4 July 2018 | Hong Kong

EQUITIES

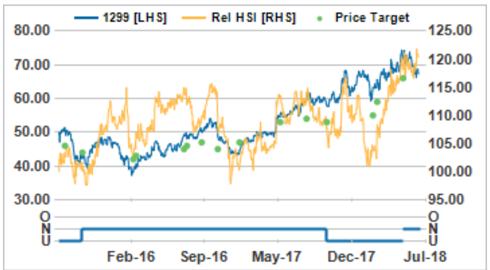
1299 HK	Neutral
Price (at 08:50, 04 Jul 2018 GMT)	HK$67.35

Valuation - Appraisal Value	HK$	66.00
12-month target	HK$	66.00
Upside/Downside	%	-2.0
12-month TSR	%	-0.1
Volatility Index		Low
GICS sector		Insurance
Market cap	HK$m	813,333
Market cap	US$m	103,663
30-day avg turnover	US$m	173.5
Number shares on issue	m	12,076

Investment fundamentals

Year end 31 Dec		2017A	2018E	2019E	2020E
Life Prem	m	25,717	28,899	32,819	37,190
Life Total Rev	m	33,130	36,891	41,656	46,960
Pretax Life Op Inc	m	5,587	6,362	7,101	7,835
PBT	m	5,587	6,362	7,101	7,835
Reported profit	m	6,496	4,479	5,870	6,478
Net Op Income	m	4,635	5,260	5,870	6,478
EPS adj	¢	38.4	43.6	48.6	53.6
PER adj	x	22.4	19.7	17.7	16.0
DPS	¢	12.9	16.1	18.0	19.8
Dividend yield	%	1.5	1.9	2.1	2.3
Total SH Funds	m	43,556	46,413	50,275	54,527
BV/S	¢	357.6	381.3	413.2	448.5
ROE	%	11.9	11.8	12.2	12.5
ROA	%	2.3	2.3	2.3	2.3
P/BV	x	2.4	2.3	2.1	1.9
Implied P/EV	x	2.2	2.0	1.8	1.6
Implied P/New Bus	x	20.4	15.6	11.7	8.8

1299 HK rel HSI performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, July 2018
(all figures in USD unless noted, TP in HKD)

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AIA Group
Entering the online market

Key points

- AIA has made several public steps towards the digital space this year. We case study the fledgling HK online life & health market.
- We have also refreshed our forecasts for the 1H18 balance date.
- We retain a Neutral rating and HK$66 target price.

Event

- AIA has boosted its online credentials in recent months by hiring a high-profile Chief Digital Officer and launching AIA iShop in HK. In this report, we take a look at the online marketplace in HK and how AIA's online products compare.

Competition for the online space is not yet intense

- **Treading carefully in a fledgling market.** The online channel accounts for <1% of HK life industry sales (and zero for AIA HK last year). Whilst this could be attributed to complex product designs and face-to-face explanations, we think a strategic decision to avoid more competitive channels is the main reason. This year has seen several players invest in online capabilities. We believe that AIA's offerings compare favourably with peers whilst also representing good margins and sound risk control. However we doubt online sales will be meaningful in the near term given relatively unattractive prices and features in general. This is similar to developments in Singapore.
- **How to interpret AIA's online market entry:** AIA has historically avoided the online market in HK. Due to changes in consumer behaviour (and possibly also that of competitors), the company has recently launched an online purchase platform with nine products. This is a significant strategic step as the company arguably has the most to lose from cannibalising its tied agency network. We believe this risk is tightly managed by the company via (i) product exclusions and low/narrow coverage; and ii) strategic pricing possibly aimed at a different cross-section of customers. Whilst competitor behaviour can obviously influence both of these factors, our first impression is that AIA has established iShop as a customer acquisition tool aimed at younger, first-time insurance buyers who can be subsequently upsold in time.

Earnings and target price revision

- We have marked to market our forecasts for the 1H18 balance date. Weak equity markets have reduced our FY18 EPS forecast by 15%. We make no changes to our VNB forecasts and our target price of HK$66 is unchanged.

Price catalyst

- 12-month price target: HK$66.00 based on an Appraisal Value methodology.
- Catalyst: 1H18 result due in late August, recovery in ASEAN, details of China expansion plans.

Action and recommendation

- **Neutral rating.** AIA is a unique stock well established in an attractive industry diversified across several growth markets. We believe new business momentum bottomed out in 1Q18 and is now picking up. Whilst we consider the stock relatively expensive, we would be buyers on further weakness.

Fig 1 AIA Group: Financial summary

P&L (US$m)	FY16A	FY17A	FY18E	FY19E	FY20E
Year ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
TWPI	22,133	26,393	29,795	33,845	38,360
Net premiums	20,444	25,717	28,899	32,819	37,190
Other op. revenue	197	224	318	361	409
Operating revenues	20,641	25,941	29,217	33,180	37,599
Investment income	6,424	7,189	7,674	8,477	9,360
Total revenue	27,065	33,130	36,891	41,656	46,960
Net claims	(17,512)	(21,646)	(24,111)	(27,376)	(31,018)
Acquisition expenses	(2,686)	(3,472)	(3,645)	(4,061)	(4,603)
Operating expenses	(1,752)	(2,019)	(2,235)	(2,538)	(2,877)
Other expenses	(334)	(406)	(538)	(580)	(627)
Total expenses	(22,284)	(27,543)	(30,528)	(34,556)	(39,125)
Share of associates	(5)	-	-	-	-
Operating PBT	4,776	5,587	6,362	7,101	7,835
Tax on operating profit	(763)	(917)	(1,063)	(1,186)	(1,308)
Non-controlling interests	(32)	(35)	(40)	(44)	(49)
Operating profit	**3,981**	**4,635**	**5,260**	**5,870**	**6,478**
- YoY growth	12.0%	16.7%	13.5%	11.6%	10.3%
Non-operating items	183	1,861	(781)	-	-
NPAT	4,164	6,496	4,479	5,870	6,478
Operating EPS (USc)	33.0	38.4	43.6	48.6	53.6
EPS (USc)	34.8	54.1	37.1	48.6	53.6
DPS (USc)	11.0	12.9	16.1	18.0	19.8
Operating EPS (HK$)	2.57	2.98	3.39	3.78	4.17
EPS (HK$)	2.68	4.18	2.88	3.78	4.17
DPS (HK$)	0.86	1.00	1.25	1.40	1.54

EV ANALYSIS (US$m)	FY16A	FY17A	FY18E	FY19E	FY20E
Period ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
Opening EV	38,198	42,848	50,779	56,656	63,408
Value of new business	2,750	3,206	3,875	4,543	5,092
Expected return on EV	2,854	3,308	3,916	4,355	4,875
Operating experience	365	361	-	-	-
Chg in op. assumptions	29	(83)	-	-	-
EV operating profit	**5,887**	**6,654**	**7,652**	**8,760**	**9,829**
Investment experience	(37)	1,333	(1,023)	-	-
Chg in economic assumps	(236)	(192)	-	-	-
Other variances	(22)	(354)	-	-	-
Total EV profit	**5,592**	**7,441**	**6,630**	**8,760**	**9,829**
Capital transfers	(1,129)	(1,376)	(1,622)	(2,008)	(2,226)
Impact of FX	(547)	1,866	869	-	-
Closing EV (reported basis)	**42,114**	**50,779**	**56,656**	**63,408**	**71,011**
- ANW	16,544	20,974	23,628	26,396	29,487
- VIF	25,570	29,805	33,028	37,011	41,524
Operating ROEV	15.4%	15.5%	15.1%	15.5%	15.5%
Reported ROEV	14.6%	17.4%	13.1%	15.5%	15.5%
VNB margin	52.8%	56.0%	59.7%	60.4%	60.8%
VNB growth	25.1%	27.7%	20.9%	17.2%	12.1%

KEY METRICS	FY16A	FY17A	FY18E	FY19E	FY20E
Year ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
P&L metrics:					
Invmt income (operating)	4.8%	4.7%	4.9%	4.8%	4.8%
Gross invmt return	5.8%	9.6%	3.5%	4.2%	4.2%
Claims ratio	79.1%	82.0%	80.9%	80.9%	80.9%
Acq'n expense ratio	12.1%	13.2%	12.2%	12.0%	12.0%
Non-acq'n expense ratio	9.4%	9.2%	9.3%	9.2%	9.1%
Total expense ratio	21.6%	22.3%	21.5%	21.2%	21.1%
Operating PBT margin	21.6%	21.2%	21.4%	21.0%	20.4%
Effective tax rate	16.0%	16.4%	16.7%	16.7%	16.7%
Payout ratio	33.4%	33.4%	37.0%	37.0%	37.0%
ROA	2.34%	3.22%	1.96%	2.34%	2.34%
Dupont:					
Op. margin (post tax)	18.0%	17.6%	17.7%	17.3%	16.9%
TWPI / Assets	12.0%	12.1%	12.5%	12.9%	13.2%
Leverage (A / E)	5.3x	5.1x	5.2x	5.3x	5.4x
Operating ROE	12.0%	11.9%	11.9%	12.3%	12.5%
Reported ROE	12.5%	16.6%	10.1%	12.3%	12.5%
Per share data:					
BVPS (HK$)	22.55	27.79	29.62	32.11	34.85
NTAPS (HK$)	21.42	26.58	28.42	30.91	33.64
EVPS (HK$, adjusted basis)	25.07	30.62	34.16	38.23	42.82
VNB per share (HK$)	1.51	1.76	2.13	2.50	2.80
Valuation at current price HK$67.35:					
PER		15.9x	23.4x	**17.8x**	16.2x
Dividend yield		1.5%	1.9%	**2.1%**	2.3%
P / B		2.40x	2.27x	**2.10x**	1.93x
P / EV (reported basis)		2.04x	1.85x	**1.65x**	1.47x
P / EV (adjusted basis)		2.18x	1.97x	**1.76x**	1.57x
VNB multiple (reported basis)		16.5x	12.4x	**9.1x**	6.6x
VNB multiple (adjusted basis)		20.4x	15.6x	**11.7x**	8.8x

BALANCE SHEET (US$m)	FY16A	FY17A	FY18E	FY19E	FY20E
Year ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
Cash	1,642	1,922	6,195	6,831	7,565
Financial investments	150,998	179,503	190,676	210,251	232,832
Investment property	3,910	4,363	6,192	6,827	7,561
DAC	18,898	21,950	24,208	26,867	29,967
Intangibles	1,743	1,870	1,870	1,870	1,870
Other assets	7,883	9,038	9,775	10,644	11,657
Total assets	185,074	218,646	238,916	263,290	291,451
Insurance liabilities	128,186	151,475	166,205	183,509	203,594
Investment liabilities	7,028	8,210	9,904	11,947	14,412
Borrowings & obligations	5,444	5,515	5,514	5,514	5,514
Tax liabilities	3,486	4,108	4,531	5,028	5,608
Other liabilities	5,620	5,782	6,349	7,017	7,795
Total liabilities	149,764	175,090	192,503	213,015	236,924
NET ASSETS	35,310	43,556	46,413	50,275	54,527
Issued shares	13,998	14,065	14,065	14,065	14,065
Reserves	(8,348)	(5,542)	(5,542)	(5,542)	(5,542)
Retained earnings	29,334	34,653	37,510	41,372	45,624
Equity attributable to SH's	34,984	43,176	46,033	49,895	54,147
Non-controlling interests	326	380	380	380	380
Total equity	35,310	43,556	46,413	50,275	54,527
Shares o/s (closing, mn)	12,056	12,074	12,074	12,074	12,074
Shares o/s (wtd avg, mn)	12,051	12,068	12,074	12,074	12,074

SOLVENCY (US$m)	FY16A	FY17A	FY18E	FY19E	FY20E
Year ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
Solvency ratio (HKOCI basis)	404%	446%	406%	398%	388%
Solvency ratio (based on ANW)	367%	375%	379%	378%	375%

COUNTRY MIX (US$m)	FY16A	FY17A	FY18E	FY19E	FY20E
Year ending:	Nov-16	Dec-17	Dec-18	Dec-19	Dec-20
Annualised New Premium					
Hong Kong	2,294	2,493	2,426	2,617	2,824
Thailand	471	519	587	659	712
Singapore	427	426	519	550	583
Malaysia	341	340	374	400	428
China	621	873	1,364	1,852	2,221
Other Markets	969	973	1,115	1,329	1,485
Total ANP	**5,123**	**5,624**	**6,385**	**7,407**	**8,252**
- YoY growth	28.4%	18.9%	13.5%	16.0%	11.4%
Value of New Business (VNB)					
Hong Kong	1,120	1,338	1,431	1,544	1,666
Thailand	384	381	435	481	519
Singapore	316	297	353	385	408
Malaysia	195	213	232	256	274
China	536	725	1,160	1,574	1,887
Other Markets	319	388	435	505	564
Divisional VNB	2,870	3,342	4,045	4,745	5,319
Group VNB	**2,750**	**3,206**	**3,875**	**4,543**	**5,092**
- YoY growth	25.1%	27.7%	20.9%	17.2%	12.1%

INTERIMS (US$m)	1H17A	2H17A	1H18E	2H18E	1H19E
6M ending:	Jun-17	Dec-17	Jun-18	Dec-18	Jun-18
TWPI	12,174	14,219	13,966	15,829	16,081
Net premiums	11,579	14,138	13,271	15,627	15,282
Other op. revenue	104	120	146	172	168
Investment income	3,429	3,760	3,740	3,934	4,146
Total revenue	15,112	18,018	17,158	19,733	19,596
Net claims	(9,778)	(11,868)	(10,893)	(13,217)	(12,544)
Acquisition expenses	(1,518)	(1,954)	(1,746)	(1,899)	(1,930)
Operating expenses	(949)	(1,070)	(1,047)	(1,187)	(1,206)
Other expenses	(190)	(216)	(264)	(274)	(285)
Total expenses	(12,435)	(15,108)	(13,950)	(16,578)	(15,965)
Share of associates	3	(3)	-	-	-
Operating PBT	**2,680**	**2,907**	**3,207**	**3,155**	**3,632**
Tax on operating profit	(429)	(488)	(536)	(527)	(606)
Non-controlling interests	(18)	(17)	(20)	(20)	(23)
Operating profit	**2,233**	**2,402**	**2,651**	**2,609**	**3,002**
- YoY growth	15.6%	17.8%	18.7%	8.6%	13.2%
Operating EPS (USc)	18.5	19.9	22.0	21.6	24.9
EPS (USc)	27.0	27.0	15.5	21.6	24.9
DPS (HK$)	0.26	0.74	0.30	0.95	0.34
ANP	2,906	2,718	3,152	3,233	3,668
- YoY growth	35.7%	4.6%	8.5%	18.9%	16.4%
VNB	1,605	1,601	1,932	1,943	2,252
- YoY growth	39.1%	18.1%	20.4%	21.4%	16.6%
VNB margin	54.5%	57.7%	60.5%	59.0%	60.6%
EV	47,035	50,779	53,637	56,656	59,483

Source: Company data, Macquarie Research, July 2018

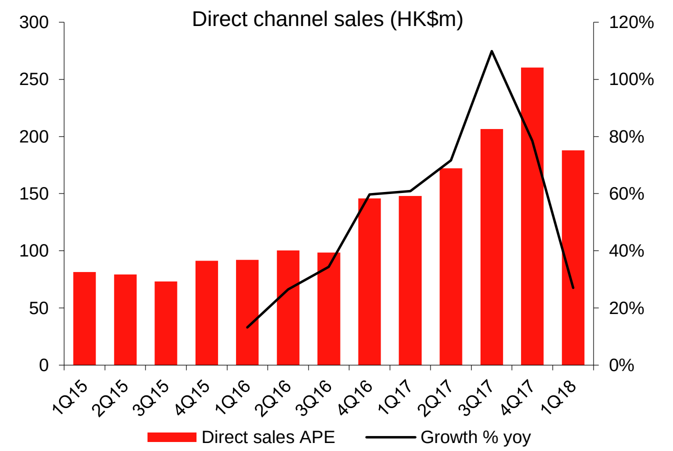
AIA enters the online market

- Earlier this year in May, AIA announced the hire of Daisuke Iwase as Group Chief Digital Officer. This is a high profile recruit given Mr Iwase's previous role as Founder and CEO of Asia's only listed internet insurer, LifeNet Insurance (7157 JP, Not rated) in Japan.
- Last month, AIA launched its official online sales channel called AIA iShop (ishop.aia.com.hk) in Hong Kong. We consider this significant as the company has arguably the most to lose and has historically avoided the direct channel. Now it is clear that AIA is investing in the digital space. On the one hand, this is an exciting step forward for the company's sales, customer engagement and efficiency prospects; on the other hand, it represents a possible conflict with the agency channel.
- In this report, we explore the online life market in HK and investigate AIA's new products against similar offerings in the market.

The direct distribution channel in Hong Kong

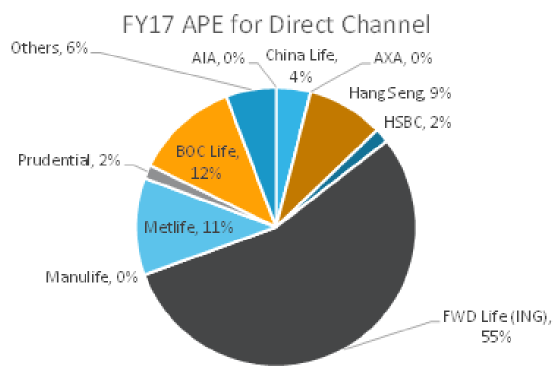
- The direct channel accounts for less than 1% of sales in HK, according to HKIA data. This definition of direct distribution would include telemarketing and other internal channels where no commission is paid (eg. salaried consultants and advisers). For AIA, direct channel was zero last year.
- Whilst the market is obviously small at present, we expect it to represent a major opportunity in the mid-long term, particularly for products with simple features (eg. P&C, term life, medical).
- At present, Fig 3 shows that FWD appears to be the leader in this small channel, currently controlling >50% of direct channel sales. However we note several other insurers ramping up in the online space over the past 12 months.
- Earlier this year, HSBC expressed its intentions to expand in the online channel. Despite having the largest captive bancassurance unit in HK, the company has a target to generate a third of new policies from online sales by the end of 2019. This goal is set alongside its strategic intentions announced this month under new Chairman Mark Tucker (ex AIA CEO) to accelerate growth in Asian insurance and wealth management.
- Interestingly, AXA is also investing heavily in digital capabilities under new Asia CEO Gordon Watson (ex AIA Regional MD).

Fig 2 HK life market: Direct channel



Source: HKIA, Macquarie Research, July 2018

Fig 3 HK life market: Shares of direct channel



Source: HKIA, Macquarie Research, July 2018

AIA enters the online market with nine products

- Prior to the launch of iShop earlier in June, it was not possible to purchase an AIA product over the internet. Even obtaining a price quote was difficult without meeting with an agent.
- iShop allows customers to research and purchase products over the internet quickly and easily. Currently, there are nine products available on iShop. Of these, six are life products and three are P&C. Of the six life products, five are pure protection products.
- The Fig below summarises the products made available on AIA iShop at present. We investigate two of the protection products, *Wisdom term* and *Cancer Guardian*, against alternatives in the market later in this report.

Fig 4 AIA Hong Kong: Nine products launched on iShop

AIA products	Type of product
Cancer Guardian Series	Medical cash product
Simply love encore 2	Par saving product
Wisdom term	Term life
Here for you refundable accident	Accident and protection
Super adults shield	Accident and protection
Secure first	Accident and protection
Domestic workers protector	P&C
Executive Golfer	P&C
Comprehensive personal liability insurance 2	P&C

Source: Company data, Macquarie Research, July 2018

- One of our first observations is that iShop products tend to be very similar to what is already available via the agent channel. The iShop products appear to be a more basic version with lower sums assured (SA), narrower coverage and somewhat lower premiums (presumably due to lower acquisition cost).
- It makes sense that products sold online need to be simpler. Whilst a helpful live chat feature exists on the website, asking questions about the product is not as straightforward as in other channels. The industry implication of simpler product features is greater commoditisation and competition.
- The life industry in HK has historically not been subject to price competition given a preponderance of exclusive distribution. This now appears to be gradually opening up as others offer online products and inevitably web aggregators will find a niche. Consumer purchase behaviour is demanding financial providers make their products available online. So this latest strategy could be viewed as somewhat defensive for AIA.
- Our first impression is somewhat different however. To us, **this appears to be a sensible strategy aimed at customer acquisition**. We show later that the products themselves are not so attractive (neither features nor price) that they represent a grave threat to the company's other channels. Indeed, we expect the products have been reviewed by AIA's agent channel management before release to ensure minimal internal conflict.
- **We believe one of the core goals of iShop is to attract a younger, more nimble, first-time insurance customer** with an entry-level product purchase. This grassroots customer acquisition strategy then allows upsell as the customer's insurance needs expand.
- Of course, in the longer term, as more companies participate online, there is a risk that this strategy cannibalises other channels and/or drives down prices and margins in other channels. That is precisely why the industry has avoided the online marketplace until now.

What are competitors offering in the online market?

- We have looked across the market to determine what peers in Hong Kong are doing in the online space. Surprising to us was the discovery of how few products are truly available online.
- **Including AIA, there exist only five players offering life products online.** Other major players Prudential, AXA, Manulife, MetLife and Aviva are not yet set up online for life sales. Whilst they obviously have websites for customer research and advertisement purposes, they do not offer online price quotes or online underwriting capabilities.
- Whilst Prudential does offer some products online, they are all short term general insurance products offered by its P&C subsidiary.
- Health insurer Bupa has a useful website offering quotes for a wide range of short-term health products. However only one of these products (an entry level hospital care product) is available for purchase online. All other products require the applicant to call the hotline or leave their contact details.
- Even amongst the five companies offering online life products, the quality of website designs can be poor, making it difficult to access the products, in our experience. For example, China Life's online engine is in Chinese. To get a proposal in English, the customer is required to send an email request. At HSBC, whilst the full range of products is advertised, only a selection can be purchased online, and we found it difficult to determine which products are available online.
- We observe that the majority of products offered online are small-ticket pure protection products. The most common offerings are medical (cash or lump sum), accident and term life. For these three types of products, most companies can underwrite online and allow a direct purchase and payment on the website.
- Only AIA, FWD and China Life offer savings products online. We note that only China Life allows a purchase of savings product directly online without speaking to an advisor. We understand that it is a legal requirement to complete a financial needs assessment form before purchasing a savings oriented product.

Fig 5 HK online life market: Product count

# of products		AIA	HSBC	FWD	BOC	China Life
Medical		1	3	2	2	4
Saving	Par	1				5
	Unit-linked			3		
Term		1	1	1	1	2
Accident		3	1		1	1
Total		**6**	**5**	**6**	**4**	**12**

Source: Company Data, Macquarie Research, July 2018

The customer experience

- We have zeroed in on the five players identified above offering online sales capabilities and compared the user experience across the various online platforms. Fig 6 sets out a summary of our findings.
- In terms of customers, all the companies allow permanent HK residents to purchase life insurance products directly online. None of the companies allow non-residents to purchase any products online.
- There appear to be different treatments of non-permanent HK residents between the companies. FWD appears to restrict access to tax foreigners and mainland Chinese. The other companies do not appear to have any such restrictions.
- For payment options, most companies appear to prefer HK-issued credit cards. HSBC only accepts its own branded credit cards and bank accounts. For all other banks, UnionPay cards are generally not accepted. Some companies do accept mainland Visa or Mastercard so long as the customer is willing to purchase via the financial advisor channel.
- In terms of access to support, AIA and FWD stand out due to live chat features. These allow instant online help without calling in to the helpdesk (which we found was a long wait!). We found HSBC the least helpful in the event of needing support, with no live chat support nor an obvious direct line to call for questions.
- AIA advertises that its iShop requires only “three minutes, three steps” and is “faster than one cross-harbour train stop.” We found this to be true in theory, on the proviso that the customer answers the nine rating factor questions very quickly and ignores the fine print explaining coverage and exclusions.
- Overall, we found AIA and FWD to operate the most user-friendly online platforms.

Fig 6 Online life insurance providers: Our assessment of the customer experience

	AIA	HSBC	FWD	BOC	China Life
HK permanent resident	Yes	Yes	Yes	Yes	Yes
HK ID cardholder	Yes	Yes	Yes, with some exceptions	Yes	No, need to go through FA
Non-HK ID cardholder	No	No	No	No	No
Visa & Mastercard – issued in HK	Yes	Yes , if issued by HSBC	Yes	Yes	Yes
Visa & Mastercard – issued in mainland	Yes	Yes, if issued by HSBC	Yes	Yes	No
UnionPay	No	Yes, if issued by HSBC	No	No	No
All online products available on same page	Yes	No	Yes	Yes	Yes
Automatic underwriting	Yes	Yes	Yes	Yes	Yes
Instant chat help feature	Yes	No	Yes	No	No
Helpline for online application	Yes	No	Yes	Yes	Yes

Source: Company Data, Macquarie Research, July 2018

Term Life: A case study of the market

- Term life is one of the simplest and more easily commoditised products, making it suitable for the online channel. We have compared term life products across the market to compare with AIA's recent offering.
- We have assessed our comparison on three basic factors: (1) underwriting factors, ie. what risks are companies willing to accept; (2) policy coverage and features, ie. what benefits are offered and their level of attractiveness to the customer; and (3) relative price. A summary is set out in Fig 7 overleaf and we discuss each of these factors below.
- Overall we conclude that AIA's offering is not particularly attractive to customers. We find that AIA's pricing is rarely the cheapest, whilst underwriting appears to be the most strict and contains the most exclusions. In short, **we do not expect the introduction of iShop's term life products to impact ANP or margins in the near term**.

Underwriting factors are fairly simple

- All companies request age, gender and smoking status. These are the only three factors used when determining the online quotes. However there are a number of further questions asked to determine whether the applicant can be automatically accepted online. Comparing these various underwriting factors, **it appears AIA has the tightest risk control**.
- AIA seeks information in 11 different areas covering major critical illness history, previous medical records and even lifestyle questions. Most other companies pose 5-9 underwriting questions.
- Only AIA asks lifestyle questions, such as participation in extreme sports & activities, weight, height and alcohol consumption. No other companies appear to ask these questions on their online applications.
- All companies ask about medical history. However AIA appears the most detailed, asking about medical specifics such as diabetes, blood pressure, cardiovascular and HIV. HSBC appears the least strict.
- Finally, in regards to medical history, AIA again appears most strict. In the past three years, applicants cannot have stayed in hospital for more than seven consecutive days. By contrast at FWD, the limit is set at 21 consecutive days, and 14 days for BOC Life.

Policy coverage & features are fairly standardised

- AIA offers the most flexibility on policy terms, at one-year, five-year and 20-year contracts. Most others only offer one or two different policy term options.
- Most companies allow a maximum sum assured (SA) of HK$2m. This represents 11x average income in HK (of ~HK$189k last year) which would appear to be sufficient for the majority of income-earners. HSBC offers the highest maximum SA at HK$5m.
- Pre-existing conditions and self-infliction are typically excluded. AIA has a somewhat longer list of exclusions including AIDS/HIV and congenital defects.

Prices are not cheap, even despite circumventing agent commission costs

- Given how easy term life products should be to quote, we are surprised how few like-for-like price comparisons are possible. All companies appear to focus on particular policy terms, rather than make this option available to customers. **Overall we conclude the prices across the sector are expensive**, and possibly no cheaper than the agent channel.
- In order to come to this conclusion, we have made some basic comparisons with comparefirst.sg the online quoting engine in Singapore. We see no reason why term life prices in HK should be any different to those in Singapore. Yet the prices quoted by AIA on iShop are typically 20-35% more expensive than a similar policy in Singapore (ie. same age, gender, sum assured and policy term).
- If we compare online prices against US (sourced via www.lifequotes.com), it appears that prices for online life cover in HK are >30% more expensive, and increasingly so for older ages >40.
- For five-year policy terms, AIA appears to be in line with peers. However we note that HSBC's 10Y term (ie. HSBC does not offer 5Y term) is significantly cheaper, despite the higher mortality cost of providing coverage over 10 years vs five years. So **HSBC appears to be the most competitive on price** currently.
- AIA's pricing strategy appears to be focused on longer-term policies. For 20-year terms, AIA is cheaper than the only other provider FWD. This is a sensible strategy to target longer term sales, in our view.

Fig 7 Online term life products: Market comparison of product features & prices

	AIA **Wisdom term**	**HSBC** **Simple Term Life Insurance**	**FWD** **Term life**	**BOC** **InstantPro Term Life Plan**	**China Life** **智簡易5年定期保險計劃**
Underwriting factors					
Age	Yes	Yes	Yes	Yes	Yes
Gender	Yes	Yes	Yes	Yes	Yes
Smoking	Yes	Yes	Yes	Yes	Yes
Decline of life insurance before	Yes	No	Yes	Yes	Yes
Major deceases, cancer, diabetes, high blood pressure, cardio vascular, HIV etc.	Yes	Yes, but only cancer, heart disease or stroke. Past 5 years for diabetes,	Yes	Yes	Yes
Recent year medical attention	Major medical attention for more than 7 days in past 3 years	Unexplained bleeding, weight loss, lump or growth in past year	Medical attention more than 21 days in past 3 years	Medical attention more than 14 days in past 3 years	Hospitalised or referred to specialist in past 5 years
Extreme sports? (eg. skydiving, motor racing, rock-climbing)	Yes	No	No	No	No
Subject to bankruptcy	Yes	No	No	No	No
Weight	Yes	No	No	No	No
Height	Yes	No	No	No	No
Alcohol consumption	Yes	No	No	No	No
Already has or applying for other critical illness products	No	No	No	No	Yes
Waiting for medical examination results	No	No	No	No	Yes
More than 2 direct relatives has cancer, stroke, heart attacked, and liver disease before age 55	No	No	No	No	Yes
Policy coverage & features					
Maximum sum assured (HK$)	2,000,000	5,000,000	2,000,000	2,000,000	3,200,000
Policy terms allowed	1, 5, or 20 years	10 years	20 years	5 years	5 or 20 years
Age at issue	18-55	19-60	19-60	18-60	18-60
Benefit term	up to 85	up to 80	up to 95	up to 75	up to 99
Terminal illness benefit	Yes	Yes	Yes, up to HK$1m	No	No
Exclusions	Self-inflicted Pre-existing conditions AIDS & HIV Congenital condition	Self-inflicted Pre-existing conditions	Self-inflicted Pre-existing conditions	Self-inflicted Pre-existing conditions	Unclear from online information

Price quotes: Annual premium **HK$ per HK$1m sum assured (Non-Smoker)**	**AIA**		**HSBC**		**FWD**		**BOC**		**China Life**	
Age (5Y term)	**Male**	**Female**					**Male**	**Female**	**Male**	**Female**
30	1,090	1,030					1,253	1,097	1,180	1,010
40	1,840	1,510					2,141	1,556	1,800	1,480
50	4,170	3,050					4,272	2,715	4,090	2,990
Age (10Y term)			**Male**	**Female**					**Male**	**Female**
30			782	671					1,300	1,030
40			1,432	1,091					2,310	1,830
50			3,204	2,713					5,270	3,800
Age (20Y term)	**Male**	**Female**			**Male**	**Female**				
30	1,440	1,080			1,933	1,685				
40	2,760	2,040			3,240	2,765				
50	6,360	4,440			7,333	5,638				

Source: Company data, Macquarie Research, July 2018

Cancer protection: A case study

- We have also undertaken a case study of cancer products. Whilst a number of medical products appear to be on offer by the five companies, cancer protection seemed to be the most common offering. Nonetheless, we find significant variation in product features and coverage. China Life and BOC offer cancer coverage only as a rider, and so have excluded these companies from our case study.
- Similar to our case study of term life earlier, we benchmark the products according to three basic factors, as set out below.
- Overall we conclude that AIA's product offering seems more appealing vs alternative online offerings, but seems unlikely to prove popular with consumers. Whilst **AIA's iShop cancer products generally offer more coverage at lower price point**, there is no guarantee of renewal pricing. This may attract younger customers (while premiums are inexpensive), but we also expect higher lapses at middle & older ages when morbidity rates rise sharply. This seems to be somewhat self-defeating.

Underwriting factors seem similar to intermediated channels

- All companies request age, gender and smoking status. These are the only three factors used when determining the online quotes.
- However a number of yes/no questions are posed to ensure control of risks remains tight. Any negative responses to the underwriting questions automatically invalidate the automatic underwriting process and require the applicant to contact the company.
- AIA appears to have the strictest underwriting questions. In general AIA asks for seven questions, while the FWD and HSBC post 3-4 questions. AIA also is unique in asking lifestyle-related questions (ie. alcohol and drug related).
- We note AIA's product design includes the largest sum assured. This may explain the somewhat stricter underwriting process.

The most coverage in the market (albeit a narrow market)

- The AIA cancer guardian series screens well against competing offers in the current market place. It has the highest available coverage, the most options to suit different needs, only coverage of semi-private hospital rooms, the highest allowed issue age and the only product which allows the policyholder to renew whole-life without age limit.
- The FWD cash product is a much lower end and basic product compared to the AIA offer. We understand from FWD that there is a range of cancer protection products, however in order to access to more premier products, the customers have to go through the financial advisors channel.
- We also note that AIA has a lot more exclusion conditions vs FWD products. However the conditions are similar to the HSBC cancer lump sum product. We do not find these exclusions excessive given the allowed sum assured levels.

Pricing is not yet standardised

- We note that most companies do not offer level premiums (ex HSBC) but rather reserve the right to reprice with each renewal year. Whilst this allows greater control over claims ratios, it is unattractive to customers, in our view. Level premiums give the customer visibility into future premiums and allow the near-term (ie. healthier) pricing to compensate for higher morbidity later in life.
- Price comparisons are not straightforward as product features vary. We expect greater product standardisation (commodisation?) in future, particularly with the commencement of VHIS likely later this year. We have tried to make some general observations.
- AIA and FWD premiums are quoted on different SA. The FWD maximum SA of HK$500k is only half of the lowest available at AIA. Aligning these in a linear fashion, AIA appears to be cheaper.
- AIA's products are cheaper than HSBC, however a like-for-like comparison is not possible. Firstly HSBC offers a lump sum benefit structure (vs AIA's cash reimbursement) which implies broader coverage. Secondly HSBC premiums are quoted as 10Y level premiums, so they will naturally be more expensive in year one.

Fig 8 Online cancer medical products: Market comparison of product features & prices

	AIA **Cancer guardian**	**AIA** **Cancer guardian plus**	**AIA** **Cancer Guardian Mega**	**FWD** **Cansurance Cancer Protection Plan**	**HSBC** **Cancer Term Protector**
Underwriting factors					
Age	Yes	Yes	Yes	Yes	Yes
Gender	Yes	Yes	Yes	Yes	Yes
Smoking	Yes	Yes	Yes	Yes	Yes
Parents or sibling with cancer	Yes	Yes	Yes	Yes (also heart, stroke, diabetes or renal failure before age 50)	Yes, cancer before 60
Previous medical conditions	Yes (previous tests for cancer, tumor or major illnesses)			Yes (previous tests for cancer, tumor or any major illnesses)	Yes (diagonosed with cancer, carcinoma in-situ, heart desease, stroke, hepatitis C, diabetes or HIV/AIDs)
Medical history previous 5 years	Yes (investigated with X-ray, scan, biopsy, ECG, blood or urine tests)			No	Yes (investigated with X-ray, scan, biopsy, ECG, blood or urine tests. Any tumour or medical condition in brain, blood, lungs, livers or kidneys)
Medical history previous 3 years	No	No	No	No	Yes (hospitalised for more than 14 consecutive days)
Medical history previous 1 year	Yes (eg. dizziness, skin lesions, prolonged headache)			No	No
Waiting for medical screening results	Yes	Yes	Yes	No	No
Past 10 years drugs and alcohol addictions?	Yes	Yes	Yes	No	No
Decline, postponed for protection life insurance	Yes	Yes	Yes	No	No
Policy coverage & features					
Allowed application age	15 days - 70 years	15 days - 70 years	15 days - 70 years	19 - 55	19-60
Sum assured (as quoted)	1,000,000	1,000,000	3,000,000	500,000	2,500,000
Number of claims covered	3	3	3	1	1
Protection on specific target	0	500,000	1,500,000	None	None
Death benefit	20,000	20,000	30,000	10,000	2,500,000
Early critical illness covered	No	No	No	No	20% SA
Room type	Semi-private	Semi-private	Semi-private	Standard ward	NA
Waiting period	5 years	5 years	5 years	NA	NA
Protection period	Guaranteed renewal for life	Guaranteed renewal for life	Guaranteed renewal for life	Guaranteed renewal til age 100	Up to age 80
Geographic coverage	Any Hong Kong hospitals, only networked Chinese hospitals			Asia	NA
Key benefits	Covers diagnostic, treatment, reconstructive surgery, mornitoring (up to 5Y), some additional caring benefits with limited amount per day			Covers diagnostic, treatment, reconstructive surgery, mornitoring (up to 5Y), some additional caring benefits with limited amount per	Lump sum
Additional features	Option to join Vitality	Option to join Vitality	Option to join Vitality	Coversion to full medical Job change benefit Special event benefit Extended grace period	NA
Exclusions	Pre malignant Cervical Cancer [CIN I & II] Drug & alcohol abuse Pre-existing conditions Nuclear,bio and chemical contamination Non-medically necessary Congenital cancer diagnosed by age 17 Experimental, unproven or unconventional medical treatment HIV related Mental/psycological or psychiatric conditions Preventative/vaccines for cancer			HIV related Drug or alcohol abuse	Suicide in the first year Ill in the first 90 days HIV related Pre existing condition Drug & alcohol abuse Tumours which are benign pre-malignant or dysplasia Carcinoma in-situ All skin cancer other than malignant Melanomas Cervical cancer [CIN I, II & III] Ovary tumour classified as T1aN0M0 or FIGO 1A Prostate cancer T1a or T1b Chronic Lymphocytic Leukaemia less than RAI stage 3

Price quotes: Annual premium	AIA Cancer guardian		AIA Cancer guardian plus		AIA Cancer Guardian Mega		FWD		HSBC	
Level premium term	No		No		No		No		10 years	
Waiver of premium	No		No		No		No		Yes, after early CI	
Sum assured (HK$)	1,000,000	1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	500,000	500,000	1,000,000	1,000,000
Age(non-smoker)	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
30	923	1,320	980	1,399	1,619	2,310	689	1,076	1,631	2,663
50	2,991	5,275	3,178	5,614	5,244	9,265	2,317	3,970	8,520	8,210

Source: Company data, Macquarie Research, July 2018

Earnings and valuation

- We have refreshed our forecasts to reflect the June 1H18 balance date. Our FY18 EPS forecast has fallen by 15% and 1H18 EV by 2%. The impact on our OPAT forecasts is <0.5%. We have made no changes to our VNB forecasts, which imply that VNB rises by 15% yoy in 2Q18.
- In 1H18, the MSCI Asia-Pacific index (in USD terms) fell by 5.3%. We consider this the best proxy for the company's overall equity return during the period. Based on EV assumptions as at FY17, the equity return assumption (on country-weighted basis) was 8.4% for FY18. We estimate this negative equity experience had a pre-tax impact on P&L (via non-operating items) and EV of ~US$1.2bn during 1H18. We have allowed for this in our forecasts.
- In 1H18, the USD weakened against most of AIA's most important currencies. This has a positive impact on USD-denominated financial metrics. At the Group level, considering AIA's country mix, we estimate FX movements contributed ~3% tailwind for OPAT and VNB. Our forecasts already broadly allowed for this and we have not made further change for FX movements in this report.
- A summary of changes to key forecasts is set out in the Fig below.

Fig 9 AIA Group: Changes to our forecasts

USm	FY18E Current	FY18E Previous	FY18E ∆	FY18E ∆ %	FY19E Current	FY19E Previous	FY19E ∆	FY19E ∆ %
TWPI	29,795	29,795	-	0%	33,845	33,845	-	0%
Operating PBT	6,362	6,377	(15)	0%	7,101	7,131	(31)	0%
OPAT	5,260	5,273	(12)	0%	5,870	5,896	(26)	0%
NPAT	4,479	5,273	(794)	-15%	5,870	5,896	(26)	0%
Operating ROE	11.9%	11.7%	0.1%		12.3%	12.1%	0.2%	
ROE	10.1%	11.7%	-1.6%		12.3%	12.1%	0.2%	
Operating EPS (c)	43.6	43.7	(0.1)	0%	48.6	48.8	(0.2)	0%
EPS (c)	37.1	43.7	(6.6)	-15%	48.6	48.8	(0.2)	0%
DPS (c)	16.1	16.2	(0.0)	0%	18.0	18.1	(0.1)	0%
Value & volume metrics								
TWPI	29,795	29,795	-	0%	33,845	33,845	-	0%
EV	56,656	57,615	(959)	-2%	63,408	64,433	(1,025)	-2%
VNB	3,875	3,875	-	0%	4,543	4,543	-	0%
VNB margin	59.7%	59.7%	0.0%		60.4%	60.4%	0.0%	
ANP	6,385	6,385	-	0%	7,407	7,407	-	0%
Operating RoEV	15.1%	15.1%	-0.1%		15.5%	15.3%	0.1%	

Source: Company data, Macquarie Research, July 2018

- We have also refreshed our valution. The impact on of the above changes to our forecasts was <2%. We value AIA at HK$67.08 using an adjusted actuarial appraisal methodology. We have not altered our HK$66 target price.

Fig 10 AIA Group: Fair valuation

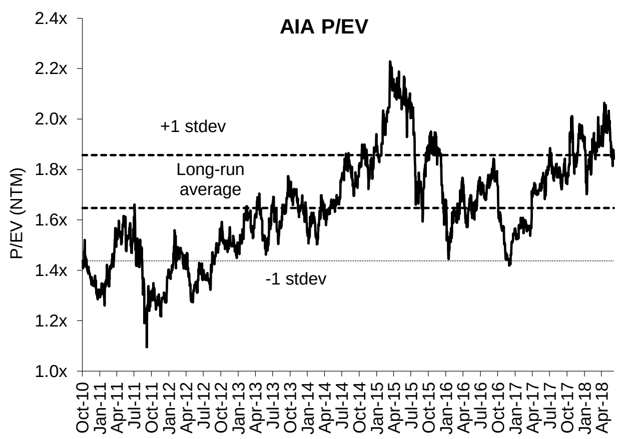
AIA valuation as at December 2019

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other mkts	Corporate	GROUP
Existing book:								
EV (reported basis)	21,133	10,615	6,790	3,109	8,748	8,870	4,142	63,408
MQ adjustments	(1,331)	(669)	(428)	(196)	(551)	(559)	(261)	(3,994)
Adjusted EV	19,802	9,946	6,363	2,913	8,197	8,311	3,881	59,413
Future business:								
NPV of VNB (refer below)	14,551	4,262	4,037	2,625	24,225	5,764	(2,321)	53,144
MQ adjustments	(2,118)	(620)	(588)	(382)	(3,526)	(839)	-	(8,074)
Minorities							(246)	(246)
Value of future business	12,433	3,642	3,450	2,243	20,699	4,925	(2,566)	44,825
VALUATION	**32,234**	**13,588**	**9,812**	**5,156**	**28,896**	**13,236**	**1,315**	**104,238**
No. shares (mn)								12,074
PER SHARE (HK$)	**$ 20.74**	**$ 8.74**	**$ 6.31**	**$ 3.32**	**$ 18.60**	**$ 8.52**	**$ 0.85**	**$ 67.08**
Implied P/EV	1.63x	1.37x	1.54x	1.77x	3.53x	1.59x		1.75x
Implied P/B								2.1x
Implied PER								17.8x
Composition of value:								
Existing book	21,133	10,615	6,790	3,109	8,748	8,870	4,142	63,408
New business: 1st 10Y	9,982	3,006	2,624	1,742	14,221	3,898	(1,495)	33,976
New business: 10Y+	4,569	1,256	1,414	883	10,004	1,867	(826)	19,168
APPRAISAL VALUE	35,684	14,878	10,828	5,734	32,974	14,634	1,821	116,552
MQ adjustments	(3,449)	(1,289)	(1,015)	(578)	(4,077)	(1,398)	(507)	(12,314)
VALUATION	**32,234**	**13,588**	**9,812**	**5,156**	**28,896**	**13,236**	**1,315**	**104,238**
NPV of VNB forecasts								
5Y CAGR	-0.2%	2.0%	1.0%	3.8%	11.5%	12.9%	3.9%	6.3%
10Y CAGR	3.2%	4.6%	3.1%	5.0%	12.1%	11.6%	6.6%	8.1%
Terminal growth rate	2.0%	4.0%	2.0%	3.5%	4.0%	4.5%	2.0%	3.7%
Risk free	2.5%	4.5%	3.0%	4.0%	4.5%	7.0%	2.5%	
ERP	8.5%	9.0%	7.0%	8.0%	8.0%	9.0%	8.5%	
Beta	1.40	1.40	1.40	1.40	1.40	1.40	1.40	
RDR - new business	14.4%	17.1%	12.8%	15.2%	15.7%	19.6%	14.4%	**15.7%**
NPV of VNB	14,551	4,262	4,037	2,625	24,225	5,764	(2,321)	**53,144**
Implied NBM	9.4x	8.9x	10.5x	10.3x	15.4x	11.4x		**11.7x**

Source: Company data, Macquarie Research, July 2018

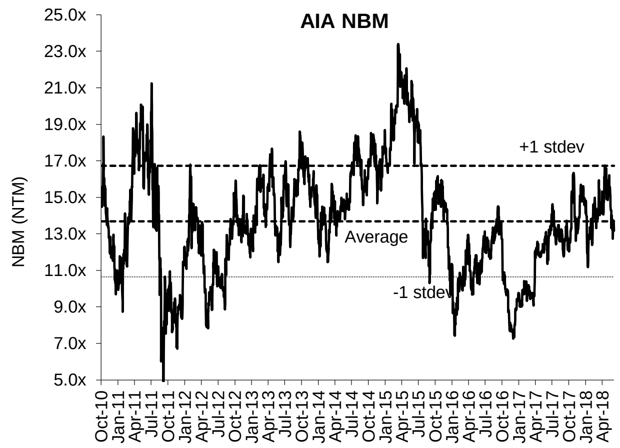
- Relative to its long-run trading history, at 1.8x P/EV and 13x VNB, the stock does not look overvalued.

Fig 11 AIA: Historic P/EV multiple



Source: Bloomberg, Macquarie Research, July 2018

Fig 12 AIA: Historic new business multiple



Source: Bloomberg, Macquarie Research, July 2018

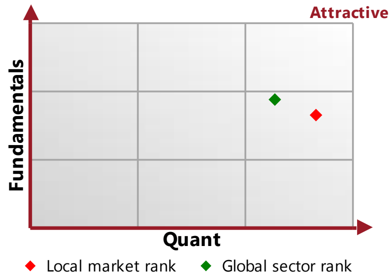
Macquarie Quant View

The quant model currently holds a strong positive view on AIA Group. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Earnings Momentum, indicating this stock has received earnings downgrades and is not well liked by sell side analysts.

61/251

Global rank in Insurance

% of BUY recommendations	71% (12/17)
Number of Price Target downgrades	0
Number of Price Target upgrades	1

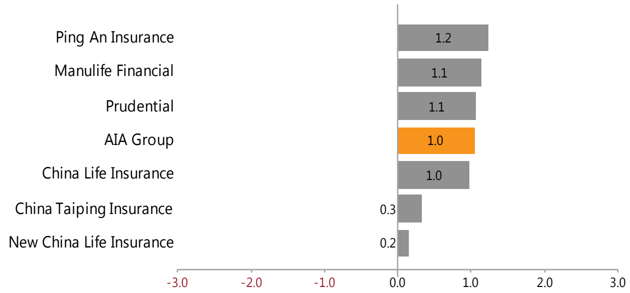


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (Hong Kong) and Global sector (Insurance)

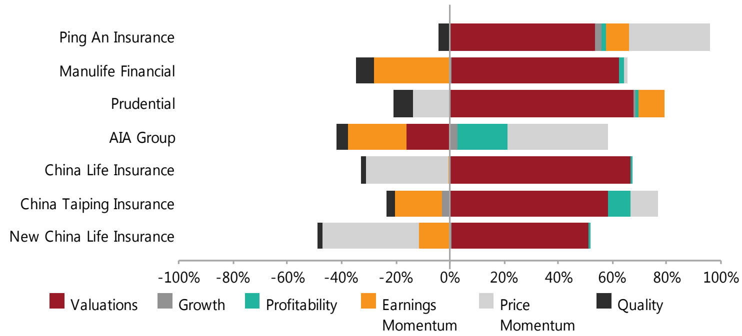
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



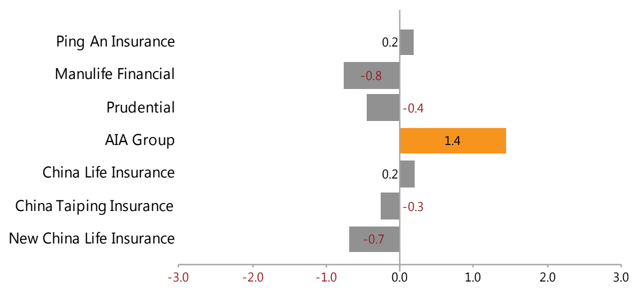
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



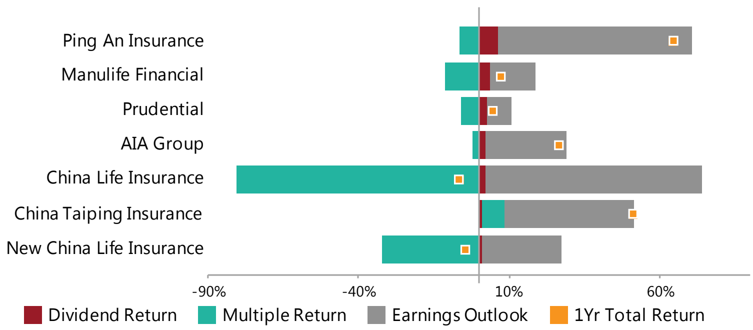
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



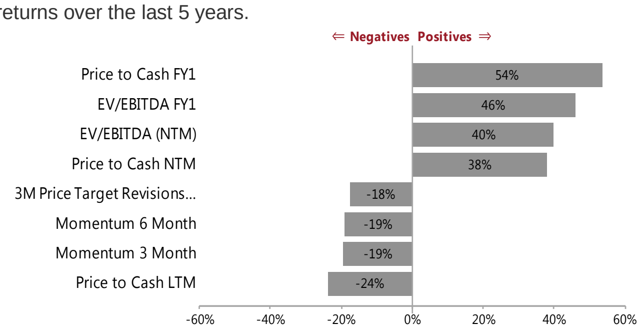
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



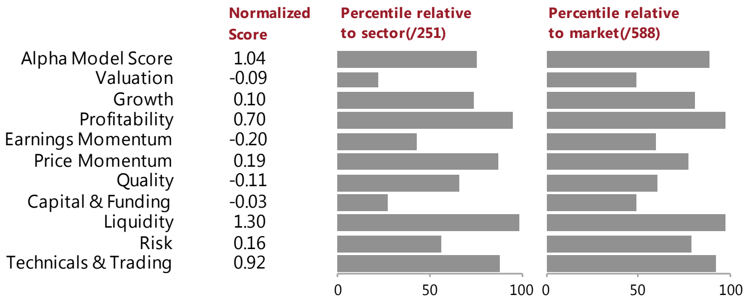
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpg@macquarie.com)

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie – South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 June 2018

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	52.87%	61.26%	48.86%	47.54%	69.86%	46.61%	(for global coverage by Macquarie, 3.51% of stocks followed are investment banking clients)
Neutral	34.10%	27.25%	36.36%	46.72%	21.92%	43.22%	(for global coverage by Macquarie, 2.10% of stocks followed are investment banking clients)
Underperform	13.03%	11.49%	14.77%	5.74%	8.22%	10.17%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

1299 HK vs HSI, & rec history

(all figures in HKD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, July 2018

12-month target price methodology

1299 HK: HK$66.00 based on a Appraisal Value methodology

Company-specific disclosures:
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Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/research/disclosures.

Date	Stock Code (BBG code)	Recommendation	Target Price
18-May-2018	1299 HK	Neutral	HK$66.00
28-Feb-2018	1299 HK	Underperform	HK$59.00
15-Feb-2018	1299 HK	Underperform	HK$55.00
28-Sep-2017	1299 HK	Underperform	HK$53.00
28-Jul-2017	1299 HK	Neutral	HK$54.00
09-May-2017	1299 HK	Neutral	HK$53.00
05-Jan-2017	1299 HK	Neutral	HK$47.00
31-Oct-2016	1299 HK	Neutral	HK$45.00
12-Sep-2016	1299 HK	Neutral	HK$47.00
29-Jul-2016	1299 HK	Neutral	HK$46.00
20-Jul-2016	1299 HK	Neutral	HK$45.00
26-Feb-2016	1299 HK	Neutral	HK$43.00
17-Feb-2016	1299 HK	Neutral	HK$42.00
15-Sep-2015	1299 HK	Neutral	HK$44.00
24-Jul-2015	1299 HK	Underperform	HK$46.00

Target price risk disclosures:
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