

Times Neighborhood (9928 HK)

Enter public building segment via acquisition,

Diversified management project matrix

Hong Kong | Property Management | Initial Coverage Research Report

7 October 2020

Investment Summary

Times Neighborhood was established in 1998 and mainly provides property services for properties opened by Times China Holdings. The group has been rooted in the Greater Bay Area for more than 20 years and has continuously expanded its property management scope in the Greater Bay Area. The company was listed on the main board of the Hong Kong Stock Exchange in December 2019. Times Neighborhood was recognized by China Index Academy ("CIA") as the 12th in the Top 100 Property Management Companies in Terms of Overall Strength in the PRC. The main business includes property management service, VAS to non-property owners, community VAS and other professional services. The company adopts "Being deeply rooted in the Greater Bay Area, Expanding its presence into the whole China, and Accelerating diversified businesses" as its development strategy (深耕大灣區，面向全國，加速多元化業務佈局). In 1H20, The company's revenue achieved rapid growth, with total revenue reaching RMB 702 million, an increase of 54% YoY. After excluding the impact of listing expenses, the core profit attributable to shareholders was RMB 84 million, an increase of 76% over the same period last year.

Actively expand the diversification of projects under management

The company is actively expanding its territory. As of June 30, 2020, Times Neighborhood business covers 17 cities across the country, with 298 property management projects, and GFA under management reaching 48.353 million square meters, an increase of 25.8% compared to the end of 2019. Among the additional GFA under management, 5.747 million square meters are the area brought by the new acquisition. During the period, the company's new business and GFA under management for the terminated business were 5.482 million square meters and 1.305 million square meters respectively.

The rapid development of domestic property management industry

In recent years, the scale of the domestic property management industry has developed rapidly. According to the data in the "2019 Property Service Enterprise Development Index Evaluation Report"(2019 物業服務企業發展指數測評報告), as of the end of 2018, the property management industry has managed an area of approximately 27.93 billion square meters, increased by over 80.31%, with a CAGR of 12.5%. The China Property Management Association (中國物業管理協會) predicts that the total area of property management in China will reach 37.67 billion square meters in 2023.

Increased market concentration

In order to expand the GFA under management and improve the market position, large companies have accelerated their expansion through internal growth and mergers and acquisitions of small and medium property management companies. On April 22 this year, the company announced the acquisition of an 80% stake in EASY LIFE SMART COMMUNITY SERVICES GROUP CO., LTD for CNY 240 million. The company also announced on May 11 that it had acquired a property management company in Ningbo for RMB 37 million. The two projects will bring a total of 25 million square meters of GFA under management to the company. It is expected that the company will reach its original two-year target of 45 million square meters, an increase of 200% over the same period last year.

Valuation and Investment Recommendation

The company has sufficient cash to carry out mergers and acquisitions after placement, providing potential growth space for future growth. We expect the company's 2020 and 2021 EPS to be RMB 22.72 cent and RMB 41.38 cent, giving a target price of HK\$14.25 corresponding to the P/E of 56.45x/31.00x for 2020e and 2021e. Give a BUY rating

BUY (initiation)

CMP HKD 10.02

(Closing price as of 5 Oct)

Target HKD 14.25 (+42.2%)

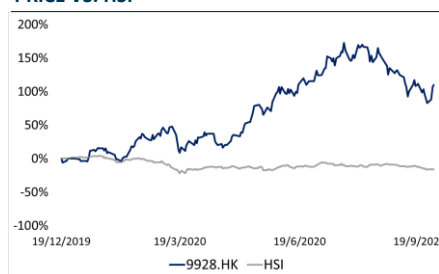
COMPANY DATA

O/S SHARES (MN) :	985.67
MARKET CAP (HKD MN) :	9,876
52 - WK HI/LO (HKD):	13.74/4.48

SHARE HOLDING PATTERN, %

Shum Chiu Hung	46.63
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PRICE VS. HSI



Source: Wind, PSHK

KEY FINANCIALS

CNY mn	FY19	FY20E	FY21E	FY22E
Net Sales	1,081	1,820	3,051	4,558
Net Profit	96	224	408	601
EPS, CNY cent	16.00	22.72	41.38	61.01
P/E, x	56.36	39.70	21.79	14.78
BVPS, CNY	0.91	1.84	2.27	2.90
P/BV, x	9.88	4.90	3.98	3.11
DPS (CNY cent)	0	0	0	0
Div. Yield (%)	0	0	0	0

Source: Company reports, Phillip Securities Est.

Research Analyst

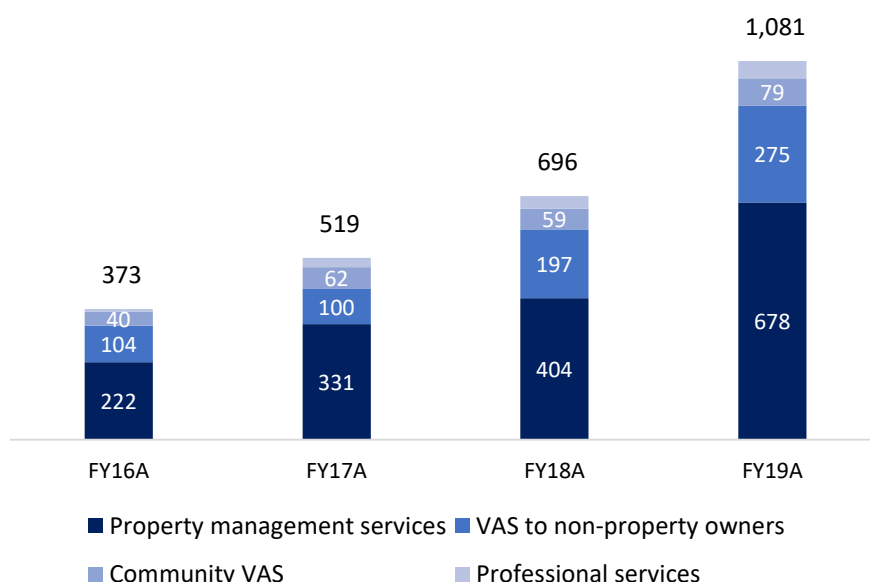
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Company Profile

Times Neighborhood was established in 1998 and mainly provides property services for properties opened by Times China Holdings. The group has been rooted in the Greater Bay Area for more than 20 years and has continuously expanded its property management scope in the Greater Bay Area. The company was listed on the main board of the Hong Kong Stock Exchange in December 2019. Times Neighborhood was recognized by China Index Academy ("CIA") as the 12th in the Top 100 Property Management Companies in Terms of Overall Strength in the PRC. The main business includes property management service, VAS to non-property owners, community VAS and other professional services. The company adopts "Being deeply rooted in the Greater Bay Area, Expanding its presence into the whole China, and Accelerating diversified businesses" as its development strategy (深耕大灣區，面向全國，加速多元化業務佈局). In 1H20, The company's revenue achieved rapid growth, with total revenue reaching RMB 702 million, an increase of 54% YoY. After excluding the impact of listing expenses, the core profit attributable to shareholders was RMB 84 million, an increase of 76% over the same period last year.

Figure 1: The company's revenue in the past four years (million RMB)



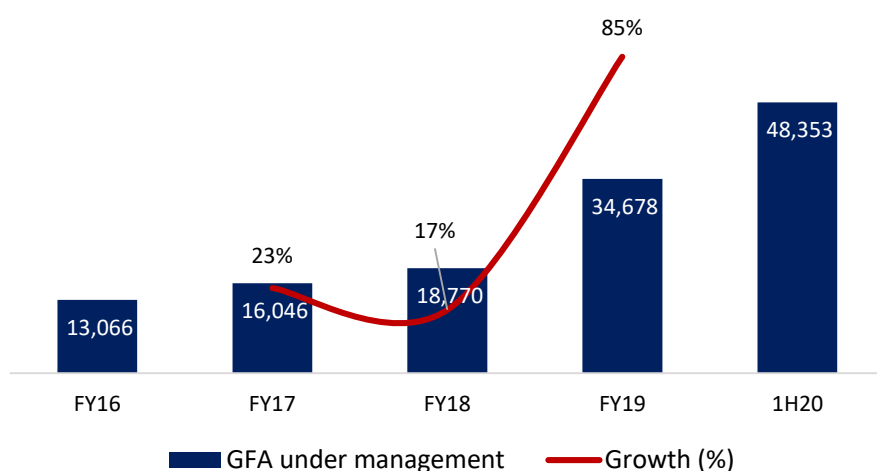
Source: company, PSHK

Property management service

The company is actively expanding its territory. As of June 30, 2020, Times Neighborhood business covers 17 cities across the country, with 298 property management projects, and GFA under management reaching 48.353 million square meters, an increase of 25.8% compared to the end of 2019. Among the additional GFA under management, 5.747 million square meters are the area brought by the new acquisition. During the period, the company's new business and GFA under management for the terminated business were 5.482 million square meters and 1.305 million square meters respectively.

In terms of geographical distribution, the company focused on the Greater Bay Area in the early days. In recent years, with the strategic development of the Times China Holdings Group, it has expanded to different regions. The Greater Bay Area's share of the company's service area has dropped from 92.6% in 2016 to 84.1% in 2019. Among the GFA under management in 1H20, 84.4% of them are distributed in the Greater Bay Area, and the rest are also mainly distributed in the central and southern regions. At present, the company is still under 285 contracted property management projects and has not yet been transferred to the company's management. The undelivered area is approximately 26.9 million square meters. Of the reserved area, mainly other areas in China outside the Greater Bay Area, accounting for approximately 76.3%, including the past Areas not covered, such as East China and Southwest China.

Figure 2: GFA under management of the company's PM services (thousand sqm)

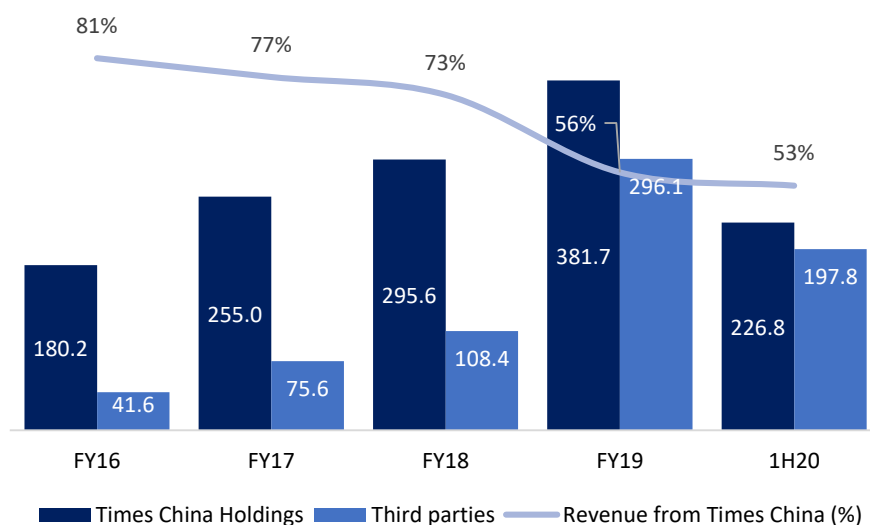


Source: company, PSHK

By source

As a wholly-owned subsidiary of Times China Holdings, over 80% of the company's property management GFA under management comes from Times China Holdings Group. While benefiting from the rapid development of Times China Holdings' real estate development business, the company is also actively expanding, the proportion of GFA under management from third-party property management increased from 18.8% in 2016 to 54.8% at the end of 2019. However, the average property management fee for projects from third parties is lower than that from Times China Holdings. In terms of FY19, projects from Times China Holdings are still the company's main source of income for property management services. The company's external expansion methods are mainly through acquisitions and business cooperation with third parties.

Figure 3: Income from the company's property management services (million RMB)



Source: company, PSHK

Types of properties under management

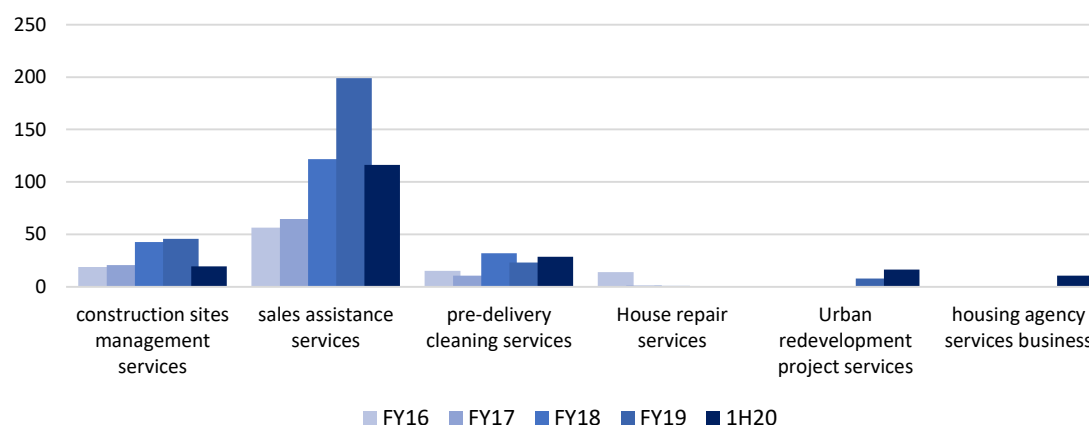
The company's portfolio of properties under management is diversified. As of June 30, 2020, of the company's property management GFA under management, 40.6% are residential properties and 59.4% are non-residential properties, such as commercial properties and office buildings, government buildings, industrial parks, Public facilities, hospitals, airports, schools, etc. The company acquired Guangzhou Dongkang Property Services in March 2019. Dongkang's property portfolio under management mainly includes public facilities, government buildings and museums. The total GFA under management of the company's non-residential properties has increased significantly in 2019, from 7.7 million square meters as of June 30, 2018 to 21.7 million square meters as of June 30, 2019.

VAS to Non-Property Owners

The company provides property-related business solutions for non-owners (mainly property developers) in the process of property development, including: 1) sales assistance services, including pre-sales consultation, model room management, organization of sales activities and visitor reception for property development projects; 2) construction site services, including consulting and security services; 3) housing agency services for residences, shops and parking spaces;; 4) predelivery cleaning services; and 5) urban redevelopment project services.

Revenue from VAS to Non-property Owners has grown rapidly in the past four years, from approximately RMB 104 million in FY 2016 to RMB 27.5 billion in 2019, a CAGR of 37.8%. In the first half of 2020, the revenue of VAS to Non-property Owners increased by 63.8% from RMB 117.0 million in the same period of 2019 to approximately RMB 191.6 million, mainly due to the substantial increase in revenue from sales assistance services and pre-delivery cleaning services Growth, accounting for 60.7% and 14.9% of VAS to Non-property Owners respectively.

Figure 4: Revenue sources of VAS for non-owners (million RMB)

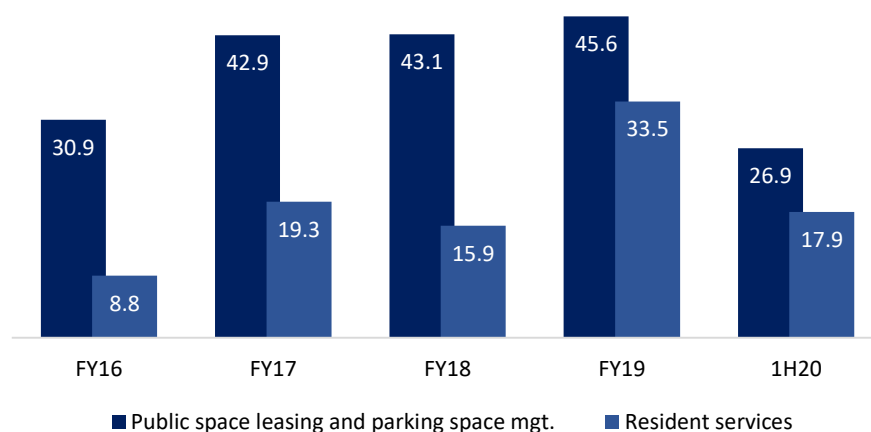


Source: company, PSHK

Community VAS

Community VAS mainly provides two types of services, 1) Public space leasing and parking space management and 2) Resident services include featured butler services, community shopping, operation management, repair and maintenance of home appliances and event organization services. To satisfy owners and residents The pursuit of convenience improves customer experience and increases their loyalty. In terms of revenue structure, public space leasing and parking space management accounted for most of the revenue contribution, and revenue also increased YoY, from RMB 30.9 million in 2016 to RMB 45.6 million in 2019.

Figure 5: Revenue sources of community VAS (million RMB)



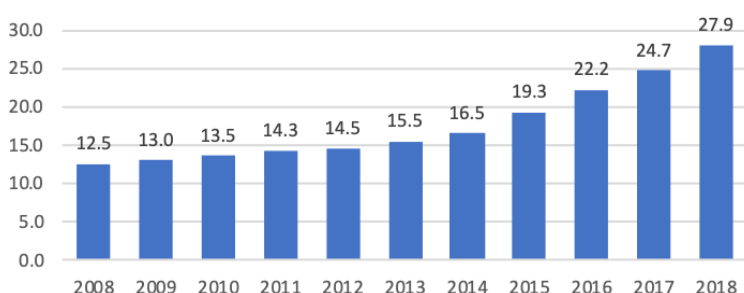
Source: company, PSHK

Industry analysis

The rapid development of domestic property management industry

In recent years, the scale of the domestic property management industry has developed rapidly. According to the data in the "2019 Property Service Enterprise Development Index Evaluation Report" (2019 物業服務企業發展指數測評報告), as of the end of 2018, the national property management industry has managed an area of approximately 27.93 billion square meters, compared with 15.49 billion square meters in 2013, increased by over 80.31%, with a CAGR of 12.5%. Among them, they are mainly concentrated in Guangdong Province, Jiangsu Province and Zhejiang Province, which together account for approximately 26.0% of the national property management scale. The China Property Management Association (中國物業管理協會) predicts that the total area of property management in China will reach 37.67 billion square meters in 2023, an increase of nearly 10 billion square meters from the end of 2018.

Figure 6: the total area of property under management in China (billion square meters)

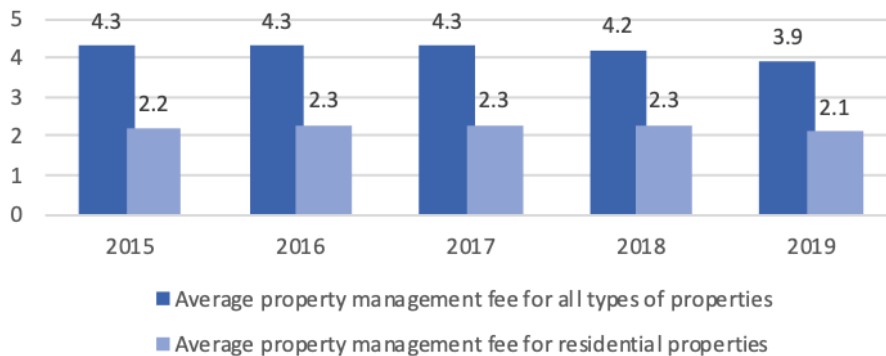


Source: "2019 Property Service Enterprise Development Index Evaluation Report", Phillip Securities Research

China's property management industry has diversified services, including residential properties, commercial properties, office buildings, public properties, industrial parks, schools and hospitals. Among them, residential properties account for the largest proportion. According to CIA (中指院) data, residential properties managed by the top 100 companies in 2019 accounted for 73.9% of the total construction area under management, followed by office business and commercial business.

Average property management fees have shown a downward trend in the past five years, mainly due to the fact that the top 100 property service companies in China have begun to enter the third- and fourth-tier cities in the Mainland, and the average management fees in these cities are lower than those in the first and second-tier cities. According to the CIA, the average value of property management fees for various properties in the past five years was generally about 4.2 RMB/sqm per month, but in 2019 it dropped to 3.9 RMB/sqm per month. The same trend also appears in the average value of residential property management fees. But at the same time, China's top 100 property service companies have increased their company revenue through internal growth and mergers and acquisitions in recent years. The average revenue has increased from RMB 450.3 million in 2015 to RMB 817.0 million in 2019. The compound annual growth rate is 16.1%.

Figure 7: Average value of property management fees (RMB/per square meter/month)

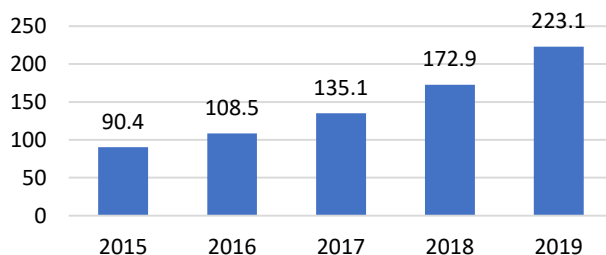


Source: CIA, Phillip Securities Research

Value-added service revenue continues to rise

In addition to traditional property management fees as the main income, the industry's income from value-added services has also increased year-on-year in recent years, and the scope and content of value-added services have also continued to expand. The specific types of value-added services mainly focus on offline value-added services, such as housework, community space operation services, and property sales and rental assistance services. According to CIA data, the average revenue of value-added services of the top 100 property service companies continued to rise, from RMB 90.4 million in 2015 to RMB 223.1 million in 2019. The compound annual growth rate is 25.3%.

Figure 8: Average revenue from value-added services of the top 100 property service companies (RMB million)



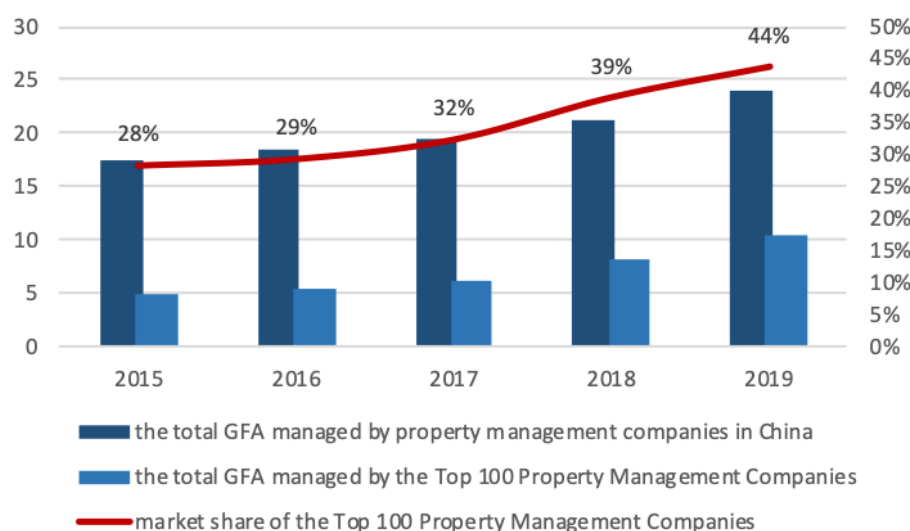
Source: CIA, Phillip Securities Research

Increased market concentration

The property management industry in China is highly competitive. In the past, the market was composed of many property management companies of different sizes. According to data from CRIC, at the end of 2018, there were more than 127,000 property management companies in the market. In order to expand the GFA under management and improve the market position, large companies have accelerated their expansion through internal growth and mergers and acquisitions of small and medium property management companies.

According to CIA data, the market share of the top 100 property service companies has grown rapidly in recent years, from 28.4% in 2016 to 43.6% in 2019. In order to expand financing channels to provide financial resources for mergers and acquisitions, in recent years, many private property management companies have chosen to list on stock exchanges. In addition, more and more developers intend to spin off their property management businesses for listing in order to unlock potential value in the capital market.

Figure 9: The total GFA under management by the property management company (billion square meters)



Source: CIA, Phillip Securities Research

The parent-subsidiary model is common

There are currently 26 domestic property management companies listed in Hong Kong. Since 2014, the mainland real estate developer Fantasia Holding's subsidiary Colour Life was listed in Hong Kong, and many mainland real estate developers have split their property management subsidiaries. Since most of the current listed property management companies are supported by related developers, their business is mainly residential property management. According to the CIA, nearly 80% of the property management services revenue of the top 100 property service companies in 2019 came from their affiliated real estate, and on average 60% of the area under management was developed by their affiliated real estate developers.

Figure 10: Hong Kong listed property management companies and their associated developers



Source: HKEX, Phillip Securities Research

The epidemic brings opportunities for property management companies

Since the outbreak of COVID-19 in China at the beginning of the year, the development of the real estate market has slowed down and the delivery of real estate projects has been delayed. It is expected that the Chinese real estate market will continue to be under pressure in the short term. On the other hand, the epidemic has also brought opportunities for property management companies. Affected by the epidemic, many owners have put forward higher requirements on the quality of property management products and services. Many branded property management companies responded quickly and actively responded to customers' new environmental needs, such as better air circulation and sun exposure. Improve customer satisfaction and loyalty, and provide room for price increases in the future. Secondly, the government has also introduced different policies to support property management companies, including extending social security payment deadlines, reducing taxes, relaxing financing restrictions, reducing corporate financing costs, and increasing government subsidies. Help the industry to establish and improve a favorable and orderly environment. The CIA expects that if China can control COVID-19 in the second half of the year, China's property management industry can still maintain steady growth.

Company competitive advantage

The company actively expands and acquires into sub-sector

The company expanded into subdivisions through acquisitions and successfully acquired Guangzhou Haoqing Property Management Co., Ltd. (廣州市浩晴物業管理有限公司) ("Guangzhou Haoqing") and Guangzhou Yaocheng Property Management Co., Ltd. (廣州市耀城物業管理有限公司) ("Guangzhou Yaocheng"), at a consideration of RMB 32.7 million and RMB 14.87 million, respectively, to enter the subdivision of the power supply industry.

Guangzhou Yaocheng was established in 2003 and mainly provides comprehensive property management services such as property management and landscaping maintenance. The service objects are mainly power supply system units and related government agencies. As of the end of December 2019, Yaocheng Property has 27 projects under management, with approximately 2.43 million square meters of GFA under management, of which approximately 94% of GFA under management is power supply system units. Guangzhou Haoqing focuses on property services and concurrently operates a variety of businesses, including government agencies and power supply system units.

The company also announced on June 28 to acquire Shanghai Kejian Property Services Co., Ltd. (上海科箭物業服務有限公司) for RMB 234 million. Most of its clients are well-known companies in the logistics real estate industry from domestic and abroad. As of the end of last year, there are 217 projects under management in Shanghai Kejian, about 16 million square meters of GFA under management, distributed in 18 provinces and municipalities across the country, and about 70% of the projects under management are located in high-growth areas such as Jiangsu, Zhejiang and Shanghai. The company thus enters the subdivision field of the property management business of industrial logistics real estate.

The company has sufficient cash after the placement

The company was listed in Hong Kong at the end of 2019. After deducting professional fees, reimbursement commissions and other related listing expenses, the company's net proceeds from the global offering are approximately HK\$786.7 million, of which approximately 65% or HK\$511,383,716 will be used to seek taking potential Strategic investment and acquisition opportunities. On June 30, 2020, the group has used HK\$287 million of the acquisition for acquisitions. The company announced on July 9 that it will offer no less than 6 independent places a price of 10.22 per share. The placing of 77,000,000 shares was completed on July 20. After deducting all related fees, costs and expenses borne or incurred by the company, the company's net proceeds were approximately HKD 779 million, of which 90% will be used for taking potential strategic investment and acquisition opportunities.

The construction of new urbanization brings continuous growth opportunities

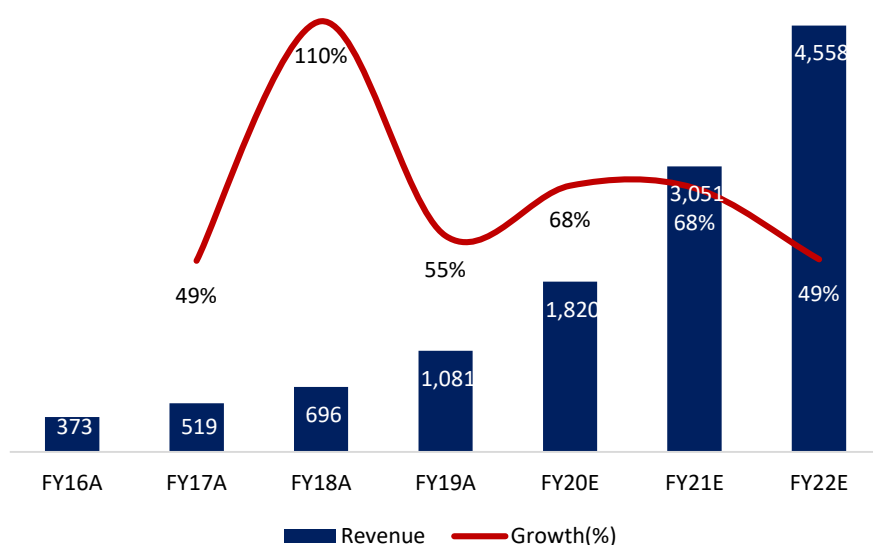
In the government work report of the "Two Sessions" in 2020, it is proposed to strengthen the construction of new urbanization, make clear efforts to transform the old communities, and for the first time propose the development of diversified community services, and the development of property service enterprises welcomes new opportunities. The company currently provides property management services for about 18 projects of Times China Holdings, including basic property management services, value-added services, and even investment services for old factories. Times China Holdings As of June 30, 2020, the total number of urban renewal projects has exceeded 150, with a potential total construction area of approximately 52 million square meters. The company has great potential for future development.

Financial Analysis

Revenue analysis

In the past four years, the company's revenue has increased year-on-year, with a CAGR of 42.6%, from RMB 370 million in 2016 to RMB 1.08 billion in 2019. In 2016, property management services have been the company's main source of income. The income from property management services accounted for an average of about 60%, increasing by CAGR 45.1%, while income from other professional services rose from RMB 7 million in FY16 to RMB 48.9 million in FY19, mainly due to the company's start to expand the municipal sanitation services, which has grown significantly, with a compound annual growth rate of 90.1% in the past four years.

Figure 11: The company's past revenue and forecast (million RMB)



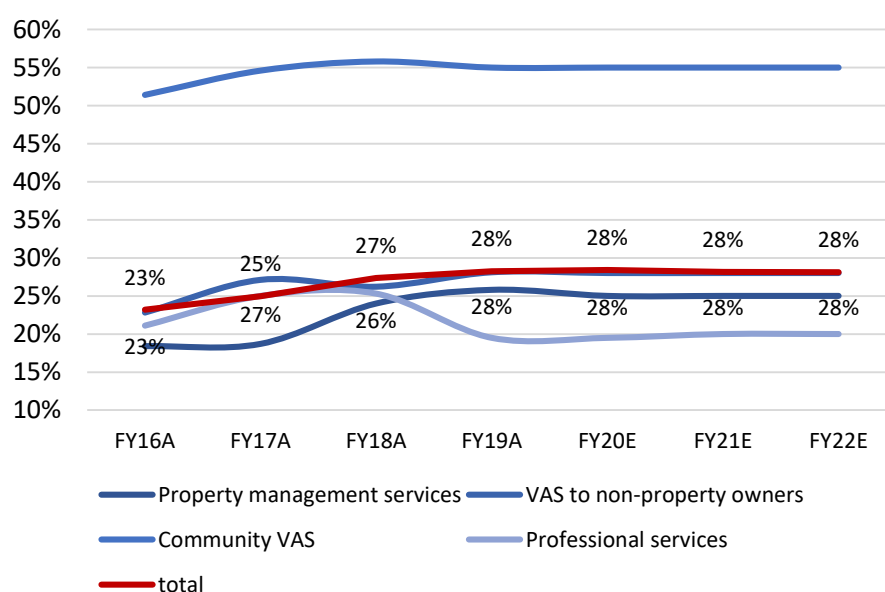
Source: company, PSHK

After the completion of the acquisition in the first half of this year, the company entered the subdivision field of power supply facility management to further strengthen the company's external expansion capabilities and reduce its reliance on the parent company. In addition, Times China currently has sufficient reserves of urban renewal projects, and the company's future sources of management projects are also stable. It is expected that revenue from management projects will maintain a high growth rate of approximately 60% in the next few years. The income from other professional services is also expected to be a new direction for the company to expand in the future. The company's net profit in FY20 and FY21 is expected to be RMB 224 million and RMB 407 million respectively.

Profitability

The company's GPM has also improved in the past four years. The company's GPM in FY17, FY18 and FY19 were 25.0%, 27.4%, and 28.2%, respectively. In terms of segments, the GPM of the company's property management services and non-owner value-added services continued to increase, from 18.40% and 22.8% in FY16 to 25.8% and 28.1% in FY19, respectively, mainly due to the growth in the scale of property management services, The cost control measures have also been improved, and non-owner value-added services will provide more services to change the income structure. From 2020, we will provide housing intermediary services with higher GPMs. The segment GPM will be higher in 1H20. The same period last year increased by 0.7%.

Figure 12: The company's past gross profit margin and forecast



Source: Company, PSHK

Expenses for the period

The company's sales expense to revenue ratio has continued to improve in the past four years, from 2.9% in FY16 to 1.0% in FY19. It is expected that the sales expense to revenue ratio will remain at 1% temporarily. Administrative costs are more volatile, but overall administrative expenses as a percentage of revenue have decreased compared to the past. This is mainly due to the continuous expansion of the company's revenue. In FY19, the company's administrative expenses were RMB 125 million, an increase of approximately 39.2% from 2018, mainly due to Business expansion, but the company's sales expense ratio is also lower than FY18. It is expected that as the income scale increases, the proportion of administrative expenses to income will decrease in the future.

Company valuation

The company has sufficient cash to carry out mergers and acquisitions after placement, providing potential growth space for future growth. The company's acquisitions this year also allowed the company to enter the subdivision of power supply facilities management. Times China provides the company with a stable supply of projects, coupled with the company's own expansion capabilities, it is expected that the company's future revenue will continue to increase. The industry average 2020 P/E is 31.8x, and the average P/E of similar peers such as Xinchengyue Service and Greentown Service is 35.10x. Considering the current sector valuation adjustments, the company is given a 2021 revenue 31.00x earnings ratio.

We expect the company's 2020 and 2021 EPS to be RMB 22.72 cent and RMB 41.38 cent, giving a target price of HK\$14.25 corresponding to the P/E of 56.45x /31.00x for 2020e and 2021e. Give a BUY rating.

(Closing price as of 5 Oct)

Peer Comparison

Company	Stock Code	CMP	Mkt Cap.	P/E			EV/EBITDA		
				TTM	2020	2021	TTM	2020	2021
(Listed Currency) (HKD 'mn)									
HK Listed Property Management Company									
CG SERVICES	6098 hk equity	50.05	138,107	54.7x	48.7x	34.4x	26.2x	34.5x	23.7x
A-LIVING	3319 hk equity	39.40	52,533	31.8x	26.5x	20.1x	21.2x	16.2x	11.8x
GREENTOWN SER	2869 hk equity	9.70	31,207	39.1x	39.0x	30.2x	21.2x	23.3x	17.5x
EVERSUNSHINE LS	1995 hk equity	14.68	24,521	65.4x	53.8x	35.1x	30.0x	33.6x	21.5x
CHINA OVS PPT	2669 hk equity	6.42	21,102	37.1x	31.3x	24.4x	-	19.6x	14.8x
S-ENJOY SERVICE	1755 hk equity	19.40	15,891	50.0x	32.1x	21.6x	19.2x	20.7x	13.1x
POWERLONG CM	9909 hk equity	25.95	16,128	51.7x	47.8x	33.1x	8.0x	27.7x	18.1x
CC NEW LIFE	9983 hk equity	8.38	10,433	-	22.9x	16.0x	-	13.2x	9.2x
TIMES NEIGHBOR	9928 hk equity	10.02	9,876	67.5x	36.3x	21.1x	18.6x	22.3x	11.8x
POLY PPT SER	6049 hk equity	61.50	34,030	44.5x	41.5x	30.6x	22.7x	23.7x	16.4x
ZHENRO SERVICES	6958 hk equity	5.06	5,250	-	21.6x	15.3x	-	-	-
COLOUR LIFE	1778 hk equity	3.70	5,383	8.8x	8.4x	7.8x	5.3x	4.8x	4.5x
AOYUAN HEALTHY	3662 hk equity	6.11	4,437	22.5x	16.1x	10.7x	14.6x	8.6x	4.9x
BINJIANG SER	3316 hk equity	15.76	4,356	31.4x	20.0x	16.4x	9.0x	-	-
KAISA PROSPER	2168 hk equity	23.40	3,604	15.0x	13.5x	9.8x	11.3x	6.0x	3.9x
RSUN SER	1971 hk equity	5.75	2,386	-	23.4x	14.1x	-	11.1x	6.1x
LANGUANGJUSTBON	2606 hk equity	45.75	8,148	12.9x	12.0x	9.1x	10.8x	6.4x	4.4x
YINCHENG LS	1922 hk equity	7.01	1,873	38.4x	-	-	-	-	-
XINYUAN PM	1895 hk equity	3.03	1,665	12.2x	-	-	-	-	-
ZHONG AO HOME	1538 hk equity	0.89	761	5.4x	4.9x	3.9x	4.1x	2.4x	1.9x
FIN STREET PPT	1502 hk equity	9.60	3,586	21.6x	22.7x	17.5x	-	-	-
HEVOL SERVICES	6093 hk equity	2.28	1,094	50.3x	-	-	11.2x	-	-
RIVERINE CHINA	1417 hk equity	2.14	867	43.1x	1.4x	1.2x	20.7x	-	-
XINGYE WULIAN	9916 hk equity	1.52	608	11.1x	-	-	-	-	-
CLIFFORDML	3686 hk equity	0.54	548	5.5x	-	-	2.1x	-	-
YE XING GROUP	1941 hk equity	1.28	519	11.9x	-	-	-	-	-
Average				31.8x	26.2x	18.6x	15.1x	17.1x	11.5x
Median				31.8x	23.2x	17.0x	14.6x	17.9x	11.8x

Source: PSHK

FYE DEC	FY19	FY20E	FY21E	FY22E
Valuation Ratio				
P/E ratio	56.36	39.70	21.79	14.78
P/B ratio	9.88	4.90	3.98	3.11
Dividend Yield (%)	0.00%	0.00%	0.00%	0.00%
Per share data (RMB)				
EPS (cent)	16.00	22.72	41.38	61.01
BVPS (cent)	91.23	184.07	226.71	290.23
DPS (HKD cent)	-	-	-	-
Growth & Margin				
Growth				
Revenue	55.4%	68.3%	67.7%	49.4%
Operating income	66.7%	101.0%	85.5%	48.9%
Net income	51.6%	132.5%	82.2%	47.4%
Margins				
Gross Profit Margin	28.2%	28.4%	28.2%	28.1%
Operating profit Margin	13.8%	16.5%	18.2%	18.2%
Net Profit Margin	8.6%	12.3%	13.4%	13.2%
Key Ratios				
ROE	11%	12%	18%	21%
ROA	6%	9%	13%	15%

Source: PSHK

Financials

Income Statemen (CNY\$ mn)

	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	696	1,081	1,820	3,051	4,558
Growth (%) YoY	110%	55%	68%	68%	49%
COGS	(505)	(776)	(1,303)	(2,192)	(3,276)
Gross Profit	190	305	517	859	1,282
Gross margin (%)	27%	28%	28%	28%	28%
other income	2	6	1	2	2
Selling & distribution	(8)	(10)	(18)	(31)	(46)
Admin	(90)	(125)	(200)	(275)	(410)
other expense	(5)	(27)	-	-	-
Total opex	(103)	(162)	(218)	(305)	(456)
Operating income (EBIT)	89	149	300	556	828
Operating Margin(%)	13%	14%	16%	18%	18%
Finance costs	74	98	19	25	31
Finance costs	(78)	(111)	(13)	(13)	(13)
Pre-tax profit	87	136	306	568	846
Tax	(22)	(40)	(80)	(148)	(220)
Minority interest	(1)	1	(2)	(12)	(25)
Net profit	64	96	224	408	601
Net margin(%)	8.6%	8.6%	12.3%	13.4%	13.2%
EPS (CNY\$ cent)	-	16.00	22.72	41.38	61.01

Cash Flow Statement (CNY\$ mn)

	FY18A	FY19A	FY20E	FY21E	FY22E
Operating cash flow					
EBITDA	108	165	320	573	845
Chg in working cap	1,026	(985)	5	(92)	(114)
Others	(6)	(4)	6	12	18
Cash from operating	1,127	(823)	331	493	749
Tax	(13)	(34)	(40)	(80)	(148)
Net Cash from operation	1,115	(857)	291	413	601
Capex	(10)	(22)	(14)	(16)	(19)
Acquisition	(7)	(32)	(258)	-	-
Cash from investing	(1,543)	1,661	(272)	(16)	(19)
FCF	(428)	804	19	397	583
Financing cash flow	-	-	-	-	-
Issue of Shares	-	749	-	-	-
Dividends paid	-	-	-	-	-
Net change in bank loans	1,601	(1,601)	-	-	-
Cash from financing	1,524	(1,011)	689	(0)	(0)
Net increase (decrease) in cash	1,096	(207)	708	397	583
Exchange rate or other adj	-	(4)	-	-	-
Opening cash balance	86	1,182	971	1,679	2,075
Closing cash balance	1,182	971	1,679	2,075	2,658

Balance Sheet (CNY\$ mn)

	FY18A	FY19A	FY20E	FY21E	FY22E
Total non-current assets	178	244	496	495	498
Trade Receivable	212	213	349	585	874
Inventory	2	4	4	6	9
Cash	1,182	971	1,679	2,075	2,658
Other Short Term Asset	1,204	991	1,697	2,096	2,681
Total current asset	3,468	1,257	2,051	2,687	3,561
Total Assets	3,646	1,501	2,548	3,182	4,059

Liabilities

Current Liabilities	2,086	584	716	930	1,181
Non-current Liabilities	1,453	18	18	18	18
Total Liabilities	3,539	602	733	948	1,198

Shareholder's Equity

Equity Capital	-	8	8	8	8
Reserve	103	888	1,800	2,208	2,810
Non-controlling interest	4	3	6	18	43
Shareholder's Equity	107	899	1,814	2,235	2,861
Total Liabilities & Shareholder's Equ	3,646	1,501	2,548	3,182	4,059

(Closing price as of 5 Oct)

Source: PSHK

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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