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KEY HIGHLIGHTS

CHINA

Sector

Healthcare

Pharmaceutical drug prices moving in a positive direction.

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HONG KONG

Results

Fortune REIT (778 HK/HOLD/HK\$9.61/Target: HK\$9.50)

1H18: In line; growth continues to be stable.

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TRADERS' CORNER

Hang Seng Bank (11 HK): Trading Buy Range

Yuhua Education (6169 HK): Trading Buy Range

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	25451.1	(0.3)	1.6	4.9	3.0
S&P 500	2818.8	(0.7)	0.6	3.7	5.4
FTSE 100	7701.3	0.5	0.3	0.8	0.2
AS30	6391.5	0.9	0.2	1.6	3.6
CSI 300	3521.2	(0.4)	0.8	0.3	(12.6)
FSSTI	3325.0	(0.1)	0.8	1.7	(2.3)
HSCEI	11047.4	0.2	3.4	(0.2)	(5.7)
HSI	28804.3	0.1	2.1	(0.5)	(3.7)
JCI	5989.1	0.7	2.0	3.3	(5.8)
KLCI	1769.1	0.2	0.8	4.6	(1.5)
KOSPI	2295.0	0.3	0.3	(1.3)	(7.0)
Nikkei 225	22712.8	0.6	0.1	1.8	(0.2)
SET	1701.9	0.7	3.3	5.1	(3.0)
TWSE	11075.8	0.6	1.3	2.2	4.1
BDI	1676	(1.9)	(2.4)	21.0	22.7
CPO (RM/mt)	2170	1.7	(1.2)	(4.7)	(9.2)
Brent Crude (US\$/bbl)	74	0.0	1.7	(6.5)	11.1

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
CCB-H	7.11	(0.6)	242,032
ICBC-H	5.82	0.0	207,395
BANK OF CHINA-H	3.69	0.0	190,040
ABC-H	3.81	0.0	167,820
SINOPEC CORP-H	7.51	1.2	78,106

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
CHINA RAIL GR-H	6.70	3.2	38,867
CHINA COM CONS-H	8.55	3.0	42,304
DONGFENG MOTOR	7.88	3.0	13,543
WH GROUP	6.32	2.6	17,575
WANT WANT CHINA	6.74	2.4	16,892

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
CHINA GAS HOLD	32.95	(4.9)	4,657
GEELY AUTO	18.42	(3.3)	69,860
AIR CHINA	7.23	(2.0)	18,040
POWER ASSETS	56.20	(1.6)	4,731
SANDS CHINA	40.90	(1.4)	9,711

KEY ASSUMPTIONS

GDP (% yoy)	2017	2018F	2019F
US	2.3	2.5	2.3
Euro Zone	2.4	2.3	1.9
Japan	1.7	1.8	1.9
Singapore	3.6	2.8	3.0
Malaysia	5.9	5.0	5.3
Thailand	3.9	4.2	4.2
Indonesia	5.1	5.3	5.4
Hong Kong	3.8	3.8	2.8
China	6.9	6.4	6.2
CPO (RM/mt)	2,783	2,400	2,500
Brent (Average) (US\$/bbl)	55.00	67.00	66.50

Source: Bloomberg, UOB ETR, UOB Kay Hian

SECTOR UPDATE

Healthcare – China

Pharmaceutical Drug Prices Moving In A Positive Direction

We expect the nationwide price negotiations for imported oncology drugs to be completed in 3Q18. The impact on domestic players will be limited as China's generics are priced at significant discounts to MNC equivalents and have a smaller market share. Some generic drugs have seen positive bioequivalence test results and this will raise their prices thanks to supportive policies. Maintain OVERWEIGHT and BUY on weakness.

ESSENTIALS

- **Price negotiations for oncology drugs have a limited price impact on generics.** The Wuhan province released its oncology drug negotiations list on 19 July. The list includes 28 imported drugs which are all selected from April's "Tariff Reduction List" (减关税清单) which includes 103 imported drugs. Drugs which successfully pass the price negotiation process will be included in Wuhan's centralised procurements. Most of China's provinces will complete oncology drug price negotiations by 3Q18.
- Based on the price negotiations in 2017, we expect the price cuts for imported oncology drugs to be at ~20-50%. The market is concerned that the price cuts for MNC drugs may sequentially lead to price corrections for domestic generics. Based on the Wuhan Drugs Negotiation List (refer to table overleaf), we believe the negative price impact on domestic generics would be limited, based on two reasons: a) most generic drugs are currently priced at significant discounts (60-90%) to MNC products; and b) MNC products take up the majority market share (50-100%).
- For example, Novartis' Imatinib (伊马替尼) is priced at a ~850% price premium over generics and has a >80% market share. Even if Novartis lowers its prices, domestic players' drugs will still see a larger price discount against Imatinib and continue to take Novartis' market share. Moreover, there are no generic versions available for some commonly-used oncology drugs such as Sorafenib (索拉非尼), Sunitinib (舒尼替尼) and Cetuximab (西妥昔单抗) in China yet.
- **Price negotiations accelerate expansion of new drugs market.** Instead of focusing on the price cuts, we recommend focusing on volume growth. We analysed 1Q18 sales and volume growth of the 36 drugs which are on the 2017 NRDL price negotiation list (2017 医保谈判目录). We noticed significant sales volume growth from most of the drugs after they were officially included in NRDL in Jan 18 (refer to table overleaf). Sales volumes of Roche's Avastin, Rituxan and Hercpetin increased 271%, 117%, 166% yoy in 1Q18 respectively.
- Prior to 2017, the 36 drugs on the price negotiation list were rarely prescribed by Chinese doctors, even though they were commonly used in western countries. These drugs were priced high and physicians were not well educated about these drugs. These were the key reasons which impeded their usage in hospitals. With these drugs now more affordable to Chinese medical insurance funds and Chinese patients, MNC's products and the corresponding generics are seeing a fast ramp-up in sales.
- **Generics which have passed BE tests are likely to see price hikes.** Some provinces have already announced some supportive guidelines relating to the prices and "purchase priority" of drugs which have passed bioequivalence tests (BE, 一致性评价).
 - a) In Guangxi, we have seen domestic firms aggressively undertaking price hikes for BE-positive drugs; Huahai's new asking prices closely match the prices of foreign MNC drug equivalents and are well above domestic generics' average prices (table below); in particular, Huahai's Fosinopril, Lisinopril, Irbesartan and Losartan are priced at a premium of 48%, 56%, 102% and 40% respectively against domestic generics.

OVERWEIGHT
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CSPC	1093 HK	BUY	21.35	29.02
China TCM	570 HK	BUY	6.23	9.25
HEC Pharma	1558 HK	BUY	39.25	68.99

Source: UOB Kay Hian

ANALYST(S)

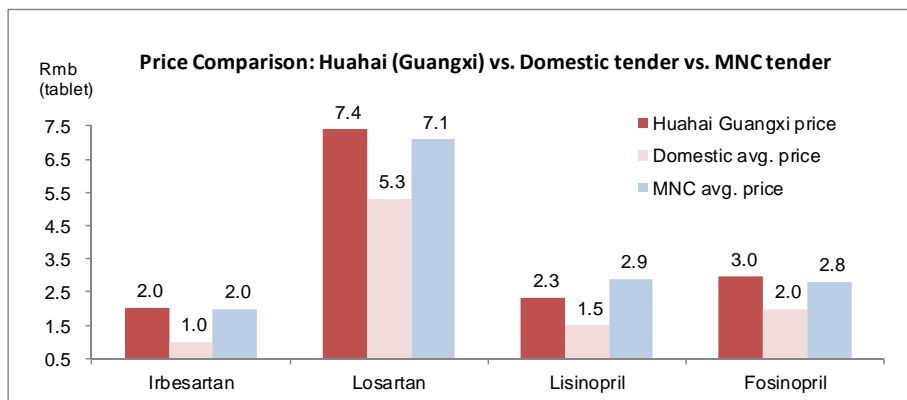
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b) In Shandong, BE drugs are treated the same way as original drugs, and public hospitals are encouraged to prioritise procurement for BE drugs over the originators; c) For Hubei, the provincial government has set up a new “fast track” channel for BE drugs entering public hospitals, further stepping up its efforts to increase import substitutions;

c) In Hebei, BE drugs see the same payment standards as MNC products.

BE DRUGS PRICES CONVERGING UPWARDS TOWARDS FOREIGN DRUG PRICES



Source: XianDa, UOB Kay Hian

SECTOR RECOMMENDATION

• **Maintain OVERWEIGHT and BUY on weakness.** Market sentiment towards China’s pharmaceutical segment is weak due to concerns towards the potential price cuts on oncology drugs. We recommend buying on weakness as: a) with drug prices becoming more affordable to governments and patients, we expect the market size of MNCs and domestic drugs will ramp-up much faster than before; and b) some generic drugs have passed BE tests and this will likely raise prices on the back of supportive policies. We recommend buying CSPC (1093 HK) and HEC Pharma (1558 HK).

WUHAN PRICE NEGOTIATION LIST (武汉肿瘤药价格谈判目录)

Originator	Generic name_EN	Generic name_CN	Tender Price (Rmb)			Domestic Price discount +/-%	Market share by 2017 sales	
			Specification	MNC	Domestic		MNC	Domestic
Ferring	Atosiban	醋酸阿托西班注射液	0.9ml	532	291	-45%	Ferring 61%	HaiNan ZhongHe 39%
AstraZeneca	Goserelin	醋酸戈舍瑞林植入剂	3.6mg	2022	N.A.	-	AstraZeneca 100%	-
Ferring	Triptorelin	醋酸曲普瑞林注射液	1ml	119	62	-48%	Ferring 35%, Ipsen 59%	Chengdu TianTai Mountain 2.1%
Orion	Toremifene	枸橼酸托瑞米芬片	60mg	243	71	-71%	Orion 68%	FuAn Pharm 32%
Pfizer	Methotrexate	甲氨蝶呤注射液	10ml	202	N.A.	-	Pfizer 58%	Hengrui 24%
Bayer	Sorafenib	甲苯磺酸索拉非尼片	200mg	203	N.A.	-	Bayer 100%	-
Novartis	Imatinib	甲磺酸伊马替尼片	100mg	10800	1136	-89%	Norvarits 81%	Jiangsu Haosen 12%, Sino Biopharm 6%
Pfizer	Varenicline	酒石酸伐尼克兰片	1mg	289	N.A.	-	Pfizer 100%	-
Pierre Fabre	Vinorelbine	酒石酸长春瑞滨注射液	1ml	295	119	-60%	Pierre Fabre 30%	Jiangsu Haosen 61%, Oilu 5%
Norvarits	Nilotinib	尼洛替尼胶囊	150mg	29000	N.A.	-	Norvarits 100%	-
Pfizer	Sunitinib	舒尼替尼胶囊	12.5mg	12276	N.A.	-	Pfizer 100%	-
MSD	Temozolomide	替莫唑胺胶囊	100mg	4305	2827	-34%	Orion 42%, Schering 8%	Tasly 48%
Merck	Cetuximab	西妥昔单抗注射液	20ml	4329	N.A.	-	Boehringer 54%, Merck 46%	-
Hospira	Folinic acid	亚叶酸钙注射液	10ml	78	33	-57%	Hospira 1%	Hengrui 64%, Wuhan Renfu 11%, Shanxi Pude 10%
Epirubicin Ebewe	Epirubicin	盐酸表柔比星注射液	5ml	103	104	1%	Pfizer 50%, Pharmacia 5%	ZheJiang Hisun/Pfizer 32%, Luye 6.3%
Orion	Selegiline	盐酸司来吉兰片	5mg	343	315	-8%	Orion 93.7%	-
Sanofi	Oxaliplatin	注射用奥沙利铂	50mg	2543	128	-95%	Sanofi 66%	Hengrui 22%, Oilu 3%, Shenzhen HaiWang 3%
Takeda	Leuprorelin	注射用醋酸亮丙瑞林	3.75mg	1955	1519	-22%	Takeda 44%	Livzon 30%, Beijing Biote 26%
Baxter	Cyclophosphamide	注射用环磷酰胺	0.2g	28	4	-85%	Asta Medica 79%	Hengrui 19%
Sanofi	Fludarabine	注射用磷酸氟达拉滨	50mg	2137	972	-55%	Asta Medica 24%, Bayer 5%	Hisun/Pfizer 31%, Chongqing LaiMei 12%, AoSaiKang 9%
Lilly	Pemetrexed	注射用培美曲塞二钠	0.5mg	11151	2112	-81%	Lilly 15%	Jiangsu Haosen 40%, Oilu 32%
Lilly	Gemcitabine	注射用盐酸吉西他滨	0.2g	421	114	-73%	Lilly 33%	Jiangsu Haosen 62%
Norvarits	Zoledronic acid	注射用唑来膦酸浓溶液	5ml	2309	329	-86%	Norvarits 63%	Sino Biopharm 22%, Hengrui 7%

Source: Hubei CFDA website, Xianda database

1Q18 SALES RAMP-UP OF 36 DRUGS ON 2017-NRDL NEGOTIATION LIST

Chinese name Products included	Generic name	Manufacturer	Price drop during price negotiation (%)	1Q18 sales growth yoy %	1Q18 volume growth yoy%
Oncology drugs:					
西达本胺片	Chidamide Tablets	Chipscreen	30%	19688%	28405%
重组人血管内皮抑制素	Recombinant Human Endostatin Injection	Simcere Pharma	29%	17%	61%
甲磺酸阿帕替尼片	Apatinib Mesylate Tablets	Hengrui Medicine (600276 SH)	36%	63%	162%
氟维司群注射液	Fulvestrant Injection	AstraZeneca	56%	182%	543%
尼妥珠单抗注射液	Nimotuzumab Injection	Biotech Pharma	50%	57%	197%
甲苯磺酸索拉非尼片	Sorafenib Tosylate Tablets	Bayer	50%	66%	424%
甲苯磺酸拉帕替尼片	Lapatinib Ditosylate Tablets	GSK	41%	107%	256%
贝伐珠单抗注射液	Bevacizumab Injection	Roche	61%	52%	271%
盐酸厄洛替尼片	Erlotinib Hydrochloride Tablets	Roche	58%	-29%	67%
利妥昔单抗注射液	Rituximab Injection	Roche	36%	9%	117%
注射用曲妥珠单抗	Trastuzumab Injection	Roche	67%	4%	166%
依维莫司片	Everolimus Tablets	Novartis	40%	-12%	49%
来那度胺胶囊	Lenalidomide Capsules	Celgene	61%	233%	508%
醋酸阿比特龙片	Abiraterone Acetate Tablets	Janssen	53%	1241%	2841%
注射用硼替佐米	Bortezomib for Injection	Janssen	51%	55%	191%
Cardio/cebro-vascular drugs:					
银杏内酯注射液	Ginkgolide Injection	Chendu Baiyu Pharma	44%	45%	154%
银杏二萜内酯葡胺	Ginkgo Two Terpene Lactone Meglumine Injection	Kanion Pharma (600557 SH)	48%	379%	754%
阿利沙坦酯片	Candesartan Ester Tablets	Salubris Pharma (002294 SZ)	27%	684%	397%
注射用重组人尿激酶原	Recombinant Human Prourokinase for Injection	Tasly (600535 SH)	11%	78%	109%
注射用重组人脑利钠肽	Recombinant Human Brain Natriuretic Peptide for Injection	Tibet Pharma (600211 SH)	49%	32%	151%
替格瑞洛片	Ticagrelor Tablets	AstraZeneca	23%	752%	1039%
利拉鲁肽注射液	Liraglutide Injection	Novo Nordisk	48%	32%	149%
CNS:					
喹硫平缓释片	Quetiapine Sustained Release Tablets	AstraZeneca	24%	4%	8%
帕罗西汀肠溶缓释剂片	Paroxetine Hydrochloride Enteric Coated Sustained-release Tablets	GSK	40%	-5%	5%
Ophthalmology:					
康柏西普	Conbercept Ophthalmic Injection	Kanghong Pharma	17%	31%	59%
雷珠单抗注射液	Ranibizumab Injections	Novartis	20%	-3%	22%
Kidney disease:					
碳酸司维拉姆片	Sevelamer Carbonate Tablets	Sanofi	36%	564%	939%
Anti-infectious:					
吗啉硝唑氯化钠注射液	Sodium Chloride Injection	Hansoh Pharma	26%	4775%	6172%
泊沙康唑口服混悬液	Miconazole Oral Suspension	MSD	43%	101%	253%
Others:					
重组人凝血因子VIIa	recombinant Human Coagulation Factor VIIa	Novo Nordisk	9%	25%	37%
托伐普坦片	Tolvaptan Tablets	Otsuka Pharmaceutical	41%	107%	260%

Source: CFDA, UOB Kay Hian

COMPANY RESULTS

Fortune REIT (778 HK)

1H18: In Line; Growth Continues To Be Stable

Fortune's 1H18 DPU of 26.34 HK cents (+3.2% yoy) is in line with our and market estimates. NPI rose 3.0% yoy on higher rental income. Disciplined cost control led to an improved NPI margin. Fortune enjoyed positive rental reversions which helped offset the loss from the disposal of Provident Square in Feb 18. The major AEI at Fortune Kingswood will help sustain future growth. Maintain HOLD with a new target price of S\$9.50 as we raise our risk-free rate assumption. Entry price: HK\$9.03.

1H18 RESULTS

Year to 31 Dec (HK\$m)	1H17	1H18	yoy % chg	Remarks
Revenue	956.70	978.1	2.2%	4.2% growth if excluding impact from disposal of Provident Square
Net Property Income (NPI)	727.0	748.6	3.0%	4.6% if excluding impact from disposal of Provident Square
NPI Margin (%)	76.0	76.5	0.5ppt	
Distributable Income	487.3	505.2	3.7%	
DPU (HK cent)	25.5	26.3	3.2%	

Source: Fortune, UOB Kay Hian

RESULTS

• **1H18 results in line.** Fortune REIT (Fortune) registered a 1H18 DPU of 26.34 HK cents, up 3.2% yoy. This is in line with our expectation, at 51.9% of our full-year estimate. Despite the disposal of Provident Square in Feb 18, 1H18 gross revenue and NPI grew 2.2% and 3.0% yoy respectively. Provident Square accounted for 2.5% of Fortune's 2017 NPI. Excluding the impact from the disposal, revenue and NPI grew 4.2% and 4.6% yoy respectively. Management contained costs well, with 1H18 NPI margin improving 50bp to 76.5% from 76.0% in 1H17 on reduced utility expenses (due to energy savings).

STOCK IMPACT

• **Higher positive rental reversions.** Rental reversions for the reporting period improved to 13.6% from 10.7%, on back of the pick-up in the economy and the retail sector. This helped to offset the negative impact from the disposal of Provident Square. Average rents increased 6.3% from HK\$43.2psf in 2H17 to HK\$45.9psf in 1H18.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2016	2017	2018F	2019F	2020F
Net turnover	1,975	2,030	2,031	2,110	2,233
EBITDA	1,282	1,327	1,328	1,385	1,473
Operating profit	1,282	1,327	1,328	1,385	1,473
Net profit (rep./act.)	1,258	3,201	1,752	869	939
Net profit (adj.)	935	971	971	1,005	1,077
EPU (HK\$ cent)	49.2	50.7	50.4	51.8	55.2
DPU (HK\$ cent)	49.2	50.8	50.4	51.8	55.2
PE (x)	19.5	18.9	19.1	18.5	17.4
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	5.1	5.3	5.2	5.4	5.7
Net margin (%)	63.7	157.7	86.2	41.2	42.1
Net debt/(cash) to equity (%)	41.9	38.2	31.1	31.0	30.8
Interest cover (x)	4.6	5.0	4.7	4.8	5.1
ROE (%)	n.a.	12.4	6.5	3.3	3.5
Consensus DPU (HK\$ cent)	n.a.	n.a.	51.6	53.0	55.0
UOBKH/Consensus (x)	-	-	0.98	0.98	1.00

Source: Fortune, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	HK\$9.61
Target Price	HK\$9.50
Downside	-1.1%
(Previous TP:	HK\$9.72)

COMPANY DESCRIPTION

Fortune REIT is a real estate investment trust which currently holds a portfolio of 16 private housing estate retail properties in Hong Kong, comprising of 3m sf of retail space and 2,713 car parking spaces.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	778 HK
Shares issued (m):	4,286.0
Market cap (HK\$m):	22,287.2
Market cap (US\$m):	2,875.2
3-mth avg daily t'over (US\$m):	9.5

Price Performance (%)

52-week high/low HK\$9.85/HK\$9.03

1mth	3mth	6mth	1yr	YTD
(14.0)	(24.2)	10.2	64.0	16.1

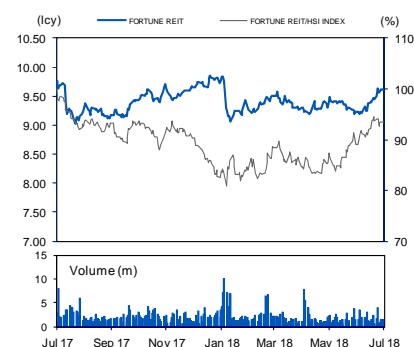
Major Shareholders

	%
Cheung Kong Property Holdings Ltd	27.5

FY18 NAV/Share (HK\$) 13.89

FY18 Net Debt/Share (HK\$) 4.31

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Major AEI commenced.** Asset enhancement initiative (AEI) works have commenced at Fortune's largest retail mall by area, Fortune Kingswood at Tin Shui Wai. Management is targeting to complete the works by 2H19. We understand that the AEI will be carried out in two blocks ("west block" and "east block") or six phases. Fortune Kingswood accounted for 19.1% of Fortune's 2017 NPI and it is estimated that the temporary loss in Fortune's total NPI will be at around 3% at any given point in time during the process. Management guided for a 10-15% ROI (calculated as increase in revenue per year divided by capex spent). We believe a higher ROI of 15-20% can be achieved as Fortune has a track record of achieving a >20% ROI.
- Portfolio occupancy dipped.** Portfolio occupancy declined from 98.1% as of end-Dec 17 to 96.0% as of end-Jun 18. The most notable decline in occupancy was in Fortune Metropolis, where occupancy dropped from 98.4% in 2H17 to 83.1% in 2H18 as a result of non-renewal of an anchor tenant. The decline was also due to the disruption from the ongoing AEI at Fortune Kingswood (largest mall in portfolio by area) which saw occupancy fall by 1.8ppt in the same period. Portfolio occupancy is still healthy at 96.0%.
- Gearing improved.** Gearing ratio fell from 27.4% in 2H17 to 22.3% in 1H18 after the sale of Provident Square in Feb 18 for HK\$2.0b. Out of the total proceeds, HK\$1.1b was also used to repay debt. Fortune is currently sitting on a debt headroom of HK\$17.4b. Management guided that they are still looking out for potential acquisitions in Hong Kong which may be difficult given the soaring property prices.
- Stable outlook.** Management expects its performance to be stable on the back of an improved economy and the tight labour market. They also expect the opening of the HK-Zhuhai-Macau Bridge and the Express Rail Link to support a positive leasing market. We share the same view and believe Fortune will continue to see stable low- to mid-single-digit DPU growth with its highly resilient portfolio (60-70% non-discretionary trade tenants).

OPERATING METRICS

Year to 31 Dec (HK\$m)	1H17	2H17	1H18	yoy % chg	Hoh % chg
Revenue (HK\$m)	956.7	1073.5*	978.1	2.2%	n.a.*
NPI (HK\$m)	727.0	729.7	748.6	3.0%	2.6%
NPI margin (%)	76.0	68.0*	76.5	0.5pp	n.a.*
DPU (HK\$)	25.53	25.25	26.34	3.2%	4.3%
NAV per unit (HK\$)	13.39	14.05	16.09	20.2%	14.5%
Occupancy (%)	96.6	98.1	96.0	-0.6ppt	-2.1ppt
Gearing (%)	28.4	27.4	22.3	-6.1ppt	-5.1ppt
Cost of debt (%)	2.41	2.40	2.72	0.3ppt	0.3ppt
Average rent (HK\$psf)	42.0	43.2	45.9	9.3%	6.3%
Rental reversion (%)	10.7	12.8	13.6	2.9ppt	0.8ppt

Source: Fortune, UOB Kay Hian

* Revenue and property expenses reclassified in 2018

EARNINGS REVISION/RISK

- We raise our 2019-20 DPU forecasts** by 0.2-2.4%, to factor in the positive impact from the AEI at Fortune Kingswood.

VALUATION/RECOMMENDATION

- Maintain HOLD with a lower target price of HK\$9.50** (previously HK\$9.72) to reflect a higher risk-free rate assumption of 2.75% (from 2.5%). Our valuation is based on a DDM with a required rate of 6.8% and terminal growth rate of 1.2%.

SHARE PRICE CATALYST

- Positive newsflow on new acquisitions/disposals.
- Better-than-expected ROI achieved from AEI.

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2017	2018F	2019F	2020F
Net turnover	2,030.2	2,030.9	2,105.6	2,187.0
EBITDA	1,327.0	1,328.0	1,381.6	1,440.0
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	1,327.0	1,328.0	1,381.6	1,440.0
Total other non-operating income	(30.8)	0.0	0.0	0.0
Net interest income/(expense)	(267.4)	(280.7)	(288.6)	(288.6)
Pre-tax profit	1,028.8	1,047.3	1,093.0	1,151.4
Tax	(219.3)	(216.7)	(226.2)	(238.3)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	3,201.0	1,751.6	866.8	913.1
Net profit (adj.)	970.8	970.8	1,002.2	1,050.9

CASH FLOW

Year to 31 Dec (HK\$m)	2017	2018F	2019F	2020F
Operating	1,281.9	1,224.2	1,293.9	1,342.5
Pre-tax profit	3,420.3	1,968.3	1,093.0	1,151.4
Tax	(193.1)	(216.7)	(226.2)	(238.3)
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	34.9	0.3	25.8	28.1
Non-cash items	(2,247.7)	112.7	112.7	112.7
Other operating cashflows	267.4	(640.3)	288.6	288.6
Investing	(51.7)	1,982.7	1.9	1.9
Capex (growth)	(52.5)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	1,982.0	0.0	0.0
Others	0.7	0.7	1.9	1.9
Financing	(1,297.0)	(2,350.2)	(1,277.0)	(1,317.0)
Distribution to unitholders	(952.8)	(968.8)	(986.5)	(1,026.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	2,530.0	0.0	0.0	0.0
Loan repayment	(2,626.3)	(1,100.0)	0.0	0.0
Others/interest paid	(247.9)	(281.4)	(290.5)	(290.5)
Net cash inflow (outflow)	(66.9)	856.6	18.8	27.3
Beginning cash & cash equivalent	585.2	516.0	1,372.7	1,391.4
Changes due to forex impact	(2.3)	0.0	0.0	0.0
Ending cash & cash equivalent	516.0	1,372.7	1,391.4	1,418.7

BALANCE SHEET

Year to 31 Dec (HK\$m)	2017	2018F	2019F	2020F
Fixed assets	37,751.0	36,690.0	36,690.0	36,690.0
Other LT assets	19.3	19.3	19.3	19.3
Cash/ST investment	516.0	1,372.7	1,391.4	1,418.7
Other current assets	1,335.8	267.1	276.9	287.6
Total assets	39,622.1	38,349.0	38,377.6	38,415.6
ST debt	1,496.8	1,496.8	1,496.8	1,496.8
Other current liabilities	1,501.2	1,464.8	1,516.1	1,579.3
LT debt	9,286.4	8,186.4	8,186.4	8,186.4
Other LT liabilities	449.9	449.9	449.9	449.9
Shareholders' equity	26,887.8	26,751.1	26,728.3	26,703.2
Total liabilities & equity	39,622.1	38,349.0	38,377.6	38,415.6

KEY METRICS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Profitability				
EBITDA margin	65.4	65.4	65.6	65.8
Pre-tax margin	50.7	51.6	51.9	52.6
Net margin	157.7	86.2	41.2	41.8
ROA	8.3	4.5	2.3	2.4
ROE	12.4	6.5	3.2	3.4
Growth				
Turnover	2.8	0.0	3.7	3.9
EBITDA	3.5	0.1	4.0	4.2
Pre-tax profit	(5.8)	1.8	4.4	5.3
Net profit	154.5	(45.3)	(50.5)	5.3
Net profit (adj.)	3.8	0.0	3.2	4.9
EPU	3.1	(0.6)	2.6	4.2
Leverage				
Debt to total capital	28.6	26.6	26.6	26.6
Debt to equity	40.1	36.2	36.2	36.3
Net debt/(cash) to equity	38.2	31.1	31.0	30.9
Interest cover (x)	5.0	4.7	4.8	5.0

TRADERS' CORNER



Chart by MataStock

Hang Seng Bank (11 HK)

Trading Buy Range: HK\$211.20-211.40

Last price: HK\$210.20

Target price: HK\$218.60 / HK\$225.00

Protective stop: Breaks below HK\$203.00

The stock broke above the upper boundary of a rising wedge pattern. The rising 20-day moving average (red line) crossed above the 50-day one (green line). The daily RSI is supported by a bullish trendline and is heading upward. The MACD is above its signal line and 0-level, while the MACD histogram is broadening.

As long as HK\$203 holds, look for further upside towards HK\$218.60 and HK\$225.00. A break below HK\$203.00 would indicate the upward breakout is false, and investors should close their positions to control risk.

Average time frame: 2 months (abort this trade idea if the stock cannot hit the entry price range within six trading days).



Chart by MataStock

Yuhua Education (6169 HK)

Trading Buy Range: HK\$6.37-6.40

Last price: HK\$6.29

Target price: HK\$7.00 / HK\$7.50

Protective stop: Breaks below HK\$5.65

The stock is supported by the cloud and the upper boundary of a rising channel (formed since Aug 17). In addition, the prices broke above the neckline of an inverse head and shoulder pattern on Friday. The rising 50-day moving average (light-blue line) is playing a support role and maintains upside bias. The daily RSI also broke above a bearish trendline and is heading upwards. The MACD just crossed above its signal line and is above 0-level.

As long as HK\$5.65 holds, look for further upside towards HK\$7.00 and HK\$7.50. A break below HK\$5.65 would indicate that the upward breakout is false and investors should close their positions to control risk.

Average time frame: 2 months (abort this trade idea if the stock cannot hit the entry price range within six trading days).

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