

Equity Valuation in Hong Kong and Mainland: Focus on Chinese A-H Share Premium

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This paper is organised as follows. Section 1 is introduction. In section 2 we present the origins of existing DDM and indicate its limitations and the potential irrelevance to practical problem. Then we explore alternative versions to the existing DDM. In section 3, we present the hypothesis testing method of DDM and RIV . in section 4, We present the test of Clean Surplus Relation (CSR) and another form of RIV with Dirty Surplus Relation (DSR) is introduced. In section 5 discuss valuation mechanism of fundamental values, price premium between Hong Kong and mainland markets and their relation to basic economic factors. In case fundamental value analysis can not explain the equity value difference in the two markets, we will resort to the help of behaviour finance to interpret it. This is the main content of section 6. Finally, we conclude this paper with main findings and their policy implications in section 7.