

China Renaissance Holdings (1911 HK)

Riding on China's new economy

- A leading financial services platform dedicated to China's new-economy industries such as TMT, e-commerce, and healthcare
- Competitive edge from funnel business model covering clients from the angel investment stage to post-IPO/late stages
- Initiate **BUY** on unique market position and long-term structural upside of new-economy industries amid continuous trend of technological innovations in China

Leading financial service platform to China's new-economy sectors. With clear dedication in China's new-economy sectors such as TMT, e-commerce, healthcare, and others, China Renaissance Holding (CRH) has successfully evolved into a leading financial service platform for China's new-economy businesses. CRH plays a critical role in facilitating investment capital flow to the leading new-economy businesses and structuring industry-shaping transactions.

Well established funnel business model. CRH has developed a funnel business model to offer products and services to its client from the angel investment stage till post-IPO/late stage. This full cycle business model allows CRH strengthen its client relationship at different stages.

Policy support. In our view, the government's recent decision to launch a "technology innovation board" in Shanghai Stock Exchange illustrates the government's ongoing support for the new-economy industries. In addition, the new board could provide additional exit channel for CRH's investment management business and fundraising channel for its investment banking business.

Valuation. Our TP is HK\$27, implying 14.2x 2019E adjusted P/E (after carried interest). Initiate BUY on long-term positive business outlook on growing demand of financial services from China's new-economy companies.

Risk factors: 1) Disclosure of investment banking deal pipeline and portfolio of private equity funds; 2) New-economy project risk; 3) Investment risk; 4) Market risk; 5) Policy risk.

Financial summary

FY ended Dec 31	2016A	2017A	2018E	2019E
Revenue (USD mn)	133	139	204	299
Revenue + investment income (USD mn)	142	157	234	339
Net profit (USD mn)	32	0	-283	98
Adjusted net profit before carried interest (USD mn)	52	34	47	119
Adjusted net profit after carried interest (USD mn)	55	58	67	149
EPS (USD)	0.05	(0.00)	(0.46)	0.16
Adjusted EPS (USD)*	0.09	0.09	0.11	0.24
P/E (x)	51.0	NA	NA	16.5
Adjusted P/E (x)*	29.4	28.0	24.2	10.9
DPS(USD)	0.18	0.01	0.01	0.02
Dividend Yield (%)	6.6	0.2	0.3	0.6

Source(s): Bloomberg, ABCI Securities estimates (1 USD = 7.81 HKD)

*Based on adjusted profit after carried interest

Company Report

Dec 6, 2018

Rating: BUY

TP: HK\$ 27

Initiation

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Share price (HK\$)	20.5
Est. share price return	31.7%
Est. dividend yield	0.6%
Est. total return	32.3%

Source(s): Bloomberg, ABCI Securities

Key Data

52Wk H/L(HK\$)	13.7-31.8
Issued shares (mn)	548
Market cap (HK\$ mn)	11,517
Avg daily turnover (HK\$ mn)	13.2
Major shareholder(s)	
Mr. Bao Fan	53.2%

Source(s): Bloomberg, company, ABCI Securities

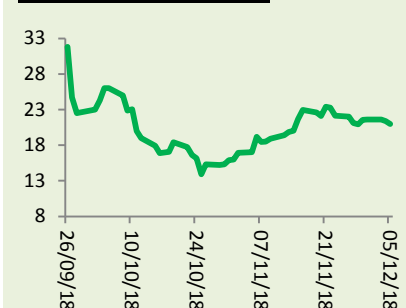
Share Performance (%)

	Absolute	Relative*
1-mth	9.5	9.0
3-mth	NA	NA
6-mth	NA	NA

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

Share performance(HK\$)



Source(s): Bloomberg, ABCI Securities



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Renaissance Holdings Limited (1911 HK)

Financial services

Dec 6, 2018

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Investment summary

Positioning as a niche market leader

A snapshot of China Renaissance Holding (CRH)

Established in 2005, CRH has a short operation history of 13 years. However, with its clear dedication in China's new-economy sectors, the Group has successfully evolved into a leading investment banking and investment management firm in China. CRH plays a critical role to facilitate investment capital flows into leading new-economy businesses and structuring industry-shaping transactions.

CRH has three principal business lines: investment banking (IB), investment management (IM) and Huajing Securities (HJS). HJS is a multi-licensed onshore securities platform. Total revenue of IB, IM and HJS represented 67.5%, 22.3% and 10.2% of CRH's total revenue in 1H18. Overall, CRH's revenue is mainly contributed by the IB segment.

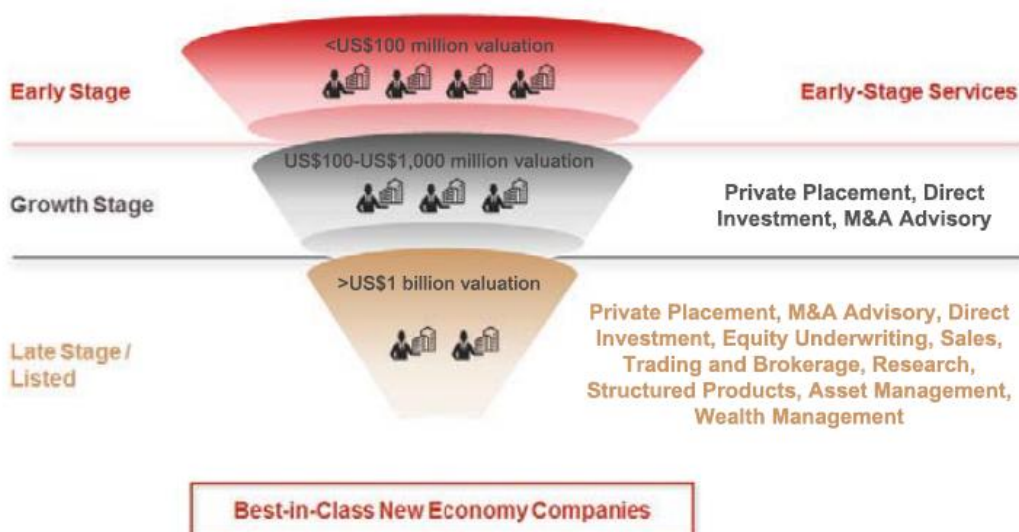
Worldwide business franchise of CRH

As of June 2018, CRH successful extended its business footprint, covering China, the US and Hong Kong. It has been one of the very few Chinese investment banks that can extend its footprint to the US. We believe the Group can potentially replicate its business model to other developed and emerging markets financial centers, which could further strengthen its cross-border business capacity.

Well-established funnel business model

In order to benefit from the macro growth of new-economy capital market, CRH has developed a funnel business model to offer products and services to its client from the angel investment stage to the post-IPO/late stage. This full-cycle business model allows CRH strengthen its client relationship at different stages.

Exhibit 1: CRH's business model



Source(s): Company, ABCI Securities

Early stage – Early stage is driven by CRH’s Alpha team, who tackles with early-stage financing matters. At this stage, clients and investors are supported by the Startup platform, which is an online platform connecting early-stage investment needs with vetted capital partners.

Growth stage – Growth stage coverage extends to unicorns, with primary focus to provide private placement services in terms of equity and debt as well as offering broader advisory services in relation to IPO preparation and M&A opportunities.

Late (listed) stage – Further to the growth stage offerings, CRH provides both onshore and offshore equity underwriting services for its clients, with supports by its capital markets franchise, together with sales, trading brokerage and research.

JD.com would be a good example under this funnel business model. Since CRH become its private placement’s sole financial advisor Mar 2011, CRH participated in JD.com’s major events over the last 7 years. That said, a successful case under this funnel business model could provide CRH with promising business flow for 7+ years.

Exhibit 2: An example for full lifecycle coverage

Year	Company	Deal	JD.com
February 2018	JD Logistics	private placement	Sole Financial Advisor
March 2017	JD Finance	spin-off from JD.com	Financial Advisor
April 2016	Dada Nexus	merger with JD Daojia	Sole Financial Advisor to Dada
January 2016	JD Finance	private placement	Sole Financial Advisor
December 2014	JD.com	U.S. follow-on offering	Joint Bookrunner
May 2014	JD.com	U.S. IPO and listing on Nasdaq	Joint Bookrunner
March 2014	JD.com	strategic investment by Tencent	Financial Advisor
March 2011	JD.com	private placement	Sole Financial Advisor

Source(s): Company, ABCI Securities

Proven track record ascertain operation quality

We are impressed by CRH's outstanding track record in its three core business lines, IB, IM and HJS. These business lines form CRH's unique financial services platform for the new-economy sectors, providing services required from early investment stage till post-IPO maintenance. These business segments generate income through advisory services, underwriting, and investment management.

Advisory services

Advisory services cover business in private placements, M&A and ECM. According to the CIC report, CRH was ranked first in terms of advisory services for China new-economy sectors, with a market share of 16.6% by transaction value at USD85.5bn. Including early-stage private placement transactions, there were a total of 481 transactions completed in 2013-17, implying an average deal size of US\$ 178mn.

By transaction value, CRH took up a 13.7% market share in China's new-economy sector private placement at USD4.4bn, outpacing the first runner-up by 6.5ppt. More specifically, CRH advised on 574 private placements, raising a total of US\$ 41bn since inception as of Mar 2018.

Exhibit 3: CRH's major private placement transactions

Company	Date	Financing Size
Grab	Aug 2018	USD2bn
Ziru	Jan 2018	RMB4bn
mobike	June 2017	USD600m
Kuaishou	Mar 2017	USD350m
mobike	Feb 2017	USD350m
Meituan Dianping	Jan 2016	USD3.3bn
Didi Chuxing	June 2016	USD4.5bn
Didi Chuxing	July 2015	USD2bn

Source(s): Company, ABCI Securities

In relation to M&A advisory, CRH had a market share of 16.6% in China's new-economy sector M&A in 2017, represented a total transaction value of US\$ 10.5bn, outpaced the second top player by 7.5ppt. CRH's total transaction value was US\$ 49.2bn since inception till Mar 2018.

Exhibit 4: CRH's major M&A transactions

Deal	Year
Acquisition of mobike by Meituan Dianping	2018
Maoyan/Weiyang merger	2017
Spinoff and restructuring of Maoyan	2016
Ganji.com/58.com strategic transaction	2015
Meituan/Dianping strategic transaction	2015
Didi Chuxing/Kuaidi Dache merger	2015
JD/Tencent strategic cooperation	2014

Source(s): Company, ABCI Securities



Exhibit 5: CRH's major private placement transactions in healthcare sector

Company	Date	Financing Size
Innocare	Feb 2018	USD55m
Genetron	Jan 2018	RMB400m
Genova	Dec 2017	USD50m
Wuxi NextCode	Sept 2017	USD240m
Ascentage	Dec 2016	RMB500m

Source(s): Company, ABCI Securities

With growing attention over China's healthcare sector, CRH entered the area in 2015. As of Mar 2018, the Group was involved in more than 300 companies covering more than 10 niche sub-segments including but not limited to therapy, genomics, and biological drugs. With more than 50 advisory deals executed, solid relationship has been developed with over 200 healthcare- focused investors.

Equity underwriting

We believe CRH's capacity in cross-border underwriting business is one of its core strengths. After all, it is of the few China-based institutions licensed to carry underwriting services in China, the US and HK. Combined with its track record in the new-economy sector, CRH has established a unique market position and reputable brand image for its-cross border equity underwriting business.

According to the CIC report, CRH was ranked third in overseas IPO underwriting for China-based new-economy companies in 2013-17 among all domestic and foreign investment banks in China, and first among the Chinese investment banks with 21 transactions. The company has underwritten 28 equity offerings in HK and the US since inception, with an aggregated amount of US\$ 14.1bn (including exercises of over-allotment options).

Exhibit 6: CRH's major equity offering transactions acted as underwriters

Company	Size (USD m)	Year	Offering type
iQiyi	2,400	2018	US IPO
Huami	127	2018	US IPO
Lexin Fintech	124	2017	US IPO
Jianpu Technology	214	2017	US IPO
China Literature	1,200	2017	HK IPO
YY	463	2017	US follow-on offering
GDS	201	2016	US IPO
ZTO Express	1,400	2016	US IPO
CAR	538	2014	HK IPO
Momo	308	2014	US IPO

Source(s): Company, ABCI Securities



Private equity investment

As of June 2018, CRH established 6 private equity (PE) funds, including five Huaxing Growth Capital funds (of which two were denominated in USD and three in RMB), and a Huaxing Healthcare Capital RMB fund. Meanwhile, there were also a number of project funds, with each of these funds invested in a single portfolio company. In addition, the Group is set to establish its third USD-denominated Huaxing Growth Capital fund.

Committed capital of CRH's PE funds increased to US\$ 3,031mn as of June 2018, from US\$ 1,066mn in Dec 2015, among which the size of invested fund rose from US\$ 380mn in Dec 2015 to US\$ 1,926mn in June 2018. From 2013 to Mar 2018, it has invested in about 90 new-economy companies such as Didi Chuxing, Focus Media, Huitongda, Lexin Fintech, Lianjia, Niuguwang, Qihoo 360, and Zhaogang.



Industry outlook

Overview of the “new economy”

Since late 1990s, China’s economy has undergone major structural transformations. The term “new economy” generally refers to businesses that realize rapid growth through entrepreneurship, technological advancements, and innovative business models.

By industry, the new-economy sector in China primarily includes industries that rely inherently on technological advancement, such as internet, business services, hardware & software technologies, media & entertainment industries, and traditional industries that are being transformed as a result of innovations, such as healthcare, finance and new energy industries.

New-economy companies on a structural uptrend

We believe new-economy companies are currently on a structural uptrend in China. Our view is shared by the CIC report, which estimates the aggregate valuation of new-economy companies in China was ~USD3.6tn in 2017.

Riding on China’s growing economy, these new-economy companies have been expanding at an unprecedented pace. It takes only 4 years on average for a China unicorn to reach the definitive valuation of US\$ 1bn valuation, as compared to 7 years in the US, according to CIC.

As of 2017, total number of unicorns in China accounted for 40% of global unicorns, not to mention half of the top 10 unicorns in the world were China-based, according to CIC. Continuous growth of new-economy companies generates substantial capital demand and financial services required.

Policy support on new-economy companies

In our view, China’s recent decision to launch a “technology innovation board” in Shanghai Stock Exchange illustrates the government’s ongoing support for the new-economy industries. Although details about the new board are yet to be disclosed, we believe the new board may provide additional fundraising channels for new-economy companies and exit channels for investment management companies with new-economy companies in their investment portfolios.

Financial services for new-economy companies

China’s financial service market has experienced exponential growth over the past two decades. In 2017, total transaction value of IPO and private placement of Chinese companies exceeded US\$ 170bn. Also, according to the CIC report, in 2017, investment banking revenue from new-economy companies accounted or 16.5% of total investment banking revenue in China. AUM of new-economy investment management business aggregated to ~24.1% of total AUM of investment management business in China.



Advisory services

Advisory services mainly include private placement and M&A activities. Given the rising of new-economy industries in China, rapid expansion was seen in the advisory service market. According to the CIC report, the Chinese new-economy advisory market and related revenue grew at 43.8% and 47.1% CAGR over 2013-17.

We overall expect such grow trend to continue in coming years. CIC expects the total transaction value and revenue from Chinese new-economy advisory service market continue to grow at 29.7% and 30.0% CAGR over 2017-23E.

Exhibit 7: Growth of advisory service market of Chinese new-economy companies

USD m	2013	2017	2023E	13-17 CAGR	17-23 CAGR
Advisory services (private placement and M&A)					
Transaction value	43,420	185,902	885,201	43.8%	29.7%
Advisory revenue	217	1,013	4,899	47.0%	30.0%

Source(s): Company, CIC report, ABCI Securities

Equity capital market (ECM)

Meanwhile, ECM services include mainly IPOs and follow-on. China, the US and HK have been the major exchanges for Chinese new-economy companies. Solid growth was seen in all these markets over the past years. We expect growth in the ECM market to continue in coming years, driven by the growing needs for ECM services for the new-economy companies.

According to CIC, ECM transaction value and revenue from Chinese new-economy companies in HK and the US grew at 19.7% and 17.1% CAGRs over 2013-17; both figures are expected to grow at 29.0% CAGRs over 2017-23E. ECM transaction value and revenue of Chinese new-economy companies in China spiked up by 51.1% and 69.7% CAGR in 2013-17, and are expected to sustain its CAGR at 31.1% and 40.2% in 2017-23E.

Exhibit 8: Growth of ECM market of Chinese new-economy companies in China, US and HK

USD m	2013	2017	2023E	13-17 CAGR	17-23 CAGR
HK/US					
Transaction value	7,340	15,045	69,250	19.7%	29.0%
Revenue	269	506	2,331	17.1%	29.0%
China					
Transaction value	7,012	36,560	185,777	51.1%	31.1%
Revenue	87	718	5,465	69.7%	40.2%

Source(s): Company, CIC report, ABCI Securities



Private equity (PE)

Being another core business line of CRH, PE market is expanding in size. According to the CIC report, the amount of fund raised by China-based PE firms rose from US\$ 21.3bn in 2013 to US\$ 57.3bn in 2017. Along with the expansion in PE market, related management fees grew at 20.7% CAGR over 2013-17. The CIC report further projects such management fee to grow at 10.9% CAGR in 2017-23E.

Exhibit 9: Growth of management fees of Greater-China based PE firms

Investment management (USD m)	2013	2017	2023E	13-17 CAGR	17-23 CAGR
Management fee (private equity funds)	2,804	5,951	11,086	20.7%	10.9%

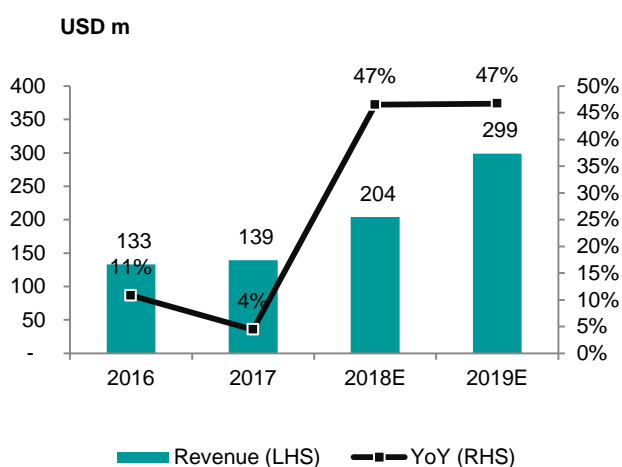
Source(s): Company, CIC report, ABCI Securities

Financial outlook

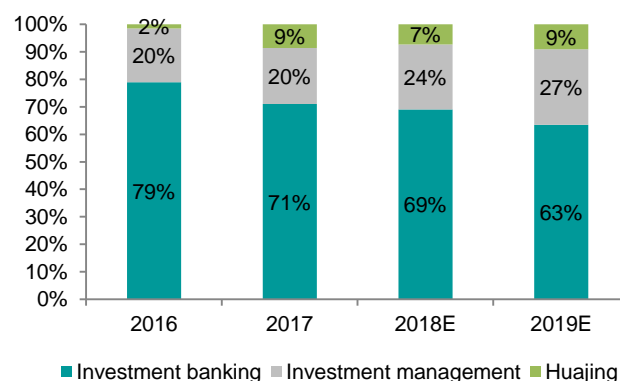
We expect revenue to grow at 47% CAGR in 2017-19, mainly driven by growths in investment banking and investment management businesses. Investment banking would continue to be the major growth driver, and expect investment banking revenue to grow by 39% CAGR in 2017-19E driven by structural uptrend of China's new-economy sector that bodes well for the advisory and equity underwriting business. We estimate investment banking to account for 63% of total revenue in 2019E vs. 71% in 2017.

For the investment management segment, revenue would grow at 70% CAGR in 2017-19E, driven by increasing AUM. In addition, we expect the company to start earning realized carried interest in 2019E as some of the PE investments have reached IPO or more advanced stages. Overall, we expect investment management to account for 27% of total revenue in 2019E vs. 20% in 2017.

Unrealized net carried interest would increase at 13% CAGR in 2017-19E. Income from carried interest is generated if the fund has achieved its applicable contractual hurdle rate and is based on a percentage of the fair value appreciation of investments over invested capital, which ranges from 18.7% to 20.0% for its main PE funds and ranges from 0% to 10.0% for its project funds. The hurdle rate of its PE funds is typically 8.0% per annum. The company can recognize these carried interest income as revenue when significant reversal is unlikely.

Exhibit 10: Revenue outlook


Source(s): Company, ABCI Securities estimates

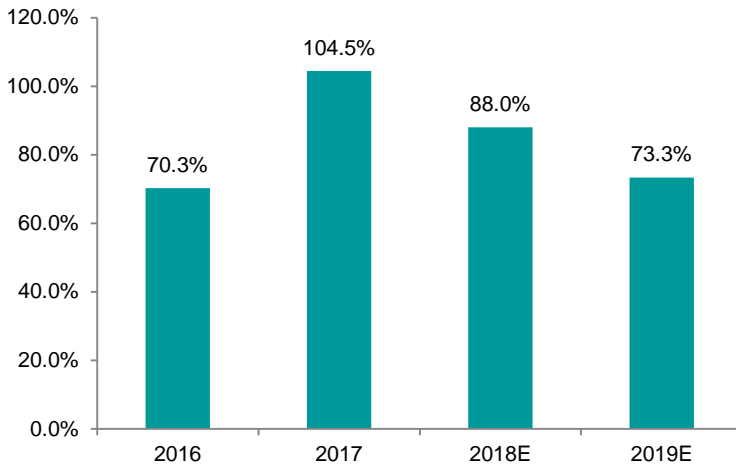
Exhibit 11: Revenue mix trend


Source(s): Company, ABCI Securities estimates



On the cost front, we expect operating cost-to-income ratio to improve from 104.5% in 2017 to 73.3% in 2019E, mainly driven by improving economy of scale as the Group grows its business further over the next two years. As a result, we expect its operating margin to reach 26.7% in 2019E vs. -4.6% in 2017.

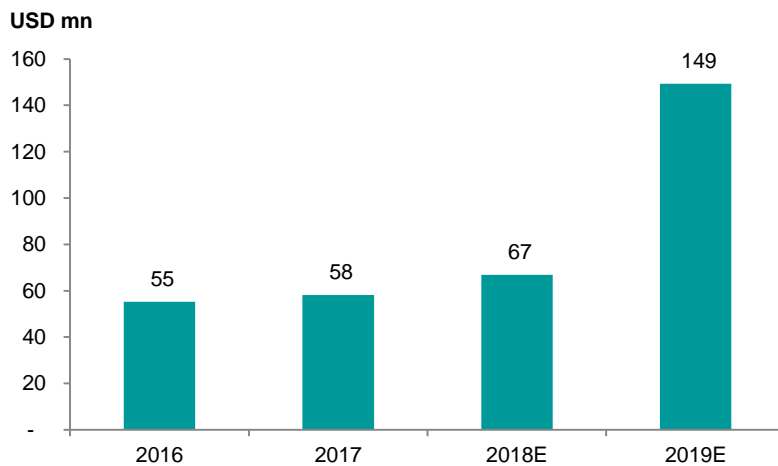
Exhibit 12: Operating cost/revenue



Source(s): Company, ABCI Securities estimates

We expect its adjusted profit after unrealized carried interest (excluding share-based compensation, fair value changes of CB and preferred shares, and including unrealized carried interest) to reach US\$ 149mn in 2019E vs. US\$ 58mn in 2017, implying a CAGR of 60% in 2017-19E.

Exhibit 13: Adjusted profit after carried interest



Source(s): Company, ABCI Securities estimates



Valuation

We derive the company's fair valuation range based on SOTP approach.

For the investment banking business, we apply 15-16x 2019E P/E to assess its fair value range; for the investment management business, 12-13x 2019E P/E is applied. For the unrealized net carry interest, we apply a lower multiple of 6-7x 2019E P/E to reflect the fact that it is yet to be formally recognized under IFRS.

For Huajing, we apply 1x P/B to its 2019E book value. We also value its net cash and investments using its current book value.

The SOTP approach results in a fair valuation range of HK\$26.2-HK\$27.6. We set our TP to HK\$27, around the mid-point of the fair value range and imply 14.2x 2019E adjusted P/E (after carried interest).

Exhibit 14: SOTP valuation range

	Valuation (HKD per share)	Remarks
Investment banking	10.5-11.2	15-16x 2019E adjusted net profit (US\$ 55mn)*
Investment management	4.3-4.7	12-13x 2019E adjusted net profit (US\$ 28mn)*
Unrealized net carry	1.8-2.2	6-7x 2019E adjusted net profit (US\$ 24mn)*
Huajing	2.7	48.8% of 2019E book value (US\$ 432mn)
Net cash and investments	6.8	US\$ 535mn (Sept 2018)
Total	26.2-27.6	

*Excluding share-based compensation

Source(s): Company, Bloomberg, ABCI Securities estimates



Exhibit 15: Peer valuation

			Market cap (Lcy)	Price (lcy)	PE		
					2017	2018E	2019E
US M&A investment bank							
LAZ	US Equity	LAZARD LTD-CL A	5,206	40.1	9.2	9.5	9.3
EVR	US Equity	EVERCORE INC	3,341	82.6	13.6	11.5	10.7
MC	US Equity	MOELIS & CO-CL A	2,568	40.4	15.0	13.7	13.3
HLI	US Equity	HOULIHAN LOKEY I	2,781	42.3	17.5	15.4	14.0
PJT	US Equity	PJT PARTNERS - A	1,776	47.2	62.7	22.1	16.8
GHL	US Equity	GREENHILL & CO	483	23.5	28.5	15.8	13.7
Average					24.4	14.7	13.0
Private equity							
BX	US Equity	BLACKSTONE GROUP	41,556	33.7	33.8	11.4	10.3
KKR	US Equity	KKR & CO INC-A	19,076	22.9	7.8	12.0	12.3
APO	US Equity	APOLLO GLOBAL	11,752	28.2	NA	23.3	9.1
CG	US Equity	CARLYLE GROUP/TH	6,401	18.3	8.4	10.0	6.9
OAK	US Equity	OAKTREE CAPITAL	6,509	41.4	15.3	14.6	12.8
Average					16.3	13.3	10.3

Source(s): Bloomberg, ABCI Securities



Risk factors

Disclosure of PE portfolio and investment banking deal pipeline

Similar to other listed peers, there is limited disclosure on the details of its individual PE funds, such as composition of core holding, and investment banking deal pipeline.

Risk associated with new-economy projects

Dedicated to focus its business growth in the new-economy sector, CRH will be affected by rapid and unpredictable changes in the sector. Industries such as technology, media, entertainment, healthcare and new energy are experiencing exponential growth, but they are also exposed to high uncertainties. Success of these new-economy projects is often highly dependent on the project's management quality.

Non-IFRS financial measures

The Group has disclosed non-IFRS financial metrics such as adjusted net profit to supplement its IFRS financial measures. In our view, these non-IFRS financial measures are not standardized.

Investment risk

Investment decisions of PE funds are highly dependent on CRH's management/investment team. Ability to choose quality projects and perform due diligence therefore are critical to risk exposure and investment risk. Unsatisfactory performance from investment performance or poor track record could affect the sustainability of IM business.

Market risk

As a financial service provider, CRH's business would be highly sensitive to changes in global financial markets. Given 67.4% and 22.3% of CRH's topline revenue came from IB and IM segments in 1H18, unfavorable or uncertain market conditions and asset prices could have significant impacts on CRH's financials and profitability.

Policy risk

Financial performance of CRH can be affected by the changes of policy environment. Generally speaking, financial services are a highly regulated business subject to numerous laws and regulations. Certain businesses, in particular, the new and emerging ones, could be at risk of radical changes in policy environment since they are likely to be under-regulated in the first place. In addition, overseas business development would subject CRH to global policy risk.



Macroeconomic risk

As majority business contribution and investment projects of CRH come from China, slowdown in China's economy would affect CRH's operation.

Redemption risk

Given growing importance and business contribution from CRH's IM segment, CRH is exposed to redemption risk from investors.

Currency risk

With a global business franchise and PE funds denominated in foreign currencies, the Group is subject to foreign currency risk. Offshore expansion will inevitably increase currency risk

Liquidity risk

Negative operating cash flow of US\$ 5.8mn was seen in 2017, which was mainly due to operating loss from HJS. Uncertainty of future cash flow could lead to operation risk and result in delay of development plan.

Risk associated with key personnel

Continuity of CRH's business model is highly dependent on CRH's core management team. Failure to retain talents could lead to disruption of CRH's operation.

Dividend track record to ordinary shareholders remains an uncertainty

Dividend payout ratio of CRH remains uncertain due to lack of post-IPO track record.



Consolidated income statement (2016A-2019E)

FY Ended Dec 31 (USD mn)	2016A	2017A	2018E	2019E
Investment banking	105	99	141	190
Investment management	26	28	48	82
Huajing	2	12	15	27
Total revenue	133	139	204	299
Total operating expenses	-94	-146	-179	-219
Operating Profits	40	-6	25	80
Other income/expenses	-12	-27	-333	1
Interest expense	0	-1	-1	-1
Investment income	9	18	30	40
Profit before tax	37	-16	-279	120
Tax	-8	2	-10	-25
Profit after tax	29	-14	-289	95
Minority interests	-3	-14	-6	-4
Profits attributable to shareholders	32	0	-283	98
Share based compensation	4	8	10	21
Fair value changes of CB/preferred shares	17	27	320	0
Adjusted net profit before carried interest	52	34	47	119
Unrealized net carried interest	3	24	20	30
Adjusted net profit after carried interest	55	58	67	149
Growth				
Total revenue (%)	10.8	4.4	46.5	46.7
Total expenses (%)	52.4	55.3	23.2	22.3
Operating Profits (%)	NA	NA	NA	225.5
Net profit (%)	9.2	NA	NA	NA
Adjusted net profit before carried interest (%)	(22.2)	(34.0)	36.2	154.9
Adjusted net profit after carried interest (%)	(25.0)	5.3	15.1	123.2
Operating performance				
Operating margin (%)	29.7	(4.6)	12.0	26.7
Net margin (%)	23.9	(0.3)	(139.1)	32.8
Adjusted net margin (%)	41.4	41.8	32.8	49.9
ROAE (%)	18.1	9.9	(85.9)	14.0
ROAA (%)	9.7	(0.1)	(29.7)	7.8

Source(s): Company, ABCI Securities estimates

Notes: Individual items may not sum to total due to rounding differences

Individual items may varies from reported figures due to rounding differences/ definition differences



Consolidated balance sheet (2016A-2019E)

As of Dec 31 (USD mn)	2016A	2017A	2018E	2019E
Property and equipment	9	10	11	11
Intangible assets	2	4	4	4
Investment in associates	31	44	46	48
Financial assets	41	90	144	152
Other non-current assets	5	19	20	21
Total non-current assets	89	167	225	236
Cash & equivalents	203	450	788	924
Financial assets	47	65	68	72
Other current assets	5	7	7	8
Account receivables	25	52	76	108
Total current assets	280	575	941	1,112
Total assets	369	741	1,166	1,348
Accounts payable	55	81	119	169
Borrowings	23	-	-	-
Other current liabilities	10	8	8	8
Total current liabilities	88	89	127	177
Loans and bonds payables	-	150	158	165
Other non-current liabilities	205	264	1	1
Total non-current liabilities	205	414	159	166
Total liabilities	292	503	286	344
Net current assets	193	486	813	934
Equity attributable to shareholders	3	15	645	757
Non-controlling interests	74	224	235	247
Total equity	77	239	880	1,004

Source(s): Company, ABCI Securities estimates

Notes: Individual items may not sum to total due to rounding differences

Individual items may varies from reported figures due to rounding differences/definition differences



Disclosures

Analyst Certification

I, Chow Sau Shing, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests (except "Disclosures of Interests" below) in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate (10%)
Hold	- Market return rate (-10%) \leq Stock return rate < Market return rate (+10%)
Sell	Stock return < - Market return (-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2005 (HSI total return index 2005-17 CAGR at 10%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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