%	-32%	4.0	0.5	20.2x	22.9x	16.6x	3.9x	20.0%	0.6%	
603885.SS	Juneyao Airlines	Airlines		23.9		21.1	32.8	13%	-27%	4.2	0.6	20.1x	22.9x	15.7x	4.0x	18.0%	1.0%	
000069.SZ	Shenzhen Overseas	Amusement Parks		7.0		6.3	8.2	11%	-15%	7.7	2.3	8.9x	11.3x	10.2x	1.4x	24.6%	1.0%	
000895.SZ	Henan Shuanghui	Animal Slaughtering		21.4		17.0	25.7	26%	-17%	9.6	-0.1	11.4x	16.0x	14.2x	5.4x	11.9%	4.1%	
600741.SS	Huayu Automotive	Auto parts		16.6		12.3	17.9	35%	-7%	7.1	-2.3	4.0x	9.9x	9.4x	1.4x	7.9%	4.8%	
1057.HK	Zhejiang Shibao	Auto parts	9.0	36.6	307%	6.5	12.7	39%	-29%	0.1	0.0	8.5x	12.3x	na	0.5x	7.2%	1.3%	
2238.HK	GAC Group	Automobiles	10.6	23.8	124%	6.6	13.6	60%	-22%	2.8	-1.8	2.1x	3.2x	2.5x	0.5x	9.1%	1.8%	
600104.SS	SAIC Motor	Automobiles		25.4		17.6	26.6	44%	-4%	40.2	-6.8	5.0x	9.4x	8.0x	1.6x	6.8%	5.3%	
600066.SS	Zhengzhou Yutong Bus Co.	Automobiles		20.3		18.0	24.0	13%	-16%	6.1	0.2	10.0x	11.4x	11.4x	3.8x	13.6%	7.4%	
1211.HK	BYD Co Ltd	Automobiles	43.2	48.7	13%	36.5	57.3	18%	-25%	4.7	4.3	5.1x	12.4x	11.2x	1.1x	14.3%	0.9%	
600887.SS	Inner Mongolia Yili	Dairy Products		18.4		12.6	20.7	46%	-11%	15.2	-1.9	15.8x	20.7x	18.4x	5.2x	10.2%	2.5%	
603288.CH	Foshan Haitian Flavouring	Food Ingredients		31.2		25.0	37.1	25%	-16%	11.5	-0.4	25.2x	31.7x	25.4x	9.2x	26.6%	1.9%	
000333.SZ	Midea Group	Household Appliances		29.9		17.2	33.5	74%	-11%	26.1	1.8	11.2x	13.2x	11.3x	3.3x	12.8%	2.5%	
1033.HK	Sinopec SSC	Integrated Oil & Gas	1.6	3.9	148%	1.4	1.9	12%	-18%	0.4	2.4	neg	nm	neg	0.2x	-11.7%	0.0%	
1766.HK	CRRC	Locomotive Engines	7.0	10.0	44%	6.5	8.4	8%	-17%	3.6	1.4	1.4x	2.3x	2.5x	0.3x	10.8%	2.4%	
0995.HK	Anhui Expressway	Toll roads	5.8	13.6	136%	5.5	7.1	5%	-19%	0.3	0.0	2.0x	2.7x	3.6x	0.3x	51.7%	4.2%	
CTRP.O	Ctrip.com International Ltd.	Travel agents		43.2		37.4	49.6	16%	-13%	19.5	0.6	neg	neg	34.1x	2.1x	-9.9%	0.0%	
600519.SS	Kweichow Moutai	Wineries		344.4		206.0	362.0	67%	-5%	58.8	-8.4	15.5x	26.2x	21.6x	6.3x	64.3%	1.7%	
000858.SZ	Wuliangye Yibin	Wineries		37.0		22.3	41.4	66%	-11%	19.1	-4.6	11.8x	21.0x	17.1x	3.1x	37.3%	2.0%	
600061.SS	SDIC Essence	Yarn Goods		15.6		14.6	21.4	6%	-27%	7.8	-5.4	5.0x	18.5x	na	2.1x	34.4%	1.3%	
Bernstein Value Index China												8.7x	12.3x	11.3x	1.9x	12.4%	2.5%	

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