

## COMPANY NOTE

Target | Estimate Change

China | Technology | Internet

15 May 2015

# Jefferies

## HC International (2280 HK) Accelerating Core B2B Deterioration; Micro-Credit Financing Supports Profit.

### Key Takeaway

**1Q15 results missed our estimates, attributed to a deteriorating SME-based traditional business. HC aims to accelerate its business transition to the B2B2C model through aggressive M&A activities, for which we see significant execution uncertainty in post-merger integration, training and talent retention. Maintain Hold; revised up PT by 24% to HK\$12.4.**

**1Q15 results missed.** 1Q15 revenue came in at RMB211.5mn, down 5.5% YoY and down 13.2% QoQ, 21% below our estimate, attributed to deteriorating SME-based traditional business growth as a result of economic slowdown. Online service revenue dropped 11.7% YoY and 15.2% QoQ to RMB168.7mn. Net income came in 47.5% below our estimate at RMB25mn, -40.8% YoY.

**Execution uncertainty in accelerating business transition through M&A.** HC aims to accelerate its business transition from a B2B to a B2B2C model through aggressive M&A activities, targeting possibly 15-20 deals over the next two years. Management plans to learn from the B2B2C business model of ZOL, which it acquired in mid-May, and apply and customize in several other FMCG-related verticals. HC is also trying to expand its customer base beyond SME to large enterprises as SME demand slows down amidst macro weakness. We believe there is significant execution uncertainty in terms of post-merger integration, talent retention and training, etc.

**Micro-credit financing business on track.** Management targets loan amounts of RMB2bn by YE15 for its JV. Loan size of MaiMailoan is RMB100K-300K at an annualized interest rate of 12% and 6.6% guarantee and consultation service fee plus one-time fee of RMB6,600, which is equivalent to 23%-24% of annual interest cost. For now, the loan outstanding has reached nearly RMB1bn, and total accumulated loan amount has achieved RMB3bn, where HC profits from 10% annual interest rate margin. We revised down 2Q15/FY15 revenue est. by 21.5%/18.9% and earnings by 45.5%/27%, respectively.

### Valuation/Risks

Maintain Hold; revised up PT by 24% to HK\$12.4 based on 42.5x FY15 P/E, 20% premium to Internet peer average of 35.4x. This implies 16x FY16 P/E, 31% discount to peer average of 23.3x. We hold our view that current price reflects fair valuation. HC is currently trading at 43.4x FY15 P/E. Risks include worse-than-expected SME deterioration and macro slowdown, execution of post-merger integration and uncertainties related to evolving business model.

RMB	Prev.	2014A	Prev.	2015E	Prev.	2016E	Prev.	2017E
Rev. (MM)	--	966.6	1,303.1	1,057.3	2,127.0	1,763.8	2,327.4	1,901.1
Chg (% YoY)	--	15.4%	34.8%	9.4%	63.2%	66.8%	9.4%	7.8%
Operating Profit	--	184.2	276.7	185.0	714.1	614.9	847.9	727.6
Net Profit	--	187.6	232.6	169.8	593.8	522.4	689.9	615.7
BV/Share	--	1.91	3.59	3.49	3.80	3.63	4.62	4.36
P/B	--	5.3x		2.9x		2.8x		2.3x
EPS Growth	--	9.4%	17.9%	(14.9)%	120.1%	165.3%	16.2%	17.9%
<b>EPS</b>								
FY Dec	--	0.27	0.32	0.23	0.71	0.62	0.82	0.73
FY P/E	--	37.5x		44.0x		16.3x		13.9x

**HOLD**

Price target HK\$12.40  
(from HK\$10.00)  
Price HK\$12.64

Bloomberg: 2280 HK

### Financial Summary

Book Value (MM):	RMB1,315.2
Book Value/Share:	HK\$1.91
Net Debt (MM):	(RMB1,180.0)
Return on Avg. Equity:	16.1%
Long-Term Debt (MM):	RMB596.1
Cash & ST Invest. (MM):	RMB1,322.0

### Market Data

52 Week Range:	HK\$19.80 - HK\$4.73
Total Entprs. Value (MM):	HK\$7,190.2
Market Cap. (MM):	HK\$8,370.2
Shares Out. (MM):	662.2
Float (MM):	333.6
Avg. Daily Vol.:	11,567,590

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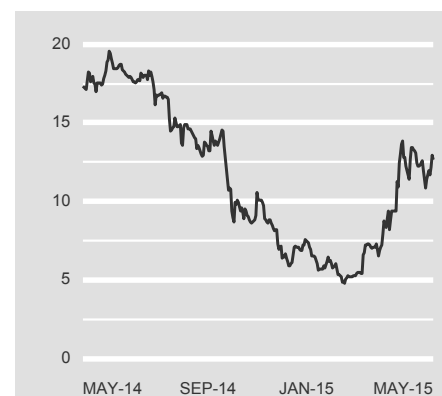
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### Price Performance



**Scenarios****Target Investment Thesis**

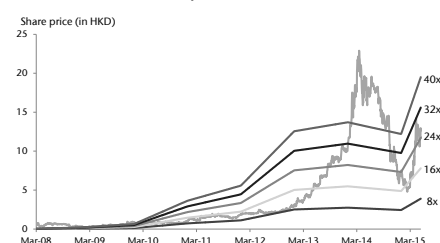
- No.2 domestic B2B player in China's B2B market.
- Vertical expansion into 20+ new areas with increasing revenue contribution from higher margin online services.
- PT of HK\$12.4 based on 42.5x FY15 P/E, and FY15 diluted EPS of HK\$0.29

**Upside Scenario**

- HC continues to gain market share in domestic B2B market and successfully expands into new verticals.
- Paying users of Mai-Mai-Tong grow rapidly and more customers purchase search products.
- Execution of new businesses is better-than-expected
- PT of HK\$15.4 is based on 46.5x FY15P/E, and FY15 diluted EPS of HK\$0.33.

**Downside Scenario**

- HC revenue growth slows down, and loses market share to its peers.
- Paying user growth for Mai-Mai-Tong slows down.
- PT of HK\$9.5 is based on 37.5x FY15P/E, and FY15 diluted EPS of HK\$0.25.

**Long Term Analysis****1 Year Forward P/E**

Source: Bloomberg, Jefferies

**Long Term Financial Model Drivers**

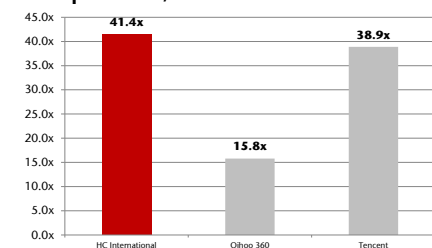
<b>LT Earnings CAGR</b>	<b>50.8%</b>
Organic Revenue Growth	-1.4%
Acquisition Contribution	123.6%
Operating Margin Expansion	19.2%

Note: our LT earnings CAGR & organic revenue growth is annualised growth from FY14-17. Operating margin expansion calculated from FY14-17E.

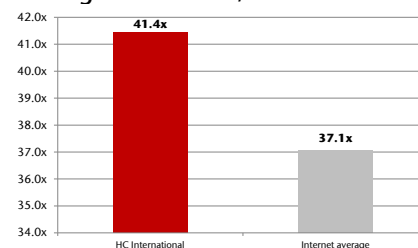
**Other Considerations**

We estimate China's SMEs to reach 60.8mn in 2014 with an e-Commerce penetration of 33.7%, based on 20.5mn B2B e-Commerce users as estimated by 100EC.

China's SMEs B2B market grew by 24% YoY to RMB29bn in 2015, and is expected to reach RMB53.7bn in 2018, according to iResearch

**Peer Group****Group FY15 P/E**

Source: Bloomberg, Jefferies

**Earnings Growth vs P/E**

Source: Bloomberg, Jefferies

**Recommendation / Price Target**

Ticker	Rec.	PT
<b>2280 HK</b>	<b>Hold</b>	<b>HK\$12.4</b>
QIHU US	Hold	US\$54
700 HK	Hold	HK\$185

**Catalysts**

- Continued expansion into 20+ new verticals over the next 3 years by acquiring quality vertical players.
- Successful launch of Home Appliance City.
- HCPay starts to generate revenue through commission fee based on transaction value.

**Company Description**

HC International is one of the leading domestic B2B e-Commerce operators in China, covering over 50 vertical sectors including home appliance, auto parts, construction materials and hotel equipment. It offers a marketplace platform for small and medium enterprises ("SMEs") spanning across 100 cities nationwide, with physical branches established in 12 cities.

# 1Q15 Results Review

## 1Q15 results missed our estimates

Revenue was RMB211.5mn, down 5.5% YoY and 13.2% QoQ, 21% below our estimates. Online services revenue was RMB168.7mn, down 11.7% YoY and 15.2% QoQ.

Reported operating profit was RMB25.7mn, down 41.5% YoY and 13.4% QoQ, 55.5% below our estimate. Operating margin was 12.2%, -7.5pcpt YoY and flattish QoQ, 9.4pcpt lower than our estimates.

1Q15 net profit declined by 40.8% YoY, and 7.3% QoQ, to RMB25mn, 47.5% below our estimates.

EPS in 1Q15 was RMB0.04, 47.5% below our estimate.

**Chart 1: 1Q15 Results Review**

	1Q15A	2Q15E	3Q15E	4Q15E	2015E	1Q15		
						Actual	JEF Estimate	Actual vs. JEF
<b>Total Revenue (in RMB mn)</b>	<b>211.5</b>	<b>220.6</b>	<b>265.9</b>	<b>359.3</b>	<b>1,057.3</b>	211.5	267.8	-21.0%
QoQ % Change	-13.2%	4.3%	20.5%	35.1%	194.3%			
YoY % Change	-5.5%	-8.6%	3.2%	47.4%	9.4%			
Cost of revenue	19.5	19.9	23.9	59.9	123.2			
<b>Gross profit</b>	<b>192.0</b>	<b>200.7</b>	<b>242.0</b>	<b>299.3</b>	<b>934.1</b>	192.0	247.7	-22.5%
QoQ % Change	-14.3%	4.5%	20.5%	23.7%	212.0%			
YoY % Change	-7.3%	-14.0%	5.3%	33.6%	4.5%			
Gross margin	90.8%	91.0%	91.0%	83.3%	88.3%	90.8%	92.5%	-1.7%
Selling Expenses	120.6	123.5	135.6	168.6	548.3			
General and Administrative Expenses	46.3	46.3	45.2	63.0	200.8			
<b>Reported operating Profit</b>	<b>25.7</b>	<b>31.4</b>	<b>61.7</b>	<b>68.3</b>	<b>187.1</b>	25.7	57.7	-55.5%
QoQ % Change	-13.4%	22.3%	96.3%	10.7%				
YoY % Change	-41.5%	-46.6%	0.4%	130.2%	-3.5%			
Reported operating margin	12.2%	14.2%	23.2%	19.0%	17.7%	12.2%	21.6%	-9.4%
<b>Adjusted operating Profit</b>	<b>25.2</b>	<b>30.9</b>	<b>61.2</b>	<b>67.8</b>	<b>185.0</b>			
QoQ % Change	3.6%	22.7%	98.0%	10.8%	173.0%			
YoY % Change	-39.5%	-46.5%	0.9%	179.1%	0.4%			
Adjusted operating margin	11.9%	14.0%	23.0%	18.9%	17.5%			
<b>Net income before income tax</b>	<b>28.6</b>	<b>42.2</b>	<b>76.4</b>	<b>87.0</b>	<b>234.2</b>			
Income Tax	(7.4)	(10.9)	(19.7)	(22.4)	(60.3)			
effective tax rate	25.8%	25.8%	25.8%	25.8%	25.8%			
<b>Attributable Net Income</b>	<b>25.0</b>	<b>31.3</b>	<b>56.7</b>	<b>64.6</b>	<b>177.7</b>	25.0	47.6	-47.5%
QoQ % Change	-7.3%	25.1%	81.3%	13.9%	175.0%			
YoY % Change	-40.8%	-48.0%	-2.5%	139.4%	-5.3%			
Net margin	11.8%	14.2%	21.3%	18.0%	16.8%	11.8%	17.8%	-6.0%
<b>EPS, diluted (RMB)</b>	<b>0.04</b>	<b>0.05</b>	<b>0.08</b>	<b>0.08</b>	<b>0.25</b>	0.04	0.07	-47.5%
QoQ % Change	-7.3%	25.1%	81.3%	-7.1%	218.9%			
YoY % Change	-40.7%	-47.8%	-2.0%	95.4%	-10.1%			

Source: Company data, Bloomberg, Jefferies

**Execution uncertainty in accelerating business transition through M&A**

HC aims to accelerate its business transition from a B2B to a B2B2C model through aggressive M&A activities, targeting possibly 15-20 deals over the next two years. Management plans to learn from the B2B2C business model of ZOL, which it acquired in mid-May, and apply and customize in several other FMCG-related verticals. HC is also trying to expand its customer base beyond SME to large enterprises as SME demand slows down amidst macro weakness. We hold the view that there is significant execution uncertainty in terms of post-merger integration, talent retention and training, etc.

**Micro-credit financing business on track**

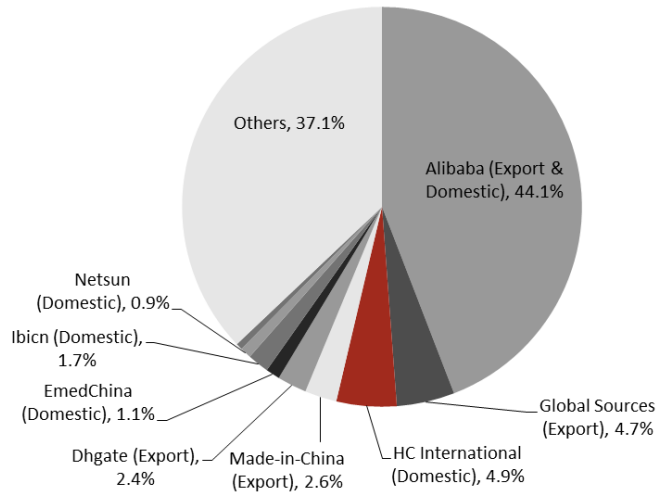
The number of micro credit loan customers will range from 5k to 10k, mostly existing quality customers who have been Mai-mai-tong members for at least one year. Management targets loan amounts of RMB2bn by YE15 for its JV. Loan size of MaiMaiLoan is RMB100K-300K at an annualized interest rate of 12% and 6.6% guarantee and consultation service fee plus one-time fee of RMB6,600, which is equivalent to 23%-24% of annual interest cost. For now the loan outstanding has reached nearly RMB1bn, and the total accumulated loan amount has achieved RMB3bn, where HC profits from a 10% annual interest rate margin. We revised down 2Q15/FY15 revenue est. by 21.5%/18.9% and earnings by 45.5%/27%, respectively.

We are modelling RMB2bn outstanding loan balance by YE15 with RMB35mn post-tax share of profits attributable to HC based on a 10% NIM. We note that this is subject to interest rate risk depending on China's economic situation and benchmark interest rate as set by PBOC.

## Internet Operating Stats

**Chart 2: China's B2B Market Share by GMV in 1Q15**

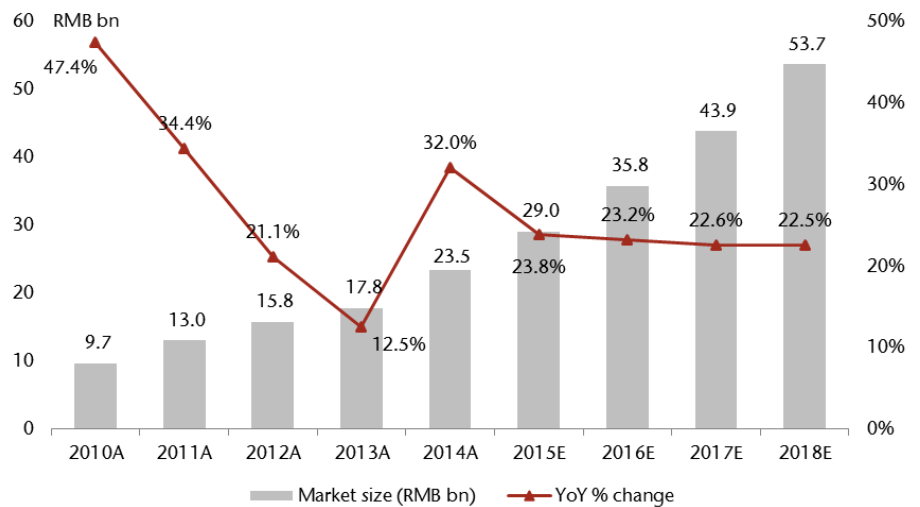
HC International was ranked no.3 in China's overall B2B market with 4.9% market share (including domestic and international B2B) in 1Q15, -0.2pcpt QoQ, according to Analysys International.



Source: Analysys International as of May 2015, Jefferies.

**Chart 3: China's SME B2B Market Size (2010A-2018E)**

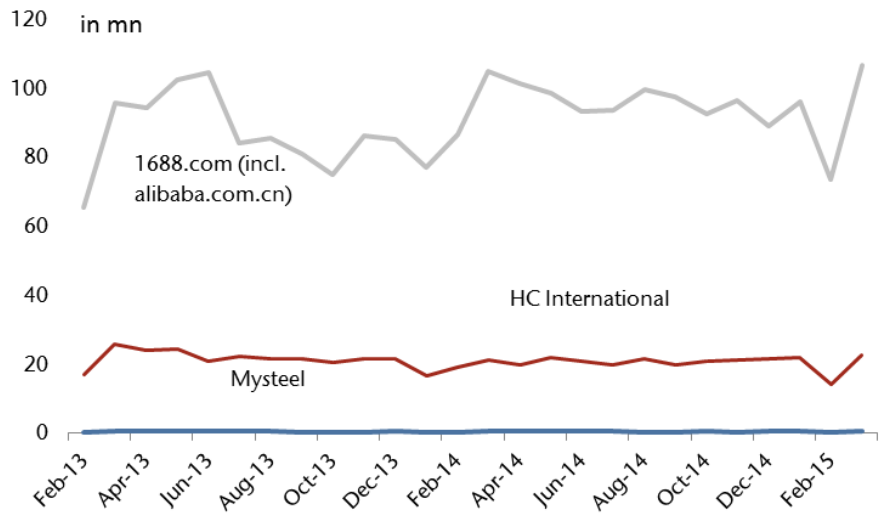
China's SMEs B2B market size grew to RMB23.5bn in 2014, with a 4-year CAGR of 24.7%. China's SMEs B2B market size is expected to reach RMB53.7bn in 2018, with a 4-year CAGR of 23%, according to iResearch.



Source: iResearch as of Jan 2015, Jefferies.

As a result of business activity rebound since Chinese New Year in February, MAU of HC International website increased 6.5% YoY and 61.9% QoQ to 22.7mn in March 2015, while that of Alibaba's 1688.com increased 1.6% YoY.

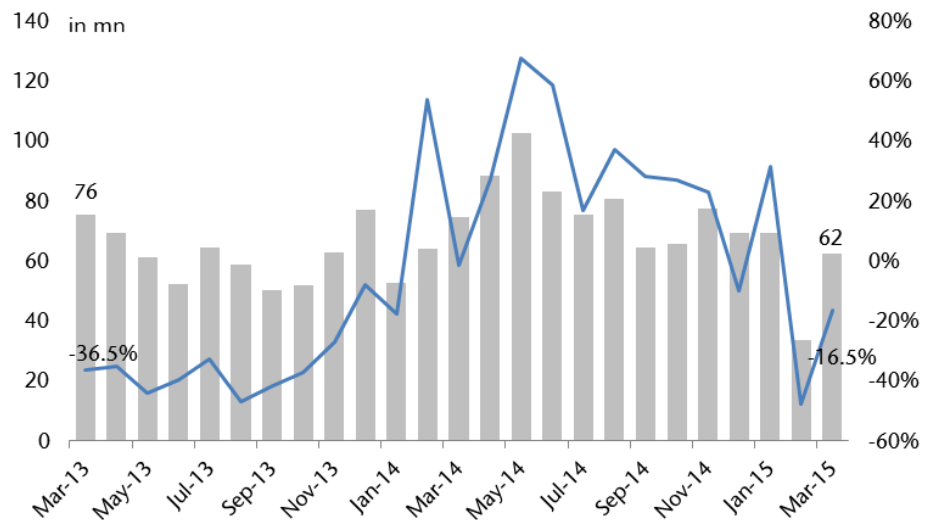
**Chart 4: MAU Comparison of Major Domestic B2B Websites (Mar 2013-Mar 2015)**



Source: iResearch as of Apr 2015, Jefferies

Monthly PVs of HC International reached 62.3mn in March 2015, down 16.5% YoY but up 86% QoQ, according to iResearch.

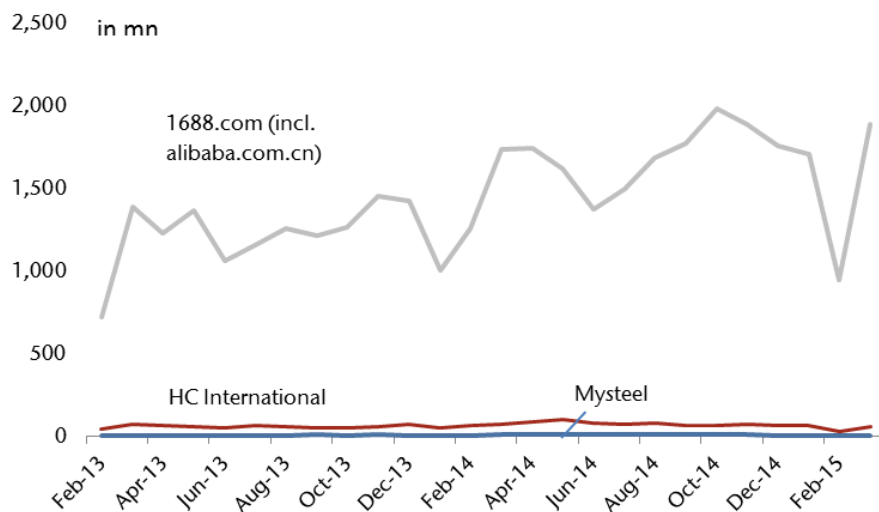
**Chart 5: Monthly Page View (PV) Trend of HC (Mar 2013-Mar 2015)**



Source: iResearch as of Apr 2015, Jefferies.

Monthly PVs of HC International reached 62.3mn in March 2015, down 16.5% YoY but up 86% QoQ, vs. 1,886.8mn PVs of 1688.com, +8.4% YoY and +98.6% QoQ, according to iResearch.

**Chart 6: Monthly Page View (PV) Comparison of Major Domestic B2B Websites (Mar 2013-Mar 2015)**



Source: iResearch as of Apr 2015, Jefferies.

## Quarterly and Full Year Forecast

### 2Q15

We expect HC's 2Q15 revenue of RMB220.6mn, +4.3% QoQ and -8.6% YoY. We expect online services revenue of RMB186mn, +10.3% QoQ but down 14.9% YoY, accounting for 84.3% of total revenue.

We expect gross margin decrease by 5.7pcpt YoY to 91% in 2Q15. As such, we forecast adjusted operating margin (as a % of net revenue) to decline 9.9pcpt to 14% in 2Q15. We expect the company to achieve operating profit of RMB30.9mn, up 22.76% QoQ but down 46.5% YoY.

We estimate HC's 2Q15 net profit to reach RMB29.4mn, +17.6% QoQ and -51.1% YoY. We expect a diluted EPS of RMB0.04, -50.9% YoY.

**Chart 7: 2Q15 Forecast**

	2Q15 JEF Estimates	Mgmt Guidance	% YoY	Consensus - May 5	JEF vs. Consensus
Total revenue (in RMB mn)	221	N/A	-8.6%	n.a.	n.a.
Gross profit (in RMB mn)	201		-14.0%	n.a.	n.a.
Reported operating profit (in RMB mn)	31		-46.6%	n.a.	n.a.
Net profit (in RMB mn)	29		-51.1%	n.a.	n.a.
EPS, diluted (in RMB)	0.04		-50.9%	n.a.	n.a.

Source: Company data, Bloomberg, Jefferies



**FY15**

We expect HC's 2015 revenue of RMB1,057.3mn, +34.8% YoY. We expect online services revenue of RMB748.7mn, -7.9% YoY, implying 70.8% of total revenue, and RMB115mn incremental revenue contribution from ZOL.

We expect a decline in gross margin from 92.5% in 2014 to 88.3% in 2015. We forecast operating profit to grow 0.4% YoY to RMB185mn with operating margin of 17.5% in 2015, vs 19.1% in 2014.

We estimate HC's 2015 net profit to reach RMB169.8mn, -9.5% YoY. We expect a diluted EPS of RMB0.32, -14.1% YoY.

**Chart 8: Our Estimates vs. Consensus**

	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15E	3Q15E	4Q15E	2015E	FY15E		
										JEF Estimate	Consensus - May 11	JEF vs. Consensus
<b>Total Revenue (in RMB mn)</b>	<b>223.9</b>	<b>241.4</b>	<b>257.6</b>	<b>243.7</b>	<b>211.5</b>	<b>220.6</b>	<b>265.9</b>	<b>359.3</b>	<b>1,057.3</b>	1,057.3	1,267.0	-16.6%
QoQ % Change	-5.9%	7.8%	6.7%	-5.4%	-13.2%	4.3%	20.5%	35.1%	194.3%			
YoY % Change	38.8%	22.9%	6.4%	2.4%	-5.5%	-8.6%	3.2%	47.4%	9.4%			
Cost of revenue	16.7	8.1	27.9	19.7	19.5	19.9	23.9	59.9	123.2			
<b>Gross profit</b>	<b>207.2</b>	<b>233.3</b>	<b>229.7</b>	<b>224.0</b>	<b>192.0</b>	<b>200.7</b>	<b>242.0</b>	<b>299.3</b>	<b>934.1</b>	934.1	1,175.9	-20.6%
QoQ % Change	-6.5%	12.6%	-1.5%	-2.5%	-14.3%	4.5%	20.5%	23.7%	212.0%			
YoY % Change	37.7%	25.7%	8.4%	1.1%	-7.3%	-14.0%	5.3%	33.6%	4.5%			
Gross margin	92.5%	96.7%	89.2%	91.9%	90.8%	91.0%	91.0%	83.3%	88.3%	88.3%	92.8%	-4.5%
Selling Expenses	129.8	134.7	128.7	137.4	120.6	123.5	135.6	168.6	548.3			
General and Administrative Expenses	35.8	40.9	40.4	62.4	46.3	46.3	45.2	63.0	200.8			
<b>Reported operating Profit</b>	<b>44.0</b>	<b>58.9</b>	<b>61.4</b>	<b>29.7</b>	<b>25.7</b>	<b>31.4</b>	<b>61.7</b>	<b>68.3</b>	<b>187.1</b>	187.1	308.2	-39.3%
QoQ % Change	-19.7%	33.8%	4.4%	-51.7%	-13.4%	22.3%	96.3%	10.7%				
YoY % Change	96.6%	50.9%	14.3%	-45.8%	-41.5%	-46.6%	0.4%	130.2%	-3.5%			
Reported operating margin	19.6%	24.4%	23.8%	12.2%	12.2%	14.2%	23.2%	19.0%	17.7%	17.7%	24.3%	-6.6%
<b>Adjusted operating Profit</b>	<b>41.6</b>	<b>57.7</b>	<b>60.6</b>	<b>24.3</b>	<b>25.2</b>	<b>30.9</b>	<b>61.2</b>	<b>67.8</b>	<b>185.0</b>			
QoQ % Change	-21.8%	38.9%	5.0%	-60.0%	3.6%	22.7%	98.0%	10.8%	173.0%			
YoY % Change	91.8%	50.0%	14.2%	-54.3%	-39.5%	-46.5%	0.9%	179.1%	0.4%			
Adjusted operating margin	18.6%	23.9%	23.5%	10.0%	11.9%	14.0%	23.0%	18.9%	17.5%			
Interest income	6.3	9.7	7.1	8.7	11.4	7.1	7.1	7.1	32.7			
Interest expense	(0.2)	(0.2)	(0.2)	(4.3)	(10.7)	(6.4)	(6.4)	(6.4)	(29.9)			
Net interest income	6.1	9.5	6.9	4.4	0.7	0.7	0.7	0.7	2.8			
Share of profit/(loss) of an associated company/C	-	(0.1)	(0.2)	0.7	2.2	7.5	10.5	13.5	33.7			
<b>Net income before income tax</b>	<b>50.0</b>	<b>68.2</b>	<b>68.1</b>	<b>34.8</b>	<b>28.6</b>	<b>39.6</b>	<b>72.9</b>	<b>82.5</b>	<b>223.6</b>			
Income Tax	(9.0)	(10.0)	(12.8)	(6.1)	(7.4)	(10.2)	(18.8)	(21.2)	(57.6)			
effective tax rate	18.0%	14.7%	18.8%	17.4%	25.8%	25.8%	25.8%	25.8%	25.8%			
<b>Attributable Net Income</b>	<b>42.3</b>	<b>60.2</b>	<b>58.2</b>	<b>27.0</b>	<b>25.0</b>	<b>29.4</b>	<b>54.1</b>	<b>61.2</b>	<b>169.8</b>	169.8	280.2	-39.4%
QoQ % Change	-22.4%	42.3%	-3.3%	-53.6%	-7.3%	17.6%	84.0%	13.2%	177.2%			
YoY % Change	108.5%	87.8%	25.0%	-50.5%	-40.8%	-51.1%	-7.0%	126.9%	-9.5%			
Net margin	18.9%	24.9%	22.6%	11.1%	11.8%	13.3%	20.4%	17.0%	16.1%	16.1%	22.1%	-6.1%
<b>EPS, diluted (RMB)</b>	<b>0.06</b>	<b>0.09</b>	<b>0.08</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.08</b>	<b>0.07</b>	<b>0.23</b>	0.23	0.38	-37.8%
QoQ % Change	-30.5%	42.2%	-3.4%	-53.4%	-7.3%	17.6%	84.0%	-7.6%	221.5%			
YoY % Change	82.5%	65.8%	11.4%	-55.5%	-40.7%	-50.9%	-6.6%	85.2%	-14.1%			

Source: Company data, Bloomberg, Jefferies

Chart 9: Quarterly Summary

	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15E	3Q15E	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E
<b>Total Revenue (in RMB mn)</b>	<b>223.9</b>	<b>241.4</b>	<b>257.6</b>	<b>243.7</b>	<b>211.5</b>	<b>220.6</b>	<b>265.9</b>	<b>359.3</b>	<b>417.2</b>	<b>425.3</b>	<b>471.5</b>	<b>449.8</b>
QoQ % Change	-5.9%	7.8%	6.7%	-5.4%	-13.2%	4.3%	20.5%	35.1%	16.1%	1.9%	10.9%	-4.6%
YoY % Change	38.8%	22.9%	6.4%	2.4%	-5.5%	-8.6%	3.2%	47.4%	97.3%	92.8%	77.3%	25.2%
Cost of revenue	16.7	8.1	27.9	19.7	19.5	19.9	23.9	59.9	59.1	60.3	65.0	64.1
<b>Gross profit</b>	<b>207.2</b>	<b>233.3</b>	<b>229.7</b>	<b>224.0</b>	<b>192.0</b>	<b>200.7</b>	<b>242.0</b>	<b>299.3</b>	<b>358.1</b>	<b>365.0</b>	<b>406.5</b>	<b>385.7</b>
QoQ % Change	-6.5%	12.6%	-1.5%	-2.5%	-14.3%	4.5%	20.5%	23.7%	19.6%	1.9%	11.4%	-5.1%
YoY % Change	37.7%	25.7%	8.4%	1.1%	-7.3%	-14.0%	5.3%	33.6%	86.5%	81.8%	68.0%	28.8%
Gross margin	92.5%	96.7%	89.2%	91.9%	90.8%	91.0%	91.0%	83.3%	85.8%	85.8%	86.2%	85.8%
Selling and Marketing Expenses	129.8	134.7	128.7	137.4	120.6	123.5	135.6	168.6	155.1	161.3	173.2	169.4
Administrative Expenses	35.8	40.9	40.4	62.4	46.3	46.3	45.2	63.0	58.7	60.1	62.8	59.9
<b>Reported operating Profit</b>	<b>44.0</b>	<b>58.9</b>	<b>61.4</b>	<b>29.7</b>	<b>25.7</b>	<b>31.4</b>	<b>61.7</b>	<b>68.3</b>	<b>144.9</b>	<b>144.2</b>	<b>171.0</b>	<b>156.9</b>
QoQ % Change	-19.7%	33.8%	4.4%	-51.7%	-13.4%	22.3%	96.3%	10.7%	112.2%	-0.5%	18.6%	-8.2%
YoY % Change	96.6%	50.9%	14.3%	-45.8%	-41.5%	-46.6%	0.4%	130.2%	463.8%	358.8%	177.1%	129.7%
Reported operating margin	19.6%	24.4%	23.8%	12.2%	12.2%	14.2%	23.2%	19.0%	34.7%	33.9%	36.3%	34.9%
<b>Adjusted operating Profit</b>	<b>41.6</b>	<b>57.7</b>	<b>60.6</b>	<b>24.3</b>	<b>25.2</b>	<b>30.9</b>	<b>61.2</b>	<b>67.8</b>	<b>144.4</b>	<b>143.6</b>	<b>170.5</b>	<b>156.4</b>
QoQ % Change	-21.8%	38.9%	5.0%	-60.0%	3.6%	22.7%	98.0%	10.8%	113.1%	-0.5%	18.7%	-8.3%
YoY % Change	91.8%	50.0%	14.2%	-54.3%	-39.5%	-46.5%	0.9%	179.1%	473.8%	365.1%	178.7%	130.8%
Adj. Operating margin	18.6%	23.9%	23.5%	10.0%	11.9%	14.0%	23.0%	18.9%	34.6%	33.8%	36.2%	34.8%
<b>Net income before income tax</b>	<b>50.0</b>	<b>68.2</b>	<b>68.1</b>	<b>34.8</b>	<b>28.6</b>	<b>39.6</b>	<b>72.9</b>	<b>82.5</b>	<b>163.2</b>	<b>164.7</b>	<b>193.8</b>	<b>182.0</b>
Income Tax	(9.0)	(10.0)	(12.8)	(6.1)	(7.4)	(10.2)	(18.8)	(21.2)	(42.0)	(42.4)	(49.9)	(46.9)
effective tax rate	18.0%	14.7%	18.8%	17.4%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
<b>Attributable Net Income</b>	<b>42.3</b>	<b>60.2</b>	<b>58.2</b>	<b>27.0</b>	<b>25.0</b>	<b>29.4</b>	<b>54.1</b>	<b>61.2</b>	<b>121.2</b>	<b>122.3</b>	<b>143.9</b>	<b>135.1</b>
QoQ % Change	-22.4%	42.3%	-3.3%	-53.6%	-7.3%	17.6%	84.0%	13.2%	97.9%	0.9%	17.6%	-6.1%
YoY % Change	108.5%	87.8%	25.0%	-50.5%	-40.8%	-51.1%	-7.0%	126.9%	384.5%	315.8%	165.9%	120.6%
Net margin	18.9%	24.9%	22.6%	11.1%	11.8%	13.3%	20.4%	17.0%	29.0%	28.8%	30.5%	30.0%
<b>EPS, diluted (RMB)</b>	<b>0.06</b>	<b>0.09</b>	<b>0.08</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	<b>0.08</b>	<b>0.07</b>	<b>0.14</b>	<b>0.15</b>	<b>0.17</b>	<b>0.16</b>
QoQ % Change	-30.5%	42.2%	-3.4%	-53.4%	-7.3%	17.6%	84.0%	-7.6%	97.9%	0.9%	17.6%	-6.1%
YoY % Change	82.5%	65.8%	11.4%	-55.5%	-40.7%	-50.9%	-6.6%	85.2%	295.4%	239.4%	117.0%	120.6%
<b>EPS, diluted (HKD)</b>	<b>0.08</b>	<b>0.11</b>	<b>0.11</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.10</b>	<b>0.09</b>	<b>0.18</b>	<b>0.18</b>	<b>0.21</b>	<b>0.20</b>
QoQ % Change	-30.1%	43.7%	-3.6%	-53.2%	-8.6%	17.6%	84.0%	-7.6%	97.9%	0.9%	17.6%	-6.1%
YoY % Change	84.9%	70.2%	14.8%	-54.7%	-40.8%	-51.6%	-7.6%	82.6%	295.4%	239.4%	117.0%	120.6%

Source: Company data, Jefferies

## Model Revision

### 2Q15

We revised down our 2Q15 revenue estimate by 21.5% to Rmb220.6mn, as we revised down our online service revenue estimate by 21.8%. As such, we revised down our gross profit forecast by 24.6% to RMB200.7mn.

We raised forecasted administrative expenses to sales ratio from 18% to 21% for 2Q15 and raised forecasted selling and marketing expenses to sales ratio by 2pcpt to 56%.

Consequently, we revised down our 2Q15 net profit forecast by 42% to RMB31.3mn and EPS estimate to RMB0.05.

### FY15

We revised down our revenue forecast for 2015 by 18.9%, attributed to deteriorating SME-based traditional business growth as a result of economic slowdown.

We revised down our gross profit forecast by 20.6% to RMB934.1 mn.

We revised down estimated net profit by 27% to RMB169.8mn, -9.5% YoY.

### FY16

We revised down our revenue forecast for 2016 by 17.1%.

We revise down our gross profit forecast by 18.8% to RMB1,515.3mn, and revised down estimated net profit by 12% to RMB522.4mn, +207.7% YoY.

## Chart 10: Model Revisions

	2Q15E	2015E	2016E	2017E
<b>Revenue (in RMB mn)</b>				
Old	280.9	1,303.1	2,127.0	2,327.4
YoY % change	16.4%	34.8%	63.2%	9.4%
New	220.6	1,057.3	1,763.8	1,901.1
YoY % change	-8.6%	9.4%	66.8%	7.8%
Revision % Change	-21.5%	-18.9%	-17.1%	-18.3%
<b>Online services</b>				
Old	237.9	964.7	1,080.7	1,156.5
YoY % change	8.9%	18.7%	12.0%	7.0%
New	186.0	748.7	756.2	778.9
YoY % change	-14.9%	-7.9%	1.0%	3.0%
Revision % Change	-21.8%	-22.4%	-30.0%	-32.6%
<b>Trade catalogues and yellow page directories</b>				
Old	6.4	26.7	16.0	9.6
YoY % change	-25.0%	-25.0%	-40.0%	-40.0%
New	5.1	21.0	12.6	7.6
YoY % change	-41.0%	-41.0%	-40.0%	-40.0%
Revision % Change	-21.3%	-21.3%	-21.3%	-21.3%
<b>Seminars and other services</b>				
Old	14.3	101.9	101.9	101.9
YoY % change	0.0%	0.0%	0.0%	0.0%
New	15.6	110.8	116.3	119.8
YoY % change	8.7%	8.7%	5.0%	3.0%
Revision % Change	8.7%	8.7%	14.2%	17.6%
<b>B2B household electrical appliances business exhibition centre</b>				
Old	0.0	0.0	300.0	300.0
New	0.0	0.0	300.0	300.0
YoY % change				
Revision % Change				
<b>Gross profit</b>				
Old	266.3	1,176.0	1,866.6	2,041.0
YoY % change	14.1%	31.5%	58.7%	9.3%
New	200.7	934.1	1,515.3	1,630.5
YoY % change	-14.0%	4.5%	62.2%	7.6%
Revision % Change	-24.6%	-20.6%	-18.8%	-20.1%
<b>Operating profit</b>				
Old	64.0	276.7	714.1	847.9
YoY % change	10.9%	50.2%	158.0%	18.7%
New	30.9	185.0	614.9	727.6
YoY % change	-46.5%	0.4%	232.4%	18.3%
Revision % Change	-51.8%	-33.2%	-13.9%	-14.2%
<b>Selling and Marketing Expenses to sales ratio</b>				
Old	54.0%	51.5%	40.4%	38.4%
New	56.0%	51.9%	37.4%	35.0%
YoY % change				
Revision % Change	2.0%	0.4%	-3.1%	-3.3%
<b>Administrative Expenses to sales ratio</b>				
Old	18.0%	17.5%	13.8%	12.9%
New	21.0%	19.0%	13.7%	12.5%
YoY % change				
Revision % Change	3.0%	1.4%	-0.1%	-0.4%
<b>Net profit</b>				
Old	54.0	232.6	593.8	689.9
YoY % change	-10.3%	24.0%	155.3%	16.2%
New	29.4	169.8	522.4	615.7
YoY % change	-51.1%	-9.5%	207.7%	17.9%
Revision % Change	-45.5%	-27.0%	-12.0%	-10.8%
<b>EPS, diluted (in RMB)</b>				
Old	0.08	0.32	0.71	0.82
New	0.04	0.23	0.62	0.73
YoY % change	-50.9%	-14.1%	165.3%	17.9%
Revision % Change	-45.5%	-27.0%	-12.0%	-10.8%
<b>EPS, diluted (in HKD)</b>				
Old	0.10	0.41	0.89	1.04
New	0.05	0.29	0.77	0.91
YoY % change	-51.6%	-14.9%	165.3%	17.9%
Revision % Change	-46.3%	-28.0%	-13.3%	-12.0%

Source: Company data, Jefferies

## Chart 11: Key Assumptions

	2011A	2012A	2013A	2014A	2015E	2016E	2017E
<b>Online services</b>	289.6	411.5	693.9	812.9	748.7	756.2	778.9
YoY % change	76.1%	42.1%	68.6%	17.2%	-7.9%	1.0%	3.0%
As % of total revenue	66.1%	75.0%	82.8%	84.1%	70.8%	42.9%	41.0%
<b>Membership fees (MMT)</b>	188.2	235.7	302.9	337.7	286.4	294.4	317.1
YoY % change		25.2%	28.6%	11.5%	-15.2%	2.8%	7.7%
As % of online services	65.0%	57.3%	43.7%	41.5%	38.3%	38.9%	40.7%
As % of total revenue	42.9%	43.0%	36.2%	34.9%	27.1%	16.7%	16.7%
<b>Keywords search (Biao-Wang and others)</b>	57.9	151.0	356.3	441.9	448.4	448.4	448.4
YoY % change		160.7%	135.9%	24.0%	1.5%	0.0%	0.0%
As % of online services	20.0%	36.7%	51.3%	54.4%	59.9%	59.3%	57.6%
As % of total revenue	13.2%	27.5%	42.5%	45.7%	42.4%	25.4%	23.6%
<b>Online advertising</b>	43.4	24.8	34.7	33.3	13.9	13.5	13.5
YoY % change		-42.9%	39.9%	-4.1%	-58.2%	-3.0%	0.0%
As % of online services	15.0%	6.0%	5.0%	4.1%	1.9%	1.8%	1.7%
As % of total revenue	9.9%	4.5%	4.1%	3.4%	1.3%	0.8%	0.7%
<b>Trade catalogues and yellow page directories</b>	82.3	54.9	42.9	35.6	21.0	12.6	7.6
YoY % change		-33.3%	-21.8%	-17.0%	-41.0%	-40.0%	-40.0%
As % of total revenue	18.8%	10.0%	5.1%	3.7%	2.0%	0.7%	0.4%
<b>Seminars and other services</b>	66.5	82.2	100.9	101.9	110.8	116.3	119.8
YoY % change	28.3%	23.7%	22.7%	1.0%	8.7%	5.0%	3.0%
As % of total revenue	15.2%	15.0%	12.0%	10.5%	10.5%	6.6%	6.3%
<b>B2B household electrical appliances business exhibition centre</b>						300.0	300.0
YoY % change							
As % of total revenue						17.0%	15.8%
<b>ZOL</b>					115.0	486.5	575.0
YoY % change						323.0%	18.2%
As % of total revenue					10.9%	27.6%	30.2%
<b>Anti-counterfeiting products and services</b>				16.2	61.8	92.1	119.7
YoY % change					281.7%	49.0%	30.0%
As % of total revenue				1.7%	5.8%	5.2%	6.3%
<b>Total Revenue (in RMB mn)</b>	<b>438.4</b>	<b>548.6</b>	<b>837.7</b>	<b>966.6</b>	<b>1,057.3</b>	<b>1,763.8</b>	<b>1,901.1</b>
YoY % change	38.0%	25.1%	52.7%	15.4%	9.4%	66.8%	7.8%
<b>As % of sales</b>							
Cost of revenue as % of sales	15.3%	12.5%	8.1%	7.5%	11.7%	14.1%	14.2%
Selling and marketing expenses as % of sales	57.3%	58.0%	57.6%	54.9%	51.9%	37.4%	35.0%
Administrative expenses as % of sales	19.9%	17.8%	14.4%	18.6%	19.0%	13.7%	12.5%
<b>Gross profit</b>	371.2	479.9	769.5	894.2	934.1	1,515.3	1,630.5
YoY % change	46.2%	29.3%	60.4%	16.2%	4.5%	62.2%	7.6%
<b>Operating profit</b>	32.8	63.8	166.4	184.2	185.0	614.9	727.6
YoY % change	-964.5%	94.5%	160.8%	10.7%	0.4%	232.4%	18.3%
Operating margin	7.5%	11.6%	19.9%	19.1%	17.5%	34.9%	38.3%
<b>Attributable Net Profit</b>	<b>41.2</b>	<b>66.7</b>	<b>153.3</b>	<b>187.6</b>	<b>169.8</b>	<b>522.4</b>	<b>615.7</b>
YoY % change	494.2%	61.9%	129.8%	22.4%	-9.5%	207.7%	17.9%
Net margin	9.4%	12.2%	18.3%	19.4%	16.1%	29.6%	32.4%
<b>Earnings per share, diluted (in RMB)</b>	<b>0.08</b>	<b>0.11</b>	<b>0.25</b>	<b>0.27</b>	<b>0.23</b>	<b>0.62</b>	<b>0.73</b>
YoY % change	438.3%	50.4%	119.6%	9.6%	-14.1%	165.3%	17.9%
<b>Net Cash (Net Debt)</b>	255.0	418.4	909.3	1,180.2	956.5	1,615.2	2,267.5
<b>Ratios</b>							
Gross Margin	84.7%	87.5%	91.9%	92.5%	88.3%	85.9%	85.8%
Adj. Operating margin (before interest income & other l	7.5%	11.6%	19.9%	19.1%	17.5%	34.9%	38.3%
Net profit margin	9.4%	12.2%	18.3%	19.4%	16.1%	29.6%	32.4%
Capex/sales	15.1%	8.5%	28.7%	24.7%	5.0%	4.0%	3.0%
Debt/Capital	0.0%	0.9%	10.3%	9.7%	5.3%	4.4%	3.7%
Net Debt/Equity	-93.6%	-94.5%	-90.0%	-89.7%	-37.8%	-53.0%	-61.9%
ROA	7.7%	9.0%	10.9%	7.2%	4.4%	10.6%	10.8%
ROE	18.1%	18.7%	21.1%	16.1%	8.8%	18.7%	18.3%

Source: Company data, Jefferies

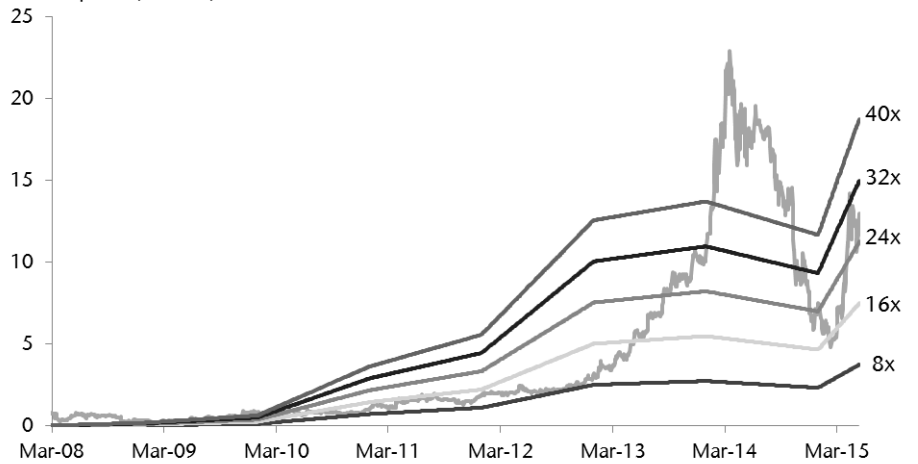
## Valuation

Maintain our Hold rating; revised up PT by 24% to HK\$12.4 based on 42.5x FY15 P/E, 20% premium to Internet peer average of 35.4x. This implies 16x FY16 P/E, 31% discount to peer average of 23.3x. We hold our view that current price reflects fair valuation. HC is currently trading at 43.4x FY15 P/E.

Risks include worse-than-expected SME deterioration and macro slowdown, execution of post-merger integration and uncertainties related to evolving business model.

**Chart 12: HC International Forward PE Band**

Share price (in HKD)



Source: Company data, Bloomberg, Jefferies



## Chart 14: Income Statement

	2011A	2012A	2013A	2014A	2015E	2016E	2017E
<b>Total Revenue</b>	<b>438.4</b>	<b>548.6</b>	<b>837.7</b>	<b>966.6</b>	<b>1,057.3</b>	<b>1,763.8</b>	<b>1,901.1</b>
YoY % change	38.0%	25.1%	52.7%	15.4%	9.4%	66.8%	7.8%
Cost of revenue	67.1	68.7	68.2	72.4	123.2	248.5	270.6
<b>Gross profit</b>	<b>371.2</b>	<b>479.9</b>	<b>769.5</b>	<b>894.2</b>	<b>934.1</b>	<b>1,515.3</b>	<b>1,630.5</b>
Gross margin	84.7%	87.5%	91.9%	92.5%	88.3%	85.9%	85.8%
Selling expenses	251.3	318.3	482.3	530.6	548.3	659.0	666.0
General and administrative expenses	87.2	97.7	120.8	179.4	200.8	241.4	236.9
<b>Adjusted operating Profit</b>	<b>32.8</b>	<b>63.8</b>	<b>166.4</b>	<b>184.2</b>	<b>185.0</b>	<b>614.9</b>	<b>727.6</b>
YoY % change	-964.5%	94.5%	160.8%	10.7%	0.4%	232.4%	18.3%
Adj. Operating margin	7.5%	11.6%	19.9%	19.1%	17.5%	34.9%	38.3%
Net Interest income	3.8	11.2	16.2	26.8	2.8	8.6	26.3
Share of profit/(loss) of an associated company	0.0	0.0	0.0	0.3	33.7	78.0	108.0
Net income before income tax	42.1	78.3	186.1	221.1	223.6	703.7	829.3
Income Tax	(9.3)	(12.9)	(34.6)	(37.8)	(57.6)	(181.3)	(213.6)
effective tax rate	22.0%	16.5%	18.6%	17.1%	25.8%	25.8%	25.8%
<b>Net Income</b>	<b>41.2</b>	<b>66.7</b>	<b>153.3</b>	<b>187.6</b>	<b>169.8</b>	<b>522.4</b>	<b>615.7</b>
YoY % change	494.2%	61.9%	129.8%	22.4%	-9.5%	207.7%	17.9%
Net margin	9.4%	12.2%	18.3%	19.4%	16.1%	29.6%	32.4%
EPS, basic (in RMB)	0.08	0.12	0.26	0.28	0.25	0.78	0.92
<b>EPS, diluted (in RMB)</b>	<b>0.08</b>	<b>0.11</b>	<b>0.25</b>	<b>0.27</b>	<b>0.23</b>	<b>0.62</b>	<b>0.73</b>
YoY % change	438.3%	50.4%	119.6%	9.6%	-14.1%	165.3%	17.9%
WA shares basic (mn)	518	554	582	662	667	667	667
WA shares diluted (mn)	546	589	616	688	724	840	840

Source: Company data, Jefferies



**Chart 15: Balance Sheet**

RMB mn	2011A	2012A	2013A	2014A	2015E	2016E	2016E
Cash and cash equivalents	255.0	422.6	1,025.1	1,322.0	1,098.4	1,757.0	2,409.3
Trade receivables	21.6	19.2	11.4	31.7	34.7	57.8	62.3
Deposits, prepayments and other receivables	27.4	42.7	33.2	57.5	62.9	104.9	113.0
Direct selling costs	69.5	85.1	136.4	113.7	124.4	207.5	223.7
Amount due from a related company	1.6	1.6	1.6	0.0	0.0	0.0	0.0
Amount due from an associated company	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current asset</b>	<b>375.0</b>	<b>571.1</b>	<b>1,207.7</b>	<b>1,525.4</b>	<b>1,320.8</b>	<b>2,127.8</b>	<b>2,808.9</b>
Land use rights	17.7	17.3	185.6	180.9	162.8	146.5	131.9
Intangible assets	0.5	0.0	0.0	105.7	58.7	32.6	18.1
Property, plant and equipment	178.4	207.9	214.6	296.1	315.5	350.4	367.8
Deferred income tax assets	2.6	4.4	3.2	4.5	4.2	7.1	7.6
Long term deposits, prepayments and other receivab	48.8	54.5	77.9	92.6	101.3	169.1	182.2
Investment in an associate company	0.0	0.0	20.0	45.5	45.5	45.5	45.5
Investment properties	0.0	0.0	39.5	195.0	195.0	195.0	195.0
Properties under development	0.0	0.0	208.3	359.4	359.4	359.4	359.4
<b>Total non current asset</b>	<b>247.9</b>	<b>284.1</b>	<b>749.1</b>	<b>1,724.7</b>	<b>3,187.6</b>	<b>3,250.6</b>	<b>3,252.6</b>
<b>Total asset</b>	<b>622.9</b>	<b>855.2</b>	<b>1,956.8</b>	<b>3,250.2</b>	<b>4,508.4</b>	<b>5,378.4</b>	<b>6,061.5</b>
Trade payables	2.3	2.8	2.6	3.0	5.1	10.3	11.2
Accrued expenses and other payables	29.7	33.7	64.6	72.8	79.6	132.8	143.1
Current portion of borrowings	0.0	0.0	11.2	98.5	98.5	98.5	98.5
Current portion of finance lease obligation	0.0	1.7	0.8	1.2	1.2	1.2	1.2
Deferred revenue	290.8	337.4	502.7	371.7	406.6	678.3	731.1
Other taxes payable	9.8	8.4	17.8	15.4	15.4	15.4	15.4
Income tax payable	8.9	15.8	22.4	26.5	26.5	26.5	26.5
Amount due to a related party	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current-liabilities</b>	<b>341.5</b>	<b>399.8</b>	<b>622.2</b>	<b>589.1</b>	<b>632.9</b>	<b>962.9</b>	<b>1,027.0</b>
Deferred income tax liabilities	8.9	10.3	14.0	24.0	26.2	43.8	47.2
Non-current portion of finance lease obligation	0.0	2.5	1.3	1.0	1.0	1.0	1.0
Deferred government grants	0.0	0.0	206.3	206.3	206.3	206.3	206.3
Bank borrowings	0.0	0.0	24.8	32.8	32.8	32.8	32.8
Non-current portion of borrowings	0.0	0.0	77.6	8.4	8.4	8.4	8.4
<b>Total non-current liabilities</b>	<b>8.9</b>	<b>12.8</b>	<b>324.1</b>	<b>1,345.9</b>	<b>1,348.1</b>	<b>1,365.7</b>	<b>1,369.1</b>
<b>Total Liabilities</b>	<b>350.4</b>	<b>412.5</b>	<b>946.3</b>	<b>1,935.0</b>	<b>1,981.0</b>	<b>2,328.6</b>	<b>2,396.1</b>
Share capital	56.9	58.2	65.9	66.5	1,116.5	1,116.5	1,116.5
Other reserves	270.5	275.8	666.2	741.0	741.0	741.0	741.0
Retained earnings	(54.9)	11.8	165.2	352.8	518.8	1,041.2	1,656.9
Noncontrolling interests	0.0	96.9	113.2	154.9	151.1	151.1	151.1
<b>Total shareholder's equity</b>	<b>272.5</b>	<b>442.7</b>	<b>1,010.5</b>	<b>1,315.2</b>	<b>2,527.3</b>	<b>3,049.8</b>	<b>3,665.5</b>

Source: Company data, Jefferies

## Chart 16: Cash Flow Statement

RMB mn	2011A	2012A	2013A	2014A	2015E	2016E	2016E
<b>Profit before income tax</b>	<b>53.7</b>	<b>78.3</b>	<b>186.1</b>	<b>221.1</b>	<b>223.6</b>	<b>703.7</b>	<b>829.3</b>
Depreciation of property, plant and equipment	15.2	20.3	23.5	29.9	33.5	35.6	39.6
<b>Change in working capital</b>							
Acquisition of properties under development held for	0.0	0.0	(208.3)	(151.1)	0.0	0.0	0.0
Changes in trade receivables	(55.0)	1.4	5.2	(13.7)	(3.0)	(23.2)	(4.5)
Changes in deposits, prepayment and other receivables	0.0	8.5	3.3	(24.2)	(14.1)	(109.7)	(21.3)
Changes in amount due from a related company	0.0	(0.0)	(0.0)	1.6	0.0	0.0	0.0
Changes in direct selling costs	0.0	(15.6)	(51.3)	22.6	(10.7)	(83.1)	(16.2)
Changes in trade payables	110.6	0.5	(0.2)	(3.4)	2.1	5.2	0.9
Changes in accrued expenses and other payables	0.0	6.3	31.8	2.5	6.8	53.2	10.3
Changes in deferred revenue	0.0	46.6	165.3	(131.0)	34.9	271.7	52.8
Changes in other tax payable	0.0	(1.4)	9.4	(2.5)	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>123.0</b>	<b>151.7</b>	<b>364.7</b>	<b>497.6</b>	<b>283.0</b>	<b>729.2</b>	<b>709.4</b>
Purchase of property, plant and equipment	(66.1)	(46.9)	(32.1)	(87.9)	(52.9)	(70.6)	(57.0)
Acquisition of properties under development held for	0.0	0.0	(208.3)	(151.1)	0.0	0.0	0.0
Investment in an associate	0.0	0.0	(20.0)	(26.0)	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>(100.7)</b>	<b>(91.4)</b>	<b>(267.4)</b>	<b>(794.6)</b>	<b>(502.9)</b>	<b>(70.6)</b>	<b>(57.0)</b>
Issuance of new shares	66.9	0.0	407.9	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	201.8	125.9	0.0	0.0	0.0
Purchase of shares under share award scheme	(22.2)	(10.4)	(84.7)	(30.8)	0.0	0.0	0.0
Repayments of borrowings	0.0	0.0	(88.2)	(111.6)	0.0	0.0	0.0
Capital contribution from a non-controlling shareholder	0.2	110.2	50.2	0.2	(3.8)	0.0	0.0
<b>Financing cash flow</b>	<b>47.0</b>	<b>107.3</b>	<b>508.0</b>	<b>591.4</b>	<b>(3.8)</b>	<b>0.0</b>	<b>0.0</b>
Exchange effect	(2.7)	0.0	(2.7)	2.5	0.0	0.0	0.0
<b>Change in cash</b>	<b>69.2</b>	<b>167.5</b>	<b>605.2</b>	<b>294.4</b>	<b>(223.6)</b>	<b>658.6</b>	<b>652.3</b>
Cash beginning balance	188.4	255.0	422.6	1,025.1	1,322.0	1,098.4	1,757.0
Cash ending balance	255.0	422.6	1,025.1	1,322.0	1,098.4	1,757.0	2,409.3

Source: Company data, Jefferies

## Company Description

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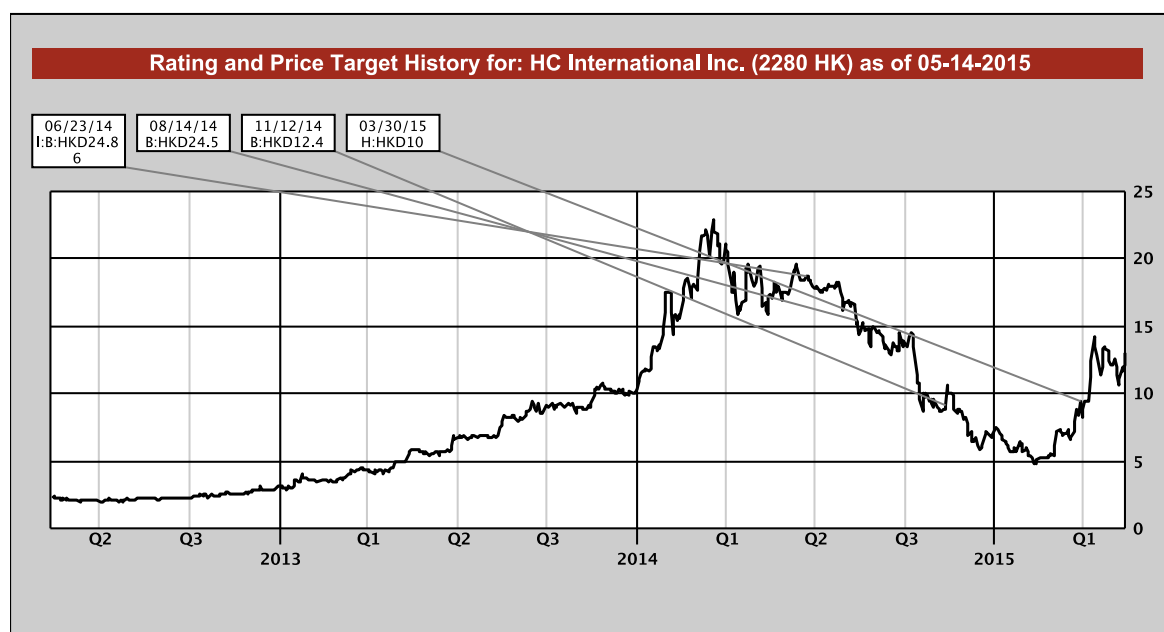
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			Count	Percent
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