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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	24874.6	1.8	(1.3)	(6.0)	0.6
S&P 500	2682.6	1.6	(2.1)	(7.9)	0.3
FTSE 100	7035.9	0.1	1.2	(6.3)	(8.5)
AS30	5887.9	1.3	(1.0)	(6.9)	(4.5)
CSI 300	3110.3	1.1	(2.3)	(9.6)	(22.8)
FSSTI	2966.5	(0.5)	(2.1)	(8.9)	(12.8)
HSCEI	9999.0	(0.1)	(2.3)	(9.2)	(14.6)
HSI	24585.5	(0.9)	(3.0)	(11.5)	(17.8)
JCI	5789.1	0.6	(0.2)	(3.1)	(8.9)
KLCI	1685.9	0.1	(0.7)	(6.0)	(6.2)
KOSPI	2014.7	0.9	(4.3)	(14.0)	(18.4)
Nikkei 225	21457.3	1.5	(2.5)	(11.0)	(5.7)
SET	1638.5	0.1	(1.2)	(6.7)	(6.6)
TWSE	9526.1	0.1	(2.5)	(13.4)	(10.5)
BDI	1522	0.2	(1.6)	(1.2)	11.4
CPO (RM/mt)	2032	0.2	(2.4)	(2.3)	(15.0)
Brent Crude (US\$/bbl)	76	(1.8)	(0.7)	(8.2)	13.5

Source: Bloomberg

TOP VOLUME

Company	Price (HK\$)	Chg (%)	Volume ('000)
BANK OF CHINA-H	3.3	0.9	372,318
CCB-H	6.2	0.5	353,939
ICBC-H	5.28	0.0	291,085
ABC-H	3.38	(0.3)	170,417
SINOPEC CORP-H	6.54	2.0	156,213

TOP GAINERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
GREAT WALL MOTOR	4.39	7.3	106,068
CGS-H	3.90	5.4	39,039
CSC FINANCIAL-H	4.49	4.7	4,204
GUANGZHOU AUTO	7.57	4.3	45,879
PICC GROUP-H	3.42	4.3	42,943

TOP LOSERS

Company	Price (HK\$)	Chg (%)	Volume ('000)
BOC HONG KONG	29.45	(7.0)	42,861
CHINA TELECOM-H	3.59	(6.5)	122,706
CHINA UNICOM	8.17	(4.9)	35,279
HANG SENG BANK	182.10	(4.1)	3,259
AIR CHINA	5.90	(3.9)	27,888

KEY ASSUMPTIONS

GDP (% yoy)	2017	2018F	2019F
US	2.2	2.7	2.3
Euro Zone	2.4	2.1	1.8
Japan	1.7	1.2	1.1
Singapore	3.6	3.2	2.8
Malaysia	5.9	4.8	4.8
Thailand	3.9	4.5	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	71.60	71.00

Source: Bloomberg, UOB ETR, UOB Kay Hian

ECONOMICS – CHINA

The Big Picture

Silver Lining

As expected, China's real GDP growth slowed to 6.5% yoy in 3Q18, slightly below consensus estimate. Growing trade frictions, weakening domestic consumption and high borrowing costs for the private sector and SMEs led to the slowdown. While Bloomberg consensus earnings estimates are still being revised down, we expect the economic cycle to find at least a temporary floor soon, likely to be in 1Q19, as recent efforts at macro reflation gain traction.

KEY ECONOMIC INDICATORS FOR SEPTEMBER

(yoy % chg)	Consensus	Actual	Prior
3Q18 GDP	6.6	6.5	6.7
Retail Sales	9.0	9.2	9.0
Fixed Asset Investment	5.3	5.4	5.3
Industrial Production	6.0	5.8	6.1
PMI (index)	51.2	50.8	51.3
Export	8.2	14.5	9.8
Import	15.3	14.3	20.0
Trade Balance (US\$b)	19.2	31.7	27.9
CPI	2.5	2.5	2.3
PPI	3.5	3.6	4.1
Industrial Profits	-	4.1	9.2
M0	3.5	2.2	3.3
M1	3.9	4.0	3.9
M2	8.3	8.3	8.2
New Renminbi Loans (Rmbt)	1.4	1.4	1.3
New Total Social Financing (Rmbt)	1.6	2.2	1.5

Source: Wind, Bloomberg, UOB Kay Hian

ESSENTIALS

- Sep 18 headline numbers seemed solid...** GDP growth slowed to 6.5% yoy in 3Q18 from 6.7% yoy in 2Q18, slightly below Bloomberg consensus estimate of 6.6% yoy but on track to achieve the government's real GDP growth target of 6.5% yoy for 2018. Retail sales growth rose above expectations to 9.2% yoy in Sep 18 from 9.0% yoy in Aug 18, while fixed asset investment (FAI) growth also beat estimates and edged up to 5.4% yoy in 9M18 from 5.3% yoy in 8M18. Meanwhile, export growth surged well above expectations to 14.5% yoy in Sep 18 from 9.8% yoy a month ago. Due to the PBOC's new method of calculating credit creation, which now includes local government special bonds, total social financing (TSF) surged to Rmb2.2t in Sep 18 from Rmb1.5t in Aug 18 (Rmb1.9t under new calculation). M2 growth remained steady as it edged up to 8.3% yoy in Sep 18 from 8.2% yoy a month ago.
- ...but underlying data indicated otherwise.** Looking beyond headline numbers, the rebound in retail sales growth in Sep 18 was mainly driven by sales of food and household items (necessity goods) and their price effect. Infrastructure FAI growth continued to tumble to a new low of 3.3% yoy in 9M18 from 4.2% yoy in 8M18. Growth of industrial profits declined for the fifth consecutive month to 4.1% yoy in Sep 18 from 9.2% yoy a month ago and from this year's high of 21.9% yoy in Apr 18. Meanwhile, the surge in export growth is likely due to companies front-loading trade ahead of expected tariffs as well as due to low base effect; hence, the rebound in export growth is unlikely to be sustainable, especially when the full effects from the implemented tariffs are felt.

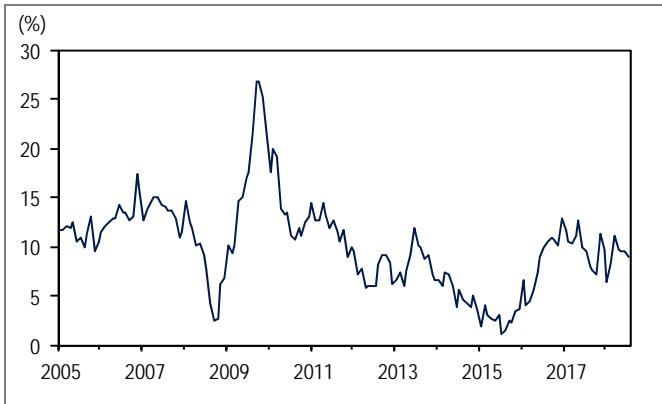
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- **Monetary conditions still tight.** On the monetary front, the continued weakness in M1 growth indicates weak transaction demand for money and is reflective of the extent of the economic growth slowdown. Excluding the issuance of local government special bonds in calculating TSF, outstanding TSF grew only 9.7% yoy in Sep 18 (vs 10.6% yoy under new calculation) and only Rmb1.5t in new TSF were created. We note this is the second time in the past four months that the PBOC has amended the method of calculating TSF. In Jul 18, asset-backed securities and loan write-offs were included in TSF calculation, with local government special bonds included in Sep 18. That said, the three new components grew rapidly in recent months, buoying headline numbers despite the deceleration in credit growth.
- **Chinese stock market rout.** Due to the lack of access to funding by smaller firms, Chinese equities have been pledged as collateral by credit-starved companies seeking to raise funds. With roughly 10% of shares outstanding being pledged, coupled with a slowing economy amid the Sino-US trade dispute and US Fed rate hikes, the slump in Chinese equities has worsened in recent weeks as investors' sentiment turns sour and corporate earnings outlook dims. The Shanghai Composite Index has fallen to the lowest level since 2014, declining 23.1% ytd and 8.8% in the past month. The Hang Seng index declined 18.8% ytd and 10.8% in the past month.
- **'Fire-fighting' policy measures.** On 13 October, the Shenzhen government, followed by other provincial governments, announced it will set up special funds to bail out local listed companies whose major shareholders are unable to meet margin calls after pledging shares as loan collateral. On 22 October, the central bank added Rmb150b of re-lending and rediscount quotas to help in the financing needs of small and micro businesses, while 11 securities firms plan to invest a combined Rmb21b in a collective asset-management programme (which will eventually expand to Rmb100b with the participation of banks, insurance companies, SOEs and government agencies). Banks' wealth management products are also allowed to invest directly in stocks.
- **Amid the doom and gloom** on China's outlook, Bloomberg consensus earnings growth estimates for 2018-19 have been lowered to 14.0% yoy and 15.8% respectively, although still a divergence from the forecasts of 6.6% yoy and 6.2% yoy for real GDP growth in 2018-19 respectively. Hence, further market volatility should be expected as we expect sell-side analysts to further trim their 2019 earnings forecasts. That said, we see a silver lining for Chinese equities as recent efforts at macro reflation would soon be reflected in the macro data. The Services PMI construction sub-index had risen to 63.4% in Sep 18 from 59.0% a month ago, while AAA and BBB+ 5-year corporate bond yields have retreated in the past month to 4.3% and 14.9% from 4.5% and 15.1% respectively in Sep 18. Given the usual time lag for macro policies to gain traction, we expect to see improvement in macro data by end-18 or early-19.

LI KE QIANG INDEX



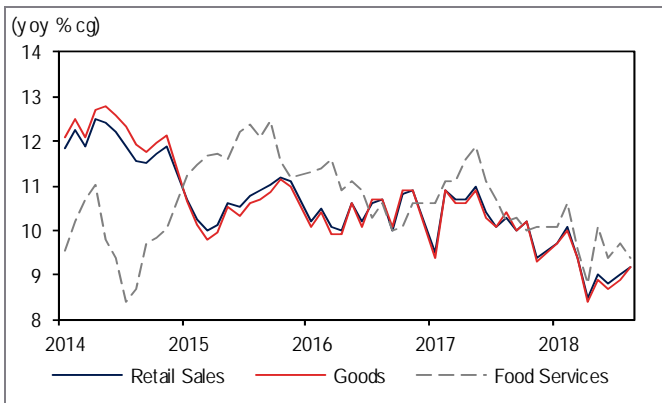
Source: Wind, Bloomberg, UOB Kay Hian

SHANGHAI COMPOSITE INDEX



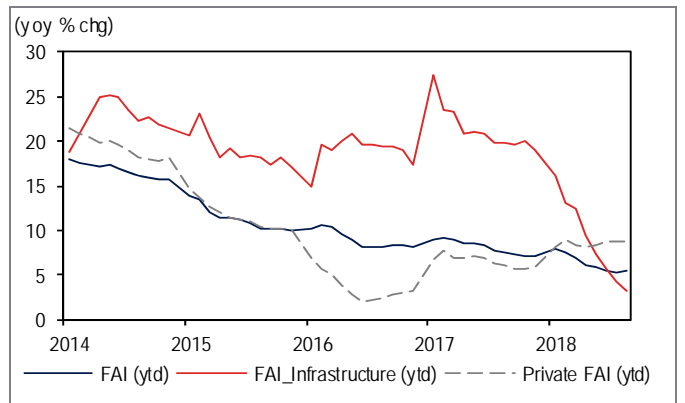
Source: Wind, Bloomberg, UOB Kay Hian

RETAIL SALES



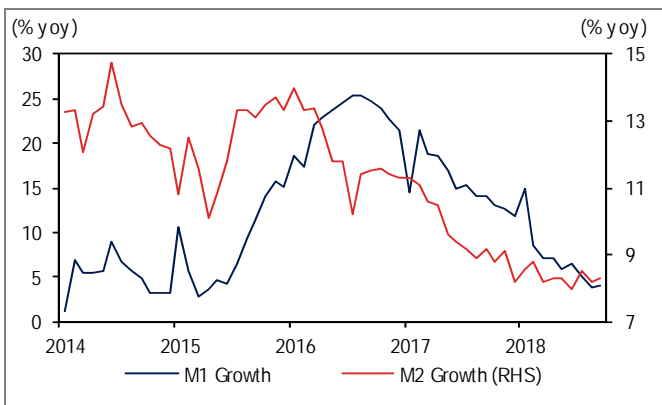
Source: Wind, Bloomberg, UOB Kay Hian

FIXED ASSET INVESTMENT



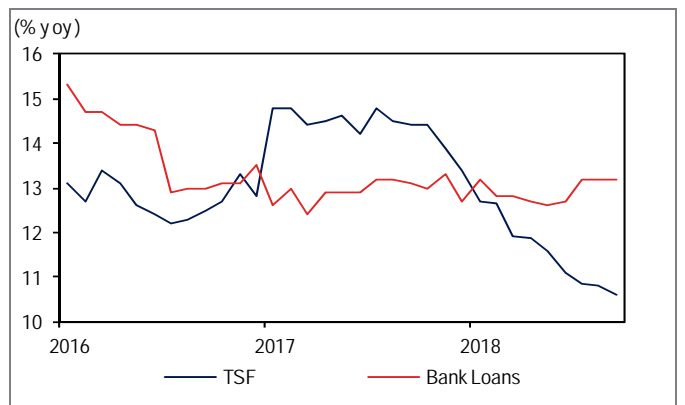
Source: Wind, Bloomberg, UOB Kay Hian

MONEY SUPPLY



Source: Wind, Bloomberg, UOB Kay Hian

OUTSTANDING BANK LOANS & TSF GROWTH



Source: Wind, Bloomberg, UOB Kay Hian

SECTOR UPDATE

Property – China

Weekly Wrap-up: Policy Tightness Remains With Tendency Towards Stability Upon Gradual Achievement In Implementing Property Monitoring Regulations

In the short term, China’s residential market continues to weaken. Meanwhile, both premium rate and abortive auction rate show that the land market continues to cool down. Investment sentiment in the sector has been gradually weakening. The policy is expected to change from “tightening” to “maintaining stability” with more capital flowing into leading property enterprises. Maintain UNDERWEIGHT.

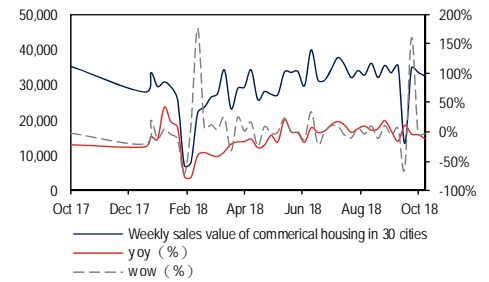
WHAT’S NEW

- **Experts from the Ministry of Housing and Urban-Rural Development said that the long-term effect mechanism for property cannot be achieved in one step, and property tax, as an important element of the long-term effect mechanism for property, may not gain fruitful result right away.** Indisputably, China's housing prices are too high. At present, the average price-to-income ratio in China is about 25 times, and the four cities with the highest price-to-income ratios in the world are in China. Previously, China has used tightening policies including restrictions on purchases price limits etc. to lower the increase in housing prices, but fundamentally, these have not reversed the trend of higher housing prices. Therefore, the property tax could curb rising housing prices to a certain extent. However, in relation to the levying of property tax, there are many problems to be addressed, such as double taxation. From our understanding, the experts’ statement could be regarded as a signal. Although China's determination to curb higher housing prices has not changed and it would not give up the property monitoring measures halfway, increasing demand with an aim to tighten the property market seems unnecessary. Therefore, the sector circumstance will trend to stabilization.
- **The Shenzhen government has issued a new rule: Setting a deadline for all residential property projects with a goal to regulate the property market from the supply-side.** According to the new regulation issued by the Shenzhen municipal government, all housing construction projects must kick off within one year from the date of signing the land transfer contract, and all construction must be completed within four years. The above policy aims to regulate the property market from the supply-side, and to stop prolonged holding of land reserves and property hoarding by developers at its source. The efficiency of the policy regulation would be enhanced, while supply would also be expanded. However, this policy would be a restriction on developers, in turn increasing the pressure on the property sector and changing the landscape of the industry. In the future, resources would continue to be concentrated in leading property enterprises.

UNDERWEIGHT

(Maintained)

WEEKLY SALES OF COMMERCIAL HOUSING IN 30 CITIES AND THEIR CHANGES



Source: WIND, UOB Kay Hian

SSE REAL ESTATE INDEX VS SHANGHAI COMPOSITE INDEX



Source: WIND, UOB Kay Hian

ANALYST(S)

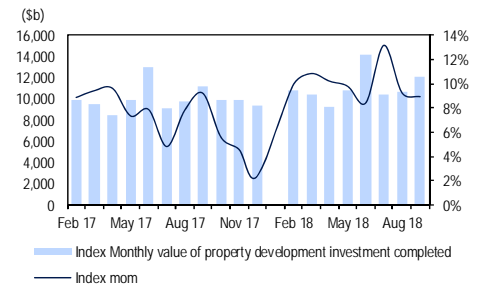
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• **Since Oct 18, the financing of property enterprises has shown signs of a recovery, and some listed developers have announced bond issuance plans.** In recent days, some developers have announced successful issuances of bonds. China Overseas Property, which has a larger financing scale, issued Rmb3.5b of bonds at a coupon rate of 4%. Yuexiu Property issued Rmb1.5b of bonds at a coupon rate of 4.24%. Since the beginning of this year, with the deepening of the deleveraging policy, domestic developers have been affected by the tightening of financing channels, and thus the issuance of bonds is the main financing means at this stage. The average financing cost of the top 40 developers in Sep 18 was 6.91%. Rising financing cost indicates that developers are currently facing huge financial pressure. Currently, lower sales have affected developers' collection of payments, and some developers are about to enter the bond redemption period. Therefore, for most developers, the purpose of issuing bonds is to repay maturing loans with new debts. Future cash flow pressure would become the major factor affecting the performance of developers.

ESSENTIALS

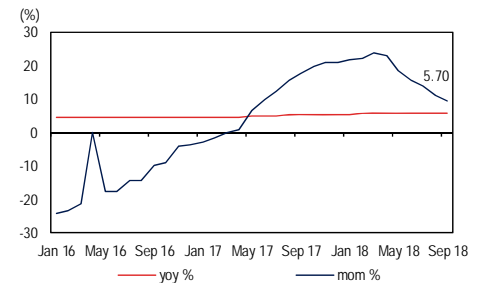
- **Primary home sales volume.** Total primary home sales in the 30 key cities for the week ending 27 Oct 18 dropped 2.6% wow and 11.7% yoy to 32,571 units, down 3% when compared to the weekly average of 33,588 units in 2017 but up 9.8% vs the weekly average of 29,657 units ytd. Sales area for the week rose 0.2% wow to 3.4m sqm, down 2.2% from the weekly average of 3.48m sqm in 2017 and up 9.3% from the weekly average of 3.11m sqm ytd. Among, sales of newly-built commodity apartments in the first- and second-tier cities for the week fell 0.8ppt wow and 13.9% yoy to 30,906 units, down 8.6% from the weekly average of 33,832 units for 2017 and up 6.1% from the weekly average of 29,138 units ytd. Saleable area in the first- and second- tier cities dropped 5.3% wow and 11.4% yoy to 2.949m sqm, down 7.88ppt from the weekly average of 3.20m sqm for 2017 and up 3.7% from the weekly average of 2.844m sqm ytd.
- **Secondary home sales volume.** Total secondary home sales areas in the 15 key cities for the week ending 27 Oct 18 rose 4.8% wow to 1.412m sqm. As at the end of last week, total sales area amounted to 4.022m sqm, down 13.1% mom from the corresponding period in Sep 18 and up 29.3% yoy from the corresponding period last year. Monthly turnover rose 36.1bp yoy from Sep 18's. Secondary home sales area of four first-tier cities fell 0.89ppt mom to 571,000sqm. Total sales areas for Oct 18 amounted to 1.714m sqm, down 41.4% mom from that of Sep 18 and up 27.4% yoy from the corresponding period last year. Ytd, total sales area rose 5.2% yoy to 27.546m sqm.
- **New home inventory.** The 15 key cities launched 2.84m sqm of new building for the week ending 27 Oct 18, down 10% wow, with weekly turnover-to-launch ratio (self-through rate) of 0.54 times, higher than last week's 0.55 times, but lower than Sep 18's 0.65 times. In terms of self-through rate, three-month moving average of inventory turnover ratio in the 15 cities was 9.5 months, up 0.4 month mom. The three-month moving average of inventory turnover ratio in the first-tier cities was 8.8 months, up 0.2 month mom (Beijing: 16.9 months; Shanghai: 5 months; Guangzhou: 8.9 months; Shenzhen: 10.6 months). The three-month moving average of inventory turnover ratio in second-tier cities was 8.2 months, up 0.3 month mom.

PROPERTY INVESTMENT GROWTH AND CHANGES



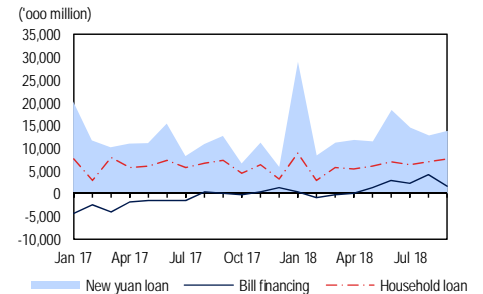
Source: Bloomberg, UOB Kay Hian

CHANGES OF AVERAGE FIRST-HOME MORTGAGE RATE IN CHINA



Source: Wind, UOB Kay Hian

SOURCES OF FUNDS



Source: Wind, UOB Kay Hian

COMPANY RESULTS

Baoshan Iron & Steel (600019 CH)

3Q18: Results In Line; Margins Expand On Successful Cost Control

Baosteel reported strong 9M18 results with net profit up 35% yoy to Rmb15.7b, in line with our estimate. We see continued margin expansion, thanks to strong production volume ramp-up, ASP hikes and successful cost control. Management believes downstream demand would remain stable while downside risks would come from slowdown in auto sales and potential escalation in the trade war. Maintain BUY. Target price: Rmb9.53.

3Q18 RESULTS

Year to 31 Dec (Rmbm)	3Q17	3Q18	yoy % chg	9M17	9M18	yoy % chg
Revenue	77,723	76,897	(1.1)	223,311	225,620	1.0
Gross profit	9,887	12,504	26.5	26,218	34,026	29.8
SG&A	(3,791)	(4,667)	23.1	(9,938)	(12,003)	20.8
Operating profit	6,096	7,836	28.6	16,281	22,023	35.3
Net finance cost	(835)	(1,530)	83.2	(2,825)	(3,696)	30.8
PBT	6,016	7,489	24.5	14,530	21,569	48.4
Tax	(235)	(1,208)	413.9	(2,010)	(4,387)	118.2
Net Profit	5,499	5,738	4.4	11,668	15,747	35.0
Gross margin (%)	12.7	16.3	3.5	11.7	15.1	3.3
EBIT margin (%)	7.8	10.2	2.3	7.3	9.8	2.5
Net profit margin (%)	7.1	7.5	0.4	5.2	7.0	1.8

Source: Baosteel, UOB Kay Hian

RESULTS

- Strong results in line with expectations.** Baoshan Iron & Steel's (Baosteel) 9M18 net profit rose 35% yoy to Rmb15.7b, in line (73%) with our full-year estimate. Revenue from the steel manufacturing segment grew 7.5% yoy, driven by sales volume growth (+2.6% yoy) and ASP hike (+9.5% yoy).
- Margin expansion on good cost control.** Gross margin expanded 3.5ppt yoy and 2.8ppt qoq to 16.3% in 3Q18, thanks to successful cost control (cost of sales dropped 5.1% yoy). We think the cost cut impact after the merger with Wugang is on track with company guidance.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2016	2017	2018F	2019F	2020F
Net turnover	246,421	289,498	303,973	307,012	353,064
EBITDA	32,624	44,239	50,387	47,646	49,001
Operating profit	15,274	26,016	28,686	25,903	26,258
Net profit (rep./act.)	9,076	19,170	21,615	20,325	20,760
Net profit (adj.)	9,076	19,170	21,615	20,325	20,760
EPS (fen)	55.2	86.1	97.1	91.3	93.2
PE (x)	13.4	8.6	7.6	8.1	7.9
P/B (x)	0.8	1.0	0.9	0.9	0.8
EV/EBITDA (x)	6.7	5.0	4.4	4.6	4.5
Dividend yield (%)	3.8	8.2	6.6	6.2	6.3
Net margin (%)	3.7	6.6	7.1	6.6	5.9
Net debt/(cash) to equity (%)	41.4	43.7	24.7	16.5	9.2
Interest cover (x)	11.2	44.2	n.a.	n.a.	n.a.
ROE (%)	6.9	12.2	12.7	11.1	10.7
Consensus net profit	-	-	22,138	23,675	23,618
UOBKH/Consensus (x)	-	-	0.98	0.86	0.88

Source: Baosteel, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rmb7.39
Target Price	Rmb9.53
Upside	+16.5%

COMPANY DESCRIPTION

Baosteel is the second-largest steel manufacturer in the world and the largest steel manufacturer in China. The company manufactures a variety of steel products, including cold rolled plates and coils, hot rolled plates and coils.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	600019 CH
Shares issued (m):	22,267.9
Market cap (Rmbm):	164,559.9
Market cap (US\$m):	23,651.1
3-mth avg daily t'over (US\$m):	61.5

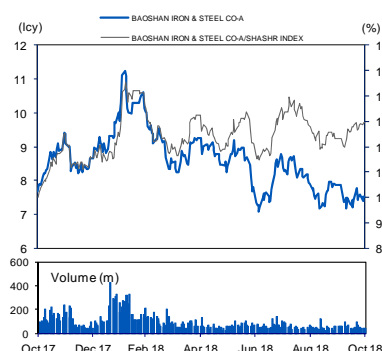
Price Performance (%)

52-week high/low	Rmb11.23/Rmb7.08
1mth	(5.9)
3mth	(13.3)
6mth	(20.0)
1yr	(4.0)
YTD	(14.5)

Major Shareholders

China Baowu Steel Group	50.75
FY18 NAV/Share (Rmb)	7.94
FY18 Net Debt/Share (Rmb)	1.96

PRICE CHART



Source: Bloomberg

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- **De-leveraging in progress.** As at end-3Q18, Baosteel's gearing ratio (debt/asset) edged down 2.6ppt to 47.6% from 50.2% in 2017. Operating cash-flow surged 179.9% yoy to Rmb36.7b. Net finance increased 31% yoy, mainly due to forex losses from the renminbi depreciation.

KEY OPERATING DATA

	3Q17	3Q18	yoy % chg	9M17	9M18	yoy % chg
Production (m tonne)	11.39	11.94	4.8	33.73	35.10	4.1
Sales Volume (m tonne)	11.48	11.85	3.2	34.22	35.12	2.6
ASP (Rmb/tonne)	4,046	4,518	11.7	4,141	4,534	9.5

Source: Baosteel, UOB Kay Hian

STOCK IMPACT

• Mixed downstream demand outlook

- Automobile.** Management is concerned over demand slowing down in the near term, while remaining positive in the medium to long term on the back of low penetration rate. It also believes the negative impact could be partially cushioned by an optimised production mix with larger contributions from other high-margin products.
- Home appliances.** The trade war impact is limited for now, according to the company's channel checks with its major customers in the industry. But uncertainties remain with the potential escalation of the trade war.
- Machinery.** Current robust demand from the machinery segment is expected to remain strong in the near future.
- Others.** Overall demand for other high-end products would remain strong.

EARNINGS REVISION

- We maintain our earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of Rmb9.53**, based on 1.2x 2018F P/B. The stock is currently trading at 0.9x 2018F P/B and 7.6x 2018F PE, which we believe are undemanding.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Net turnover	289,497.8	303,972.7	307,012.4	353,064.3
EBITDA	44,239.5	50,386.7	47,645.8	49,000.6
Deprec. & amort.	18,223.9	21,700.4	21,742.7	22,742.7
EBIT	26,015.6	28,686.3	25,903.1	26,257.9
Total other non-operating income	(1,652.3)	0.0	0.0	0.0
Associate contributions	672.6	0.0	0.0	0.0
Net interest income/(expense)	(1,000.8)	326.7	1,378.9	1,608.3
Pre-tax profit	24,035.1	29,013.0	27,282.0	27,866.2
Tax	(3,632.0)	(5,802.6)	(5,456.4)	(5,573.2)
Minorities	(1,232.8)	(1,595.7)	(1,500.5)	(1,532.6)
Net profit	19,170.3	21,614.7	20,325.1	20,760.3
Net profit (adj.)	19,170.3	21,614.7	20,325.1	20,760.3

CASH FLOW

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Operating	33,077.3	56,305.5	43,386.2	42,852.8
Pre-tax profit	24,035.1	29,013.0	27,282.0	27,866.2
Tax	(155.6)	(5,802.6)	(5,456.4)	(5,573.2)
Deprec. & amort.	18,223.9	21,700.4	21,742.7	22,742.7
Working capital changes	(7,943.2)	11,394.7	(182.1)	(2,182.8)
Other operating cashflows	(1,083.1)	0.0	0.0	0.0
Investing	(11,723.5)	(20,263.8)	(20,000.0)	(20,000.0)
Capex (growth)	(13,276.9)	(20,000.0)	(20,000.0)	(20,000.0)
Investments	(1,898.3)	0.0	0.0	0.0
Proceeds from sale of assets	368.3	0.0	0.0	0.0
Others	3,083.4	(263.8)	0.0	0.0
Financing	(14,381.7)	(30,303.1)	(15,807.4)	(11,162.5)
Dividend payments	(8,405.4)	(10,020.7)	(10,807.4)	(10,162.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(7,144.1)	(20,282.4)	(5,000.0)	(1,000.0)
Others/interest paid	1,167.8	0.0	0.0	0.0
Net cash inflow (outflow)	6,972.1	5,738.5	7,578.8	11,690.3
Beginning cash & cash equivalent	10,966.6	19,912.3	25,646.8	33,220.7
Changes due to forex impact	(81.4)	(4.0)	(5.0)	(6.0)
Ending cash & cash equivalent	17,857.4	25,646.8	33,220.7	44,905.0

BALANCE SHEET

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Fixed assets	154,221.7	152,904.1	151,461.4	149,018.7
Other LT assets	62,720.4	54,681.3	54,382.3	54,083.3
Cash/ST investment	17,857.4	25,646.8	33,220.7	44,905.0
Other current assets	115,435.2	108,227.3	111,653.1	125,817.1
Total assets	350,234.6	341,459.6	350,717.6	373,824.2
ST debt	80,689.7	60,407.3	55,407.3	54,407.3
Other current liabilities	82,516.9	80,289.4	81,383.8	92,045.0
LT debt	8,966.6	8,966.6	8,966.6	8,966.6
Other LT liabilities	3,589.0	3,325.1	3,325.1	3,325.1
Shareholders' equity	164,432.5	176,835.6	188,498.6	200,411.4
Minority interest	10,039.9	11,635.6	13,136.1	14,668.8
Total liabilities & equity	350,234.6	341,459.6	350,717.6	373,824.2

KEY METRICS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Profitability				
EBITDA margin	15.3	16.6	15.5	13.9
Pre-tax margin	8.3	9.5	8.9	7.9
Net margin	6.6	7.1	6.6	5.9
ROA	5.4	6.2	5.9	5.7
ROE	12.2	12.7	11.1	10.7
Growth				
Turnover	17.5	5.0	1.0	15.0
EBITDA	35.6	13.9	(5.4)	2.8
Pre-tax profit	102.2	20.7	(6.0)	2.1
Net profit	111.2	12.8	(6.0)	2.1
Net profit (adj.)	111.2	12.8	(6.0)	2.1
EPS	56.0	12.8	(6.0)	2.1
Leverage				
Debt to total capital	33.9	26.9	24.2	22.8
Debt to equity	54.5	39.2	34.2	31.6
Net debt/(cash) to equity	43.7	24.7	16.5	9.2
Interest cover (x)	44.2	n.a.	n.a.	n.a.

COMPANY RESULTS

China Molybdenum (3993 HK)

3Q18: Results In Line; Risks To Arise From Copper And Cobalt Price Weakness

China Molybdenum posted in-line 3Q18 results, with net profit up 32% yoy. Revenue was flattish due to copper production declines in both Tenke and NPM mines. Cobalt production ramp-up was in line. 3Q18 gross margin contracted, given rising cost and weakening metal prices. We expect cobalt prices to remain under pressure on supply increase from Glencore. Macro risks will continue to weigh on copper prices. We cut earnings forecast by 6%/1% for 2018/19, and cut target price to HK\$3.43. Maintain BUY.

3Q18 RESULTS

	3Q17	3Q18	yoy % chg	9M17	9M18	yoy % chg
Revenue	6,052	6,024	(0.5)	17,707	20,084	13.4
Gross profit	2,033	1,689	(16.9)	6,024	7,381	22.5
SG&A	(354)	(335)	(5.3)	(919)	(952)	3.6
Operating profit	1,679	1,354	(19.4)	5,106	6,430	25.9
Net finance cost	(346)	(141)	(59.3)	(1,372)	(576)	(58.0)
PBT	1,324	1,339	1.2	3,425	5,963	74.1
Tax	(412)	(262)	(36.5)	(1,132)	(1,285)	13.5
Net Profit	769	1,014	31.8	1,616	4,137	155.9
Gross margin (%)	33.6	28.0	(5.6)	34.0	36.8	2.7
EBIT margin (%)	27.8	22.5	(5.3)	28.8	32.0	3.2
Net profit margin (%)	12.7	16.8	4.1	9.1	20.6	11.5

Source: China Molybdenum, UOB Kay Hian

RESULTS

- **Flattish revenue growth in 3Q18** due to copper production declines in both Tenke (-16.7% yoy) and NPM (-12.6% yoy) mines, while cobalt production was largely in line with company guidance.
- **Gross margin in 3Q18 contracted** by 5.6ppt yoy and 10.9% qoq to only 28%, mainly dragged down by rising cost and weakening metal prices. However, net finance cost declined by 59.3% yoy, as a result of the completion of a private placement back in Jul 17.
- **China Molybdenum has proposed to acquire IXM**, a company incorporated in Netherlands which sources, blends, exports, transports and merchandises copper, zinc, lead concentrates, copper blister, and refined based metals. The majority of its sales are to Asia and Europe.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2016	2017	2018F	2019F	2020F
Net turnover	6,950	24,148	26,867	29,229	29,283
EBITDA	2,450	11,848	11,295	12,583	12,403
Operating profit	1,290	7,217	8,298	9,502	9,249
Net profit (rep./act.)	998	2,728	4,652	5,090	5,008
Net profit (adj.)	998	2,728	4,652	5,090	5,008
EPS (Fen)	5.9	14.3	21.5	23.6	23.2
PE (x)	39.5	16.3	10.8	9.9	10.1
P/B (x)	2.1	1.3	1.2	1.2	1.1
EV/EBITDA (x)	37.9	7.8	8.2	7.4	7.5
Dividend yield (%)	1.5	3.3	5.5	6.1	6.0
Net margin (%)	14.4	11.3	17.3	17.4	17.1
Net debt/(cash) to equity (%)	127.6	27.6	26.1	12.6	1.0
Interest cover (x)	6.0	8.4	10.1	11.3	12.5
ROE (%)	5.5	9.6	11.7	12.0	11.3
Consensus net profit	-	-	5,338	5,297	5,343
UOBKH/Consensus (x)	-	-	0.87	0.96	0.94

Source: China Molybdenum Co., Ltd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$2.63
Target Price	HK\$3.43
Upside	+30.4%
(Previous TP)	HK\$6.50

COMPANY DESCRIPTION

China Molybdenum Company Limited is a mineral mining and exploration company engaged in the mining and processing of molybdenum, tungsten, copper, cobalt, niobium and phosphorus minerals

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	3993 HK
Shares issued (m):	3,933.5
Market cap (HK\$m):	85,217.6
Market cap (US\$m):	10,865.7
3-mth avg daily t'over (US\$m):	18.4

Price Performance (%)

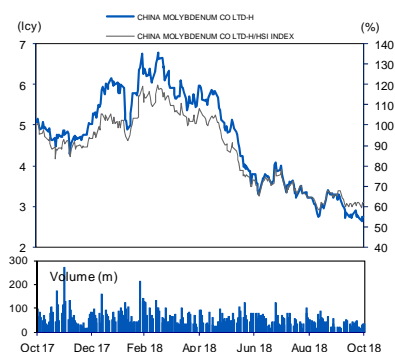
52-week high/low	HK\$6.79/HK\$2.63			
1mth	3mth	6mth	1yr	YTD
(19.8)	(32.0)	(51.9)	(48.0)	(47.6)

Major Shareholders

Cathay Fortune Corporation	24.69
Luoyang Mining Group	24.68

FY18 NAV/Share (Rmb)	1.91
FY18 Net Debt/Share (Rmb)	0.50

PRICE CHART



Source: Bloomberg

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KEY OPERATING DATA

Operating data	3Q17	3Q18	yoy % chg	9M17	9M18	yoy % chg
Production (tonne except for gold)						
Molybdenum	4,031	3,801	(5.7)	12,192	11,758	(3.6)
Tungsten	2,844	2,954	3.9	8,493	8,645	1.8
Copper from NPM	8,634	7,547	(12.6)	27,544	24,196	(12.2)
Copper from Tenke	50,429	42,010	(16.7)	159,615	126,240	(20.9)
Gold (Ounces)	6,613	5,398	(18.4)	23,336	19,297	(17.3)
Cobalt	4,211	4,835	14.8	11,575	13,864	19.8
Phosphates fertilizer	307,184	283,543	(7.7)	854,114	825,368	(3.4)
Niobium	2,032	2,319	14.1	6,318	6,820	7.9

Source: China Molybdenum, UOB Kay Hian

STOCK IMPACT

- Cobalt price dropped after the spike in early-18.** Cobalt is now trading at around US\$60,000/tonne, down by 36% from its peak in early-18, with increasing concerns of: a) additional cobalt supply from Glencore and other small players, and b) less usage of cobalt in EV batteries as indicated by Tesla. Glencore's 9M18 cobalt production surged by 44% yoy to 28.5 tonnes, and it has guided for full-year production at 36.5-41.5 tonnes, suggesting an average production growth of 38% yoy in 4Q18. Ytd cobalt price has averaged at US\$76,500, up 37% yoy, and we forecast cobalt price of US\$70,000/68,000 per tonne for 2018/19F.
- Weak copper performance on macro risks.** LME copper price has fallen by 14% since late-June and the downside risks still remain in place, given: a) the escalation of trade tensions, b) strong US dollar, c) China's economic slowdown weighing on copper demand.

EARNINGS REVISION

- We cut our earnings forecast by -6%/-1% for 2018/19F respectively to factor in: a) weaker-than-expected copper production from its Tenke mine, b) lower copper prices forecasts, and c) lower cobalt ASP assumption.

EARNINGS FORECAST CHANGE

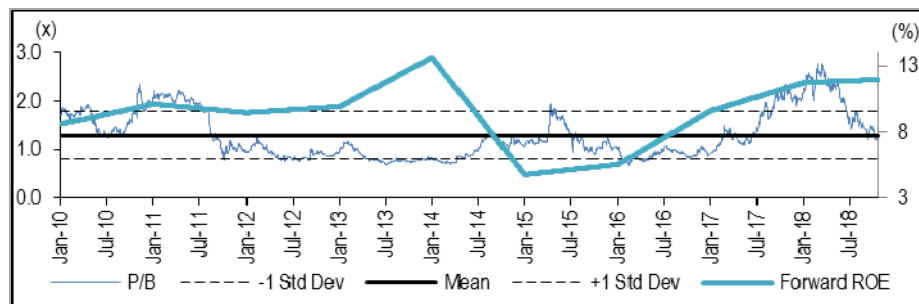
(Rmbm)	20 8F	Old 2019F	2020F	2018F	New 2019F	2020F	2018F	Chg% 2019F	2020F
Rev	29,159	30,069	30,075	26,867	29,229	29,283	-8%	-3%	-3%
NI	4,946	5,116	5,033	4,652	5,090	5,008	-6%	-1%	0%
EPS (fen)	22.9	23.7	23.3	21.5	23.6	23.2	-6%	-1%	0%

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

- We cut our target price to HK\$3.43 on lower earnings forecasts. We use P/B valuation method starting from this report (previously DCF). Our new target price is derived from 1.5x 2019F BVPS of HK\$2.17/share, assuming forex rate of HK\$0.88/Rmb. The stock is currently trading at 1.2x 2019F P/B and 9.9x 2019F PE. We think the weak stock prices have largely priced in the headwinds. Our new target price implies 30% upside from current share price. Maintain BUY.

FORWARD P/B VS ROE



Source: Bloomberg, UOB Kay Hian

LME COBALT PRICE



Source: Bloomberg

LME COPPER PRICE



Source: Bloomberg

USDCNY EXCHANGE RATE



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Net turnover	24,147.6	26,866.9	29,229.2	29,283.2
EBITDA	11,848.0	11,294.9	12,582.8	12,403.4
Deprec. & amort.	4,630.6	2,997.1	3,080.4	3,154.5
EBIT	7,217.4	8,297.8	9,502.4	9,248.9
Total other non-operating income	(527.3)	(106.6)	(106.6)	(106.6)
Associate contributions	108.7	200.0	200.0	200.0
Net interest income/(expense)	(1,417.0)	(1,121.9)	(1,113.1)	(994.8)
Pre-tax profit	5,381.8	7,269.3	8,482.7	8,347.5
Tax	(1,786.2)	(1,453.9)	(2,120.7)	(2,086.9)
Minorities	(867.8)	(1,163.1)	(1,272.4)	(1,252.1)
Net profit	2,727.8	4,652.3	5,089.6	5,008.5
Net profit (adj.)	2,727.8	4,652.3	5,089.6	5,008.5

CASH FLOW

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Operating	8,428.8	3,239.2	9,814.8	9,523.7
Pre-tax profit	5,381.8	7,269.3	8,482.7	8,347.5
Tax	(1,786.2)	(1,453.9)	(2,120.7)	(2,086.9)
Deprec. & amort.	4,630.6	2,997.1	3,080.4	3,154.5
Working capital changes	(4,639.6)	(6,550.1)	(456.4)	(473.8)
Other operating cashflows	4,842.1	976.7	828.8	582.3
Investing	(4,109.2)	(633.3)	(479.2)	(236.4)
Capex (growth)	(770.4)	(1,088.2)	(995.1)	(856.1)
Capex (maintenance)	(296.1)	(172.1)	(173.8)	(139.0)
Investments	(4,741.0)	(113.6)	(125.0)	(137.5)
Proceeds from sale of assets	2,029.8	0.0	0.0	0.0
Others	(331.6)	740.7	814.7	896.2
Financing	7,372.0	(453.4)	(1,477.5)	(1,460.9)
Dividend payments	(2,147.3)	(1,641.5)	(2,791.4)	(3,053.8)
Issue of shares	17,858.6	(0.0)	0.0	0.0
Proceeds from borrowings	(478.4)	2,351.2	2,586.3	2,845.0
Others/interest paid	(7,860.8)	(1,163.1)	(1,272.4)	(1,252.1)
Net cash inflow (outflow)	11,691.6	2,152.5	7,858.2	7,826.3
Beginning cash & cash equivalent	8,420.2	19,781.4	21,933.9	29,792.1
Changes due to forex impact	(330.4)	0.0	0.0	0.0
Ending cash & cash equivalent	19,781.4	21,933.9	29,792.1	37,618.4

BALANCE SHEET

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Fixed assets	25,185.0	23,914.3	22,468.9	20,775.6
Other LT assets	33,603.4	33,703.6	33,986.7	34,446.3
Cash/ST investment	19,781.4	21,933.9	29,792.1	37,618.4
Other current assets	19,267.4	25,097.2	23,222.5	21,495.0
Total assets	97,837.2	104,649.1	109,470.2	114,335.3
ST debt	6,276.0	6,423.8	6,586.4	6,765.2
Other current liabilities	7,227.2	8,774.7	8,811.9	8,840.3
LT debt	24,033.9	26,237.3	28,661.0	31,327.1
Other LT liabilities	14,391.1	15,456.4	16,628.3	17,917.4
Shareholders' equity	38,157.2	41,168.0	43,466.2	45,420.9
Minority interest	7,752.0	6,588.9	5,316.5	4,064.3
Total liabilities & equity	97,837.2	104,649.1	109,470.2	114,335.3

KEY METRICS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Profitability				
EBITDA margin	49.1	42.0	43.0	42.4
Pre-tax margin	22.3	27.1	29.0	28.5
Net margin	11.3	17.3	17.4	17.1
ROA	2.9	4.6	4.8	4.5
ROE	9.6	11.7	12.0	11.3
Growth				
Turnover	247.5	11.3	8.8	0.2
EBITDA	383.6	(4.7)	11.4	(1.4)
Pre-tax profit	352.2	35.1	16.7	(1.6)
Net profit	173.3	70.6	9.4	(1.6)
Net profit (adj.)	173.3	70.6	9.4	(1.6)
EPS	142.3	50.4	9.4	(1.6)
Leverage				
Debt to total capital	39.8	40.6	41.9	43.5
Debt to equity	79.4	79.3	81.1	83.9
Net debt/(cash) to equity	27.6	26.1	12.6	1.0
Interest cover (x)	8.4	10.1	11.3	12.5

COMPANY RESULTS

Industrial & Commercial Bank of China (1398 HK)

3Q18: Resilient Asset Quality Despite External Pressure

Results are in line with our expectations with net profit increasing 5.6% yoy to Rmb79.2b. The bank achieved double-digit growth in fees and a stable NIM. Cost efficiency improved with cost-to-income ratio declining 0.9ppt yoy to 26%. Asset quality was stable. Maintain BUY. Target price: HK\$7.68.

RESULTS

- **Industrial & Commercial Bank of China (ICBC)** reported a net profit of Rmb79.2b for 3Q18 (+5.6% yoy). The results are in line with our expectations with 9M18 earnings accounting for 78.2% of our full-year forecast.
- **Maintains stable NIM.** Loans grew 2.2% qoq and 8.3% yoy as corporate and personal loans grew 1.2% qoq and 3.5% qoq respectively. Deposits grew 2.4% qoq and 10.2% yoy. CASA ratio receded marginally by 0.8ppt to 48.1% as time deposits grew 5.6% qoq. NIM expanded 11bp yoy to 2.3% and remain unchanged on a qoq basis. Net interest income grew at a high single-digit rate of 9.6% yoy.
- **Fee income growth was steady.** Net fees and commissions grew 11.3% yoy to Rmb34.5b, driven by bank cards, guarantees and commitments, e-commerce (third-party payments) and international settlements.
- **Stringent cost control.** Operating expenses increased marginally by 1.9% yoy to Rmb46.5b. Cost-to-income ratio improved by 0.9ppt yoy to 26% in 3Q18.
- **Asset quality stable.** NPL balance increased 1.8% qoq and 6.4% yoy to Rmb234b. However, NPL ratio reduced by 1bp qoq and 3bp yoy to 1.53%. Provisions rose by 18.4% yoy to Rmb33.5b or 89bp. Loan loss coverage was stable at 172.3%.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2016	2017	2018F	2019F	2020F
Net interest income	471,846	522,078	577,356	618,869	663,445
Non-interest income	169,835	153,576	156,424	160,673	165,049
Net profit (rep./act.)	278,249	286,049	306,265	332,790	361,254
Net profit (adj.)	278,249	286,049	306,265	332,790	361,254
EPS (Fen)	76.8	79.0	84.7	92.1	100.1
PE (x)	6.1	5.9	5.5	5.1	4.7
P/B (x)	0.9	0.8	0.7	0.7	0.6
Dividend yield (%)	5.0	5.1	5.4	5.9	6.4
Net int margin (%)	2.2	2.2	2.3	2.3	2.3
Cost/income (%)	30.1	27.6	26.9	26.8	26.8
Loan loss cover (%)	136.7	154.1	161.1	166.5	170.8
Consensus net profit	-	-	302,890	329,658	363,265
UOBKH/Consensus (x)	-	-	1.01	1.01	0.99

Source: Industrial and Commercial Bank of China, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$5.28
Target Price	HK\$7.68
Upside	+45.5%

COMPANY DESCRIPTION

ICBC is the largest commercial bank in China and the world in terms of total assets. It is the largest corporate bank in China and focus on providing financial services in cities.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	1398 HK
Shares issued (m):	86,794.0
Market cap (HK\$m):	2,168,895.7
Market cap (US\$m):	276,454.4
3-mth avg daily t'over (US\$m):	175.9

Price Performance (%)

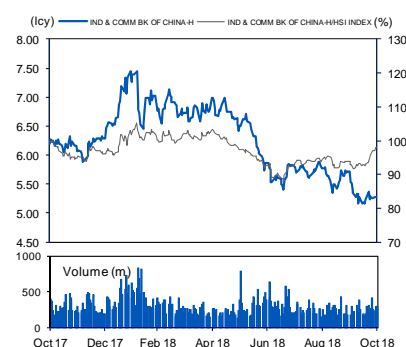
52-week high/low	HK\$ 7.44/HK\$ 5.16			
1mth	3mth	6mth	1yr	YTD
(7.7)	(9.3)	(24.4)	(16.3)	(16.1)

Major Shareholders

	%
Huijin	33.1
Ministry of Finance	35.0

FY18 NAV/Share (Rmb)	6.33
FY18 CAR Tier-1 (%)	13.76

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- We maintain our BUY recommendation and target price of HK\$7.68 as the 3Q18 results were in line with our expectations. Key takeaways from the analyst briefing are as follows:
- **Plans to expand SME business.** Management plans to double inclusive finance, including SME lending, over the next three years. ICBC deploys fintech, such as big data and artificial intelligence, in its SME business for operations, credit appraisal and risk management. Pricing of SME loans are based on assessment of credit risk and customers' comprehensive contribution, such as placing deposits and usage of cash management.
- **Exposure to stock-pledged lending not significant.** Stock-pledged lending accounted for only 0.23% of ICBC's total loans. Management disclosed that there are 137 customers who have pledged 131 stocks. Borrowers are sound companies who have reported average revenue growth of 12%. 10% of borrowers have triggered margin calls. ICBC does not necessarily have to force sell the pledged shares as there are other avenues for ICBC to recover the loan.
- **Smooth and stable transition to new regulations for asset management.** Management has formulated the re-organisation work plan for the asset management business, which has been issued to its branches for implementation. The outstanding balance for NAV-type wealth management products (WMP) is Rmb444b, which is 13% of the outstanding balance for WMP. Management is studying the structure and framework for establishing a separate asset management subsidiary and will make a formal disclosure when the decision is made on whether to proceed.
- **Asset quality stable for NSCA.** The outstanding balance for non-standardised credit assets (NSCA) is at Rmb886b, which is 26% of its outstanding balance for WMP. The NPL ratio for NSCA is low at 1.5%.

EARNINGS REVISION/RISK

- We maintain our existing earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price is at HK\$7.68, based on 1.03x 2018F P/B derived from the Gordon Growth Model (ROE: 13.7%, COE: 13.4% and Growth: 3.0%).

SHARE PRICE CATALYST

- Continuing to maintain above-peers' ROE and CET-1 CAR.
- Resilient asset quality, less affected by external pressure.

3Q18 RESULTS

Profit & Loss (Rmb m)	3Q18	3Q17	yoy chg (%)	2Q18	qoq chg (%)
Net Interest Income	146,014	133,229	9.6	140,604	3.8
Fees & Commissions	34,479	30,973	11.3	37,647	-8.4
Other Operating Income	(1,915)	5,324	-136.0	(134)	1329.1
Total Income	178,578	169,526	5.3	178,117	0.3
Operating Expenses	(46,508)	(45,653)	1.9	(41,960)	10.8
PPOP	132,070	123,873	6.6	136,157	-3.0
Provisions	(33,475)	(28,273)	18.4	(41,200)	-18.8
PBT	99,307	96,261	3.2	95,570	3.9
Net Profit	79,185	75,004	5.6	81,640	-3.0
EPS (Rmb)	0.22	0.21	4.8	0.23	-4.3
BVPS (Rmb)	6.12	5.62	8.9	5.87	4.3
Financial Ratios (%)	3Q18	3Q17	yoy chg (ppt)	2Q18	qoq chg (ppt)
NIM	2.30	2.19	0.11	2.30	0.00
Loan Growth, yoy	8.3	9.1	-0.9	7.7	0.6
Deposit Growth, yoy	10.2	8.9	1.4	9.4	0.8
Loan/Deposit Ratio	71.6	72.9	-1.3	71.7	-0.1
Cost/Income Ratio	26.0	26.9	-0.9	23.6	2.5
ROE	14.2	14.6	-0.4	15.0	-0.8
NPL Ratio	1.53	1.56	-0.03	1.54	-0.01
Credit Costs (bp)	88.7	80.9	7.8	111.7	-23.0
Loan Loss Coverage	172.3	148.4	23.9	173.1	-0.8
CET-1 CAR	12.5	12.9	-0.4	12.3	0.2

Source: ICBC, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Interest income	861,594	945,387	1,015,444	1,090,785
Interest expense	(339,516)	(368,030)	(396,575)	(427,340)
Net interest income	522,078	577,356	618,869	663,445
Fees & commissions	139,625	141,624	145,873	150,249
Other income	13,951	14,800	14,800	14,800
Non-interest income	153,576	156,424	160,673	165,049
Total income	675,654	733,780	779,542	828,494
Staff costs	(114,954)	(121,851)	(129,162)	(136,912)
Other operating expense	(71,240)	(75,514)	(80,045)	(84,848)
Pre-provision profit	489,460	536,415	570,334	606,734
Loan loss provision	(124,096)	(140,000)	(140,000)	(140,000)
Other provisions	(3,673)	(5,000)	(5,000)	(5,000)
Associated companies	2,950	3,157	3,377	3,614
Pre-tax profit	364,641	394,571	428,711	465,348
Tax	(77,190)	(86,806)	(94,317)	(102,377)
Minorities	(1,402)	(1,500)	(1,605)	(1,718)
Net profit	286,049	306,265	332,790	361,254
Net profit (adj.)	286,049	306,265	332,790	361,254

OPERATING RATIOS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Capital Adequacy				
Tier-1 CAR	13.3	13.8	14.0	14.2
Total CAR	15.1	15.5	15.6	15.7
Total assets/equity (x)	12.3	12.0	11.8	11.6
Tangible assets/tangible common equity (x)	12.3	12.1	11.9	11.7
Asset Quality				
NPL ratio	1.6	1.6	1.7	1.8
Loan loss coverage	154.1	161.1	166.5	170.8
Loan loss reserve/gross loans	2.4	2.7	2.9	3.0
Increase in NPLs	4.3	14.5	12.6	11.2
Credit cost (bp)	90.9	94.6	87.6	81.2
Liquidity				
Loan/deposit ratio	74.0	74.0	74.0	73.9
Liquid assets/short-term liabilities	24.8	24.1	23.5	22.9
Liquid assets/total assets	20.9	20.3	19.7	19.2

BALANCE SHEET

Year to 31 Dec (Rmbm)	2017	2018F	2019F	2020F
Cash with central bank	3,613,872	3,794,566	3,984,294	4,183,509
Interbank loans	1,834,242	1,925,954	2,022,252	2,123,364
Customer loans	13,892,966	14,957,619	16,112,384	17,364,442
Investment securities	5,756,704	6,159,673	6,590,850	7,052,210
Derivative receivables	89,013	95,244	101,911	109,045
Associates & JVs	32,441	34,712	37,142	39,742
Fixed assets (incl. prop.)	247,744	260,131	273,138	286,795
Other assets	620,061	942,962	1,297,517	1,686,641
Total assets	26,087,043	28,170,861	30,419,487	32,845,747
Interbank deposits	2,752,887	2,945,589	3,151,780	3,372,405
Customer deposits	19,226,349	20,764,457	22,425,613	24,219,663
Derivative payables	78,556	84,055	89,939	96,234
Debt equivalents	787,214	842,319	901,281	964,371
Other liabilities	1,100,981	1,178,050	1,260,513	1,348,749
Total liabilities	23,945,987	25,814,470	27,829,127	30,001,422
Shareholders' funds	2,127,491	2,341,877	2,574,830	2,827,707
Minority interest - accumulated	13,565	14,515	15,531	16,618
Total equity & liabilities	26,087,043	28,170,861	30,419,487	32,845,747

KEY METRICS

Year to 31 Dec (%)	2017	2018F	2019F	2020F
Growth				
Net interest income	10.6	10.6	7.2	7.2
Fees & commissions	(3.7)	1.4	3.0	3.0
Pre-provision profit	9.1	9.6	6.3	6.4
Net profit	2.8	7.1	8.7	8.6
Net profit (adj.)	2.8	7.1	8.7	8.6
Customer loans	8.8	7.7	7.7	7.8
Customer deposits	7.9	8.0	8.0	8.0
Profitability				
Net interest margin	2.2	2.3	2.3	2.3
Cost/income ratio	27.6	26.9	26.8	26.8
Adjusted ROA	1.1	1.1	1.1	1.1
Reported ROE	14.0	13.7	13.5	13.4
Adjusted ROE	14.0	13.7	13.5	13.4
Valuation				
P/BV (x)	0.8	0.7	0.7	0.6
P/NTA (x)	0.8	0.7	0.7	0.6
Adjusted P/E (x)	5.9	5.5	5.1	4.7
Dividend Yield	5.1	5.4	5.9	6.4
Payout ratio	30.5	30.0	30.0	30.0

TRADERS' CORNER



Chart by Metastock

SmarTone (315 HK)

Trading Buy Range: HK\$10.77-10.78

Last price: HK\$10.64

Target price: HK\$11.40 / HK\$12.20

Protective stop: Breaks below HK\$9.94

The stock just broke above the upper boundary of a small range (formed since Sep 18) and broke above the 20-day moving average (red line) on Tuesday. The daily RSI stands firmly above its neutrality level at 50% and is rebounding. The MACD is above its signal line, while the MACD histogram is narrowing. In addition, the key support at HK\$9.94 represents a significant key support level, which should limit the downside.

As long as HK\$9.94 holds, look for further upside towards HK\$11.40 and HK\$12.20. A break below HK\$9.94 would call for a further consolidation, and investors should close their positions to control risk.

Average time frame: 3 months (abort this trade idea if the stock cannot hit the entry price range within six trading days).



Chart by Metastock

AIA (1299 HK)

Trading Sell Range: HK\$58.00-58.05

Last price: HK\$58.25

Target price: HK\$53.50 / HK\$51.00

Protective stop: Breaks above HK\$64.00

The stock failed to break above the cloud and just broke below its key support at HK\$59.05 (Feb 18 low) on Tuesday. The declining 9-day (orange line) and 26-day (green line) moving averages are maintaining the downside bias. The daily RSI lacks upward momentum. The MACD is below its signal line and 0-level.

As long as HK\$64.00 holds, look for further drop towards HK\$53.50 and HK\$51.00. A break above HK\$64.00 would indicate that the downside breakout is false, and investors should close their positions to control risk.

Average time frame: 3 months (abort this trade idea if the stock cannot hit the entry price range within six trading days).

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