

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

CHINA

Results

Jacobson Pharma (2633 HK/BUY/HK\$1.80/Target:HK\$2.56) Page 2
FY17: Earnings beat forecasts; expect FY18 core net profit to grow 40% yoy.

Update

China Yongda Auto Services Holdings (3669 HK/BUY/HK\$7.98/Target: HK\$11.80) Page 5
Another acquisition to boost earnings growth.

AT A GLANCE

Corporate

Beijing Hyundai: to recall 43,764 cars over defective engines Page 8

China Unicom: denies Alibaba and Tencent are picking up stakes

Sector

Financial: Chinese regulator steps up scrutiny over insurance firms Page 8

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	21394.8	(0.0)	0.0	1.5	8.3
S&P 500	2438.3	0.2	0.2	0.9	8.9
FTSE 100	7424.1	(0.2)	(0.5)	(1.6)	3.9
AS30	5754.6	0.2	(0.9)	(0.6)	0.6
CSI 300	3622.9	0.9	3.0	4.1	9.4
FSSTI	3209.5	(0.2)	(0.7)	(0.3)	11.4
HSI	25670.1	(0.0)	0.2	0.1	16.7
HSCEI	10430.0	0.3	0.4	(1.4)	11.0
HSCCI	1781.8	(0.3)	(1.4)	(1.5)	1.2
Shanghai A	1985.8	0.8	(1.3)	1.4	3.7
Shanghai B	19254.3	1.4	1.5	6.9	10.3
Shenzhen A	1541.6	(0.2)	(1.7)	(4.1)	2.9
Shenzhen B	8966.4	0.1	(0.1)	(4.2)	4.1
JCI	5829.7	0.2	0.9	1.7	10.1
KLCI	1779.5	0.1	(0.7)	0.4	8.4
KOSPI	2378.6	0.3	0.7	1.0	17.4
Nikkei 225	20132.7	0.1	0.9	2.3	5.3
SET	1582.4	0.1	0.4	0.8	2.6
TWSE	10377.7	(0.2)	2.2	2.7	12.1
BDI	870	1.8	2.6	(4.6)	(9.5)
CPO (RM/mt)	2586	(0.8)	(3.2)	(11.2)	(19.2)
Nymex Crude (US\$/bbl)	46	0.5	(2.5)	(12.3)	(19.5)

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
ICBC-H	5.2	1.0	253,773
BANK OF CHINA-H	3.81	0.3	223,469
CCB-H	6.11	(0.2)	212,525
ABC-H	3.65	0.3	87,746
PETROCHINA	4.85	0.2	73,216

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
CHINA RES GAS	26.75	10.3	15,140
CHINA VANKE-H	21.90	3.8	23,883
KUNLUN ENERGY	6.61	3.0	16,168
BANK OF JINZHO-H	9.14	2.8	702
HUANENG POWER-H	5.61	2.4	35,761

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
DONGFENG MOTOR	9.46	(2.8)	23,581
SANDS CHINA	35.75	(2.3)	17,417
CHINA ZHESHANG-H	3.99	(2.2)	250
GALAXY ENTERTAIN	47.15	(1.7)	13,610
BRILLIANCE CHINA	14.22	(1.5)	8,987

KEY ASSUMPTIONS

GDP (% yoy)	2016	2017F	2018F
US	1.6	2.7	2.5
Euro Zone	1.7	1.6	1.5
Japan	1.0	0.9	1.2
Singapore	2.0	2.4	2.8
Malaysia	4.2	4.5	4.7
Thailand	3.2	3.3	3.1
Indonesia	5.0	5.2	5.5
Hong Kong	1.9	2.0	2.0
China	6.7	6.3	6.3
Brent (Average) (US\$/bbl)	45	55	60
CPO (RM/mt)	2,653	2,600	2,500

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY RESULTS

Jacobson Pharma (2633 HK)

FY17: Earnings Beat Forecasts; Expect FY18 Core Net Profit To Grow 40% Yoy

Jacobson Pharma reported FY17 revenue and core operating profit growth of 15.9% and 32.6% yoy respectively, both beating our estimates. Newly-acquired subsidiaries Ho Chai Kung and Medipharma will contribute significant earnings accretion in FY18. Po Chai Pills sales in China have also recovered since Mar 17. We expect core net profit to grow 41.4% in FY18. Maintain BUY with a higher target price of HK\$2.56.

FY17 RESULTS

Jacobson Pharma FY17 results highlights									
Year-ended March	1HFY16	1HFY17	YoY%	2HFY16	2HFY17	YoY%	FY16	FY17	YoY%
P&L (HK\$M)									
Revenue	518	575	11.1%	566	681	20.3%	1,084	1,256	15.9%
Generic drugs	444	507	14.0%	501	591	18.1%	945	1,098	16.2%
Hospital Authority	151	171	13.3%	153	174	14.0%	303	345	13.6%
Non-Hospital Authority	294	336	14.4%	348	417	19.9%	641	753	17.4%
Proprietary medicines	74	69	-6.9%	65	90	37.5%	139	158	13.9%
Gross profit	220	245	11.0%	267	312	16.8%	488	557	14.2%
Selling expense	(68)	(73)	6.3%	(65)	(73)	11.1%	(134)	(145)	8.6%
G&A expense	(73)	(98)	33.3%	(95)	(90)	-4.6%	(168)	(188)	12.0%
Operating profit	81	78	-2.8%	105	157	49.6%	186	235	26.8%
Core operating profit (excluding listing expenses)	81	101	25.2%	114	157	37.8%	194	258	32.6%
Finance expense	(2)	(2)	-11.8%	(0)	(12)	3230.9%	(3)	(14)	454.7%
Reported net profit	61	57	-6.7%	84	122	44.8%	146	179	23.2%
Core net profit (excluding listing expenses)	61	76	24.2%	92	122	33.0%	153	198	29.5%
EPS (diluted, cents)	4.67	4.27	-8.6%				11.13	11.39	2.4%
EPS excluding listing expenses	4.67	5.68	21.6%				11.13	12.59	13.1%
Ratios (%)									
GP margin %	42.5%	42.5%		47.3%	45.9%		45.0%	44.3%	
Selling expense %	-13.2%	-12.6%		-11.6%	-10.7%		-12.3%	-11.6%	
G&A expense %	-14.2%	-17.0%		-16.7%	-13.2%		-15.5%	-15.0%	
OP margin %	15.6%	13.6%		18.5%	23.1%		17.1%	18.7%	
Core OP margin %	15.6%	17.5%		20.1%	23.1%		17.9%	20.5%	
Financing expense %	-0.4%	-0.3%		-0.1%	-1.8%		-0.2%	-1.1%	
Net profit margin %	11.8%	9.9%		14.9%	18.0%		13.4%	14.3%	
Core net profit margin %	11.8%	13.2%		16.3%	18.0%		14.1%	15.8%	

Source: Jacobson Pharma, UOB Kay Hian

RESULTS

- **2HFY17 sales** surged 20.3% yoy (1HFY17: 11.1%), of which proprietary medicine sales soared 37.5% yoy (1HFY17: -6.9%).
- **2HFY17 gross margin** rebounded to 45.9% (1HFY17: 42.5%).
- **Selling expense** as a percentage of revenue reached a low of 10.7% in 2HFY17 (2HFY16: 11.6%).
- **Dividend.** The company proposed a final dividend of 1.4 HK cents/share, Together with interim dividend of 0.8 HK cents/share, this represents a dividend yield of 1.2%.

KEY FINANCIALS

Year to 31 Mar (HK\$M)	FY16	FY17	FY18F	FY19F	FY20F
Net turnover	1,084	1,256	1,373	1,587	1,756
EBITDA	255	317	382	464	516
Operating profit	186	235	286	363	409
Net profit (rep./act.)	146	179	285	351	391
Net profit (adj.)	155	202	285	351	391
EPS (cent)	9.8	12.8	18.1	22.3	24.9
PE (x)	18.3	14.0	9.9	8.1	7.2
P/B (x)	3.1	1.6	1.4	1.3	1.1
EV/EBITDA (x)	15.1	12.2	10.1	8.3	7.5
Dividend yield (%)	8.5	1.4	2.5	3.1	3.5
Net margin (%)	13.4	14.3	20.8	22.1	22.3
Net debt/(cash) to equity (%)	39.3	33.0	22.3	22.1	10.2
Interest cover (x)	101.2	22.7	26.2	29.8	30.8
ROE (%)	15.6	13.5	15.4	16.8	16.5
Consensus net profit	-	-	188	258	299
UOBKH/Consensus (x)	-	-	1.52	1.36	1.31

Source: Jacobson Pharma, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$1.80
Target Price	HK\$2.56
Upside	+42.2%
(Previous TP)	HK\$2.26

COMPANY DESCRIPTION

Jacobson Pharma is the largest generic drug manufacturer in Hong Kong and also markets proprietary medicines. On-going off-patent trend and continuing M&As will be growth drivers for the company.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	2633 HK
Shares issued (m):	1,815.6
Market cap (HK\$m):	3,268.1
Market cap (US\$m):	419.0
3-mth avg daily t'over (US\$m):	0.3

Price Performance (%)

52-week high/low	HK\$1.84/HK\$1.45			
1mth	3mth	6mth	1yr	YTD
2.3	8.4	9.8	n.a.	5.9

Major Shareholders

Mr. Sum and Mr. Lau	70.98
FY18 NAV/Share (HK\$)	1.25
FY18 Net Debt/Share (HK\$)	0.28

PRICE CHART



Source: Bloomberg

ANALYST(S)

Alex Jiang
+00852 22366749
alex.jiang@uobkayhian.com.hk

Fu Jun Wei
+8621 5404 7225 ext 817
jfwu@uobkayhian.com

STOCK IMPACT

- Proprietary medicine segment to see full consolidation from Ho Chai Kung and recovery of Po Chai Pill in FY18.** Although Po Chai Pill sales in China dropped significantly in FY17, sales in Hong Kong grew by over 20% yoy. The company started delivering Po Chai Pills to mainland distributors in Mar 17 and management is confident of sales of HK\$10m from China for this product in FY18. We expect proprietary medicine revenue to grow 48.6% yoy to HK\$269.5m in FY18, of which Ho Chai Kung could contribute HK\$96.6m (FY17: HK\$23.0m).
- Obtained approval for Resuvastatin and Entecavir.** Generic drug revenue growth accelerated from 14.0% yoy in 1HFY17 to 18.1% yoy in 2HFY17. This was mainly due to: a) Medipharma being consolidated into the company from Dec 16; b) Jacobson Pharma winning some tenders from the Hospital Authority; and c) Jacobson Pharma implementing its annual price mark-up at 8% for its Non-Hospital Authority segment in Jan 17.
- The company has obtained approval for two generics of Crestor (Rosuvastatin calcium) and Entecavir in Hong Kong in Jun 17. Revenue contribution will have to wait for tender wins. Management expects sales of generic drugs to grow 12% yoy in FY18.
- Margin improvement to continue in FY18.** Gross margin rose from 42.5% in 1HFY17 to 45.9% in 2HFY17, mainly contributed by operating leverage from its new production facility for generic drugs since Oct 16. Management guides overall gross margin to maintain at 45% in FY18 (FY17: 44.3%).
- Due to flat advertisement cost and a growing revenue base, selling expense as a percentage of total revenue dropped from 12.6% in 1HFY17 to 10.7% in 2HFY17. We expect this ratio to further drop to 10.5% in FY18 since the ratio for Ho Chai Kung is lower than that for the current business.
- To explore expansion beyond China.** According to management, Jacobson Pharma is negotiating for several cooperation projects in ASEAN where it plans to co-develop generic drugs with local partners. Moreover, the company is looking for more M&A opportunities for branded drugs.

EARNINGS REVISION

- We raise our FY18-19 core earnings forecasts by 4% and 8% respectively to reflect the better-than-expected FY17 performance and continuing margin improvement.

VALUATION/RECOMMENDATION

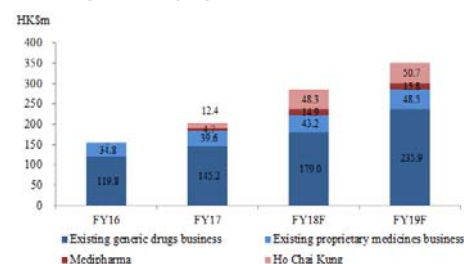
- Maintain BUY.** Our target price of HK\$2.56 is based on the SOTP methodology by applying: a) 18.0x 2017F PE for the proprietary medicine business, and b) 14.0x 2017F PE for the generic drug business.
- Based on our earnings forecast, Jacobson Pharma is trading at 10.7x 2017F PE, significantly lower than Hong Kong-listed healthcare players' average of 19x. The company is our top pick among small-cap healthcare companies.

SOTP VALUATION

Valuation	2017F earnings	2017F target	
	(HK\$)	P/E (x)	TP (HK\$)
Proprietary medicine	0.052	18.0 x	0.93
Generic drugs	0.116	14.0 x	1.63
Sum	0.168	15.2 x	2.56

Source: Jacobson Pharma, UOB Kay Hian

NET PROFIT BY SEGMENT



Source: Jacobson Pharma, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (HK\$m)	FY17	FY18F	FY19F	FY20F
Net turnover	1,256.0	1,373.4	1,587.1	1,756.5
EBITDA	317.2	382.0	464.3	516.5
Deprec. & amort.	82.0	96.0	101.4	107.2
EBIT	235.2	286.1	362.9	409.3
Net interest income/(expense)	(14.0)	(14.6)	(15.6)	(16.8)
Pre-tax profit	221.2	347.6	427.4	476.7
Tax	(40.0)	(59.1)	(72.7)	(81.0)
Minorities	(1.9)	(3.1)	(3.8)	(4.2)
Net profit	179.3	285.5	350.9	391.4
Net profit (adj.)	201.9	285.5	350.9	391.4

CASH FLOW

Year to 31 Mar (HK\$m)	FY17	FY18F	FY19F	FY20F
Operating	220.0	469.4	301.7	608.8
Pre-tax profit	221.2	347.6	427.4	476.7
Tax	(40.0)	(59.1)	(72.7)	(81.0)
Deprec. & amort.	82.0	96.0	101.4	107.2
Working capital changes	(52.4)	71.5	(168.8)	90.4
Non-cash items	2.0	2.0	2.0	2.0
Other operating cashflows	7.1	11.4	12.4	13.6
Investing	(558.9)	(254.5)	(262.4)	(270.6)
Capex (growth)	(150.0)	(157.5)	(165.4)	(173.6)
Investments	(411.9)	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	3.0	3.0	3.0	3.0
Others	0.0	0.0	0.0	0.0
Financing	615.7	(9.6)	(19.1)	(21.8)
Dividend payments	(40.5)	(72.0)	(88.3)	(98.5)
Issue of shares	600.0	0.0	0.0	0.0
Proceeds from borrowings	615.6	677.1	744.8	819.3
Loan repayment	(553.9)	(609.3)	(670.2)	(737.2)
Others/interest paid	(5.5)	(5.5)	(5.5)	(5.5)
Net cash inflow (outflow)	276.8	205.3	20.2	316.3
Beginning cash & cash equivalent	82.9	359.7	565.0	585.2
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	359.7	565.0	585.2	901.5

BALANCE SHEET

Year to 31 Mar (HK\$m)	FY17	FY18F	FY19F	FY20F
Fixed assets	1,007.7	1,066.2	1,127.1	1,190.6
Other LT assets	1,128.5	1,228.5	1,328.5	1,428.5
Cash/ST investment	359.7	565.0	585.2	901.5
Other current assets	474.2	455.4	610.6	566.8
Total assets	2,970.1	3,315.1	3,651.4	4,087.4
ST debt	937.5	1,003.2	1,076.8	1,159.0
Other current liabilities	121.0	183.1	178.9	234.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	139.3	139.3	139.3	139.3
Shareholders' equity	1,749.4	1,963.5	2,226.7	2,520.3
Minority interest	22.9	26.0	29.8	34.0
Total liabilities & equity	2,970.1	3,315.1	3,651.4	4,087.4

KEY METRICS

Year to 31 Mar (%)	FY17	FY18F	FY19F	FY20F
Profitability				
EBITDA margin	25.3	27.8	29.3	29.4
Pre-tax margin	17.6	25.3	26.9	27.1
Net margin	14.3	20.8	22.1	22.3
ROA	7.5	9.1	10.1	10.1
ROE	13.5	15.4	16.8	16.5
Growth				
Turnover	15.9	9.3	15.6	10.7
EBITDA	24.2	20.4	21.5	11.2
Pre-tax profit	20.9	57.1	22.9	11.5
Net profit	23.2	59.2	22.9	11.5
Net profit (adj.)	30.7	41.4	22.9	11.5
EPS	30.7	41.4	22.9	11.5
Leverage				
Debt to total capital	34.6	33.5	32.3	31.2
Debt to equity	53.6	51.1	48.4	46.0
Net debt/(cash) to equity	33.0	22.3	22.1	10.2
Interest cover (x)	22.7	26.2	29.8	30.8

COMPANY UPDATE

China Yongda Auto Services Holdings (3669 HK)

Another Acquisition To Boost Earnings Growth

Yongda is acquiring four BMW dealerships in Shandong for Rmb423m, implying an estimated 6-7x 2017F PE vs its PE of 8x. We believe the acquisition will boost Yongda's 2017F EPS by 1-2%, which we have factored into our earnings forecasts. We assume Yongda to add 20 stores annually in 2017-19 via M&As and organic growth, implying an 11% CAGR in store count. Maintain BUY. Target price: HK\$11.80.

RESULTS

- Acquiring four BMW dealerships in Shandong.** Last Friday, China Yongda Auto Services (Yongda) agreed to acquire four BMW dealerships in Shandong for Rmb423m, of which 20% of the consideration will be in cash and 80% via new shares. Based on the closing price of HK\$7.95 on 21 Jun 17, Yongda is expected to issue 48.69m new shares (or 2.99% of existing issued share capital) to the seller. The four BMW dealerships are located in four tier-2 and tier-3 cities in Shandong province – Weifang, Zibo, Dongying and Dezhou. They jointly made net losses of Rmb32.4m in 2015 and Rmb360,000 in 2016. In 5M17, the four dealerships turned around with a total net profit of Rmb20.5m.
- Conversion and redemption by some CB holders.** On 20 Jun 17, Yongda issued 4.3m new shares upon the conversion of some convertible bonds (CBs) while some other CB bonders opted for redemption. To-date, the amount of outstanding CBs would have dropped to Rmb900m. On 18 Jul 14, Yongda issued US\$-settled CBs due 18 Jul 19 with a principal amount of Rmb1b and coupon rate of 1.5%. CB holders have the option to convert their CBs into new shares at HK\$7.958/share and at a fixed exchange rate of HK\$0.79401/Rmb from 28 Aug 15 to 18 Jul 19. Upon conversion of all the CBs, 158.26m new shares (9.7% of existing issued share capital) would have been issued. At end-16, Yongda had Rmb979m in outstanding CBs.
- Issuance of new shares upon exercise of staff options.** On 20 Jun 17, Yongda also issued 419,500 new shares at HK\$3.78/share upon the exercise of staff options. As at end-16, the company had granted 34.9m shares (2.1% of existing issued share capital) of options to senior management and other employees. After the latest exercise of staff option this time, the company still has 34.48m shares in outstanding staff options.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2015	2016	2017F	2018F	2019F
Net turnover	35,658	43,033	50,389	59,419	68,863
EBITDA	1,636	2,061	3,023	3,582	4,117
Operating profit	1,257	1,602	2,513	3,015	3,500
Net profit (rep./act.)	524	851	1,363	1,726	2,083
Net profit (adj.)	587	870	1,363	1,726	2,083
EPS (fen)	39.7	53.1	79.1	96.9	122.3
PE (x)	16.8	12.5	8.4	6.9	5.4
P/B (x)	2.5	2.2	1.7	1.4	1.2
EV/EBITDA (x)	10.4	8.2	5.6	4.7	4.1
Dividend yield (%)	1.5	2.9	3.8	4.8	5.3
Net margin (%)	1.6	2.0	2.7	2.9	3.0
Net debt/(cash) to equity (%)	100.7	123.3	76.6	67.0	35.3
Interest cover (x)	2.9	3.5	4.2	5.1	6.1
ROE (%)	14.5	18.9	23.1	23.1	22.2
Consensus net profit	-	-	1,138	1,397	1,825
UOBKH/Consensus (x)	-	-	1.20	1.24	1.14

Source: Yongda, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$7.98
Target Price	HK\$11.80
Upside	+47.9%

COMPANY DESCRIPTION

China Yongda Auto Services Holdings is an owner-operator of luxury automobile dealership stores in China. The company operates 4S dealership stores, showrooms and repair centres. It also provides car rental and finance leasing services.

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	3669 HK
Shares issued (m):	1,623
Market cap (HK\$m):	12,954.3
Market cap (US\$m):	1,660.8
3-mth avg daily t'over (US\$m):	7.9

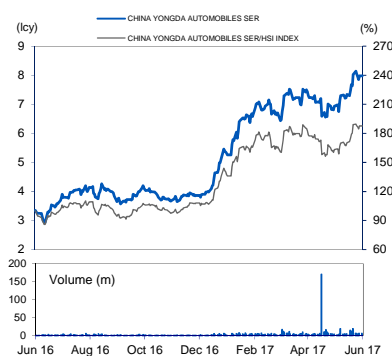
Price Performance (%)

52-week high/low	HK\$8.20/HK\$2.90			
1mth	3mth	6mth	1yr	YTD
17.0	20.2	106.7	134.7	104.6

Major Shareholders

Mr Cheung Tak On	40.3
FY17 NAV/Share (HK\$)	4.49
FY17 Net Debt/Share (HK\$)	3.70

PRICE CHART



Source: Bloomberg

ANALYST(S)

Ken Lee
+852 2236 6760
ken.lee@uobkayhian.com.hk

Sophie Yu
+852 2826 1392
sophie.yu@uobkayhian.com.hk

STOCK IMPACT

- EPS accretion of 1-2%.** The deal should be EPS-accretive, given the cheap acquisition price and prospective strong earnings growth of the acquired stores. We estimate the acquisition would boost Yongda's 2017F EPS by 1-2%. The acquisition price of Rmb423m implies a pro-forma PE of 8.6x (Rmb423m divided by annualised net profit of Rmb49.2m for 5M17). But given Yongda's track record of improving the profitability of acquired stores and with the launch of the new 5-series at end-Jun 17, we believe the earnings of the four acquired BMW dealerships will grow substantially from 1H17 to 2H17. We estimate valuation at a mere 6-7x 2017F PE for the deal based on the acquisition price. The deal would be 20% financed by part of the proceeds raised from the share placement in May 17 and 80% by the issuance of new shares. That means Yongda is buying the four dealerships at 6-7x 2017F PE by issuing new shares at around 8x 2017F PE, ie EPS-accretive.
- Fast expanding dealership network.** We have factored in 20 new stores annually (via M&As and organic growth) in 2017-19, implying a CAGR of 11% in store count. Store additions ytd are in line with our expectation. Prior to the latest acquisition, Yongda had added seven dealerships (BMW, Mercedes and Porsche) via M&As and organic growth ytd. The latest acquisition would bring the number of Yongda's BMW stores to more than 50, making it the largest BMW dealer in China. Yongda is also the fastest-growing dealer and one of the largest dealers of Porsche in China.
- CB conversion and staff option exercise factored in.** We have factored in the potential dilution from the full conversion of the CBs and exercise of the staff options in our EPS forecasts.

EARNINGS REVISION/RISK

- Maintain 2017-19 earnings estimates.** Based on the pace of store additions, we maintain our net profit forecasts for 2017-19 unchanged at Rmb1.36b, Rmb1.73b and Rmb2.08b, implying yoy core net profit growth of 57%, 27% and 21% respectively. These are 20%, 24% and 14% above consensus respectively, given our higher-than-consensus assumptions on store additions.

VALUATION/RECOMMENDATION

- Maintain BUY** on prospective strong earnings growth from BMW's strong product cycle and M&As as well as attractive valuation at 8x 2017F PE vs the 13x for Zhongsheng and global peers. Our target price is kept at HK\$11.80, pegged to 13x 2017F PE, on a par with its historical mean.

PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2016	2017F	2018F	2019F
Net turnover	43,033	50,389	59,419	68,863
EBITDA	2,061	3,023	3,582	4,117
Depreciation & amortization	(459)	(510)	(567)	(617)
EBIT	1,602	2,513	3,015	3,500
Total other non-operating income	(19)	-	-	-
Associate contribution	33	25	25	25
Net interest income/(expense)	(464)	(605)	(592)	(571)
Pre-tax profit	1,152	1,933	2,448	2,954
Tax	(244)	(483)	(612)	(739)
Minorities	(57)	(87)	(110)	(133)
Net profit	851	1,363	1,726	2,083
Net profit (recurrent)	870	1,363	1,726	2,083

CASH FLOW

Year to 31 Dec (Rmbm)	2016	2017F	2018F	2019F
Operating	571	2,066	1,817	2,829
Pre-tax profit	1,152	1,933	2,448	2,954
Depreciation/amortization	459	510	567	617
Working capital changes	(888)	(473)	(1,153)	(549)
Non-cash items	389	580	567	546
Tax paid	(541)	(483)	(612)	(739)
Investing	(1,311)	(958)	(956)	(951)
Capex (growth)	(929)	(100)	(100)	(100)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(382)	(858)	(856)	(851)
Financing	980	(506)	(1,091)	(683)
Dividend payments	(155)	(281)	(409)	(518)
Issue of shares	-	767	-	-
Chg in borrowings	898	500	-	500
Others/interest paid	237	(1,492)	(682)	(665)
Net cash inflow (outflow)	240	603	(229)	1,195
Beginning cash & cash equivalent	1,532	1,772	2,375	2,145
Forex chg	-	-	-	-
Ending cash & cash equivalent	1,772	2,375	2,145	3,341

BALANCE SHEET

Year to 31 Dec (Rmbm)	2016	2017F	2018F	2019F
Fixed assets	3,942	4,450	4,903	5,305
Other LT assets	3,442	3,437	3,433	3,429
Cash/ST investment	1,772	2,375	2,145	3,341
Other current assets	11,220	12,771	14,900	16,614
Total assets	20,375	23,033	25,381	28,689
ST debt	6,122	5,823	5,823	6,323
Other current liabilities	6,308	7,386	8,362	8,549
LT debt	158	158	158	158
Other LT liabilities	2,385	2,385	2,385	2,385
Shareholders' equity	4,962	6,810	8,127	10,671
Minority interest	441	473	527	604
Total liabilities & equity	20,375	23,033	25,381	28,689

KEY METRICS

Year to 31 Dec (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	4.8	6.0	6.0	6.0
Pretax margin	2.7	3.8	4.1	4.3
Net margin	2.0	2.7	2.9	3.0
ROA	4.6	6.3	7.1	7.7
ROE	18.9	23.1	23.1	22.2
Growth				
Turnover	20.7	17.1	17.9	15.9
EBITDA	26.0	46.7	18.5	14.9
Pre-tax profit	48.4	67.8	26.7	20.7
Net profit	62.3	60.1	26.7	20.7
Net profit (adj.)	48.2	56.6	26.7	20.7
EPS	48.2	48.2	22.0	15.1
Leverage				
Debt to total capital	45.4	38.8	35.2	29.5
Debt to equity	186.3	131.4	110.1	79.3
Net debt to equity	123.3	76.6	67.0	35.3
Interest cover (x)	3.5	4.2	5.1	6.1

CORPORATE

Beijing Hyundai: to recall 43,764 cars over defective engines

Beijing Hyundai Motor will recall 43,764 vehicles over a defect that may lead to potential engine failure, according to China's top quality watchdog. The affected vehicles are Santa Fe models with 2.4-liter Theta GDI engines produced between Nov 29, 2012 and May 31, 2013 as well as those with 2.0-liter Theta GDI engines manufactured between Nov 29, 2012 and Nov. 30, 2013, the General Administration of Quality Supervision, Inspection and Quarantine said on its website. The recall aims to address a manufacturing flaw that leaves debris in some engines, potentially restricting oil flow and causing engine failure. The company will replace the faulty engine parts for free. The recall will start on July 31.

Xinhua

China Unicom: denies Alibaba and Tencent are picking up stakes

State-owned China United Network Communications Group, better known as China Unicom, denied a media report that internet majors Alibaba Group Holding Ltd and Tencent Holdings Ltd will be among its new investors. Unicom has been stepping up efforts to push forward a structural reform to introduce mixed ownership, something that triggered speculation about possible private sector investors. Reuters news agency reported on Thursday that Alibaba and Tencent will likely partner others to invest US\$10b in the listed Shanghai unit of Beijing-based Unicom. But, in a statement on Friday, Unicom refuted the report. Unicom is among the first batch of State-owned enterprises or SOEs that have been shortlisted for mixed ownership.

China Daily

SECTOR

Financial: Chinese regulator steps up scrutiny over insurance firms

China's top insurance regulator said Friday it would tighten scrutiny over the launch of new insurance companies in a move to defuse risks in the sector. The China Insurance Regulatory Commission (CIRC) will strengthen oversight to ensure that new insurance firms operate according to company plans, funding provided by shareholders is authentic, and that their stakes are not transferred during the preparatory process of the companies, according to a CIRC statement. The commission will also more strictly evaluate the performance of company chairmen and senior management staff, and push the firms to improve regulatory compliance.

Xinhua

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is a licensed corporation providing securities brokerage and securities advisory services in Hong Kong.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHHK. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHHK may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHHK and its associates (as defined in the Securities and Futures Ordinance, Chapter 571 of Hong Kong) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKHHK to be reliable. However, UOBKHHK makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHHK accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHHK and its associates may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHHK and its associates are subject to change without notice. UOBKHHK reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHHK, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKHHK, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKHHK may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKHHK may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHHK, a company authorized, as noted above, to engage in securities activities in Hong Kong. UOBKHHK is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHHK (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHHK by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHHK.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHHK who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHHK or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHHK's total revenues, a portion of which are generated from UOBKHHK's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia (OJK). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2017, UOB Kay Hian (Hong Kong) Ltd. All rights reserved.

<http://www.utrade.com.hk>