

Ever Sunshine LS (1995 HK)

Four-wheel drive, moving towards a life service provider

Hong Kong | Property Management | Initial Coverage Research Report

24 February 2021

Investment Summary

Yongsheng Property, the predecessor of EVER SUNSHINE LIFESTYLE SERVICES GROUP, was established in 2002. Since 2003, it has provided property management services for properties developed by CIFI Holdings, mainly in Beijing and Shanghai, and continues to develop the eastern region. Since 2013, the company has begun to manage properties developed by third-party property developers. As of the end of 2016, the company's GFA under management has exceeded 10 million square meters, and the total number of property management services projects has exceeded one hundred. In the industry, it is a company that started expanding outward earlier. According to the "2020 China Top 100 Property Management Companies Research Report" released by China Index Academy, the company ranks 12th among the top 100 property management services companies in China.

Revenue continues to increase, driven by the three major businesses

In 2019, the company's revenue recorded approximately RMB 1.88 billion, a year-on-year increase of approximately 74.5%. The CAGR reached 54% from 2015 to 2019. The company is mainly divided into three major businesses, 1) property management services, 2) community VAS and 3) VAS to non-property owners. In 2019, property management services, community VAS and VAS to non-property owners recorded RMB 1.07 billion, RMB 480 million and RMB 320 million, respectively, accounting for 56.98%, 25.73% and 17.29% of the company's revenue. In the first half of 2020, under the influence of the epidemic, the company still maintained high growth in property management services, community VAS and VAS to non-property owners, increasing by 83.7%, 84.6% and 117.1% year-on-year respectively, accounting for the company's revenue of 59.6%, 19.4% and 21.0%.

The company's VAS performance leads the industry

The revenue of property management services companies from value-added services has increased year-on-year in recent years. Unlike basic property management services, which rely on cost control to obtain profit, the profitability of value-added services is more focused on the quality of services, and it will be more important in the future. Large room for improvement is the second growth driver for property management companies. Company's development in community VAS is at the forefront of the industry, and the gross profit contribution from community VAS surpassed basic property management services in 2019 and gradually become a home life service provider.

Valuation and Investment Recommendation

We believe that in addition to basic property services and other services with subscription attributes, the company's development in community VAS is also the best in the industry. In the future, with industry integration, revenue growth from property management services will slow down, and value-added services will become the second driving force for the company's growth. The company builds brand reputation through high-quality standardized services, and continues to expand community VAS, further towards for the development of life service providers, we believe that the PEG valuation method can more effectively reflect the value. The average PEG of the property management services industry is 0.98. Considering that the company has more consumption attributes than other peers, the company is given a 1.1x PEG in 2021 and a target price of 24.38 Hong Kong dollars, corresponding to 54.78x/37.38x expected P/E ratios in 2021 and 2022, the initial cover, gives an Accumulate rating.

Accumulate (Initial)

CMP HKD 21.55

(Closing price as of 2 Feb)

Target HKD 24.38 (+13.1%)

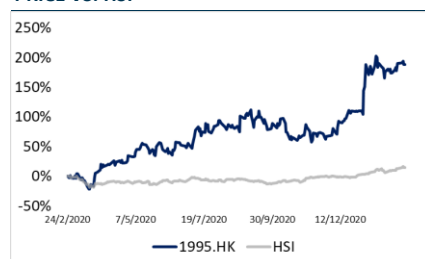
COMPANY DATA

O/S SHARES (MN) :	1,670.4
MARKET CAP (HKD MN) :	37,668
52 - WK HI/LO (HKD):	26.05/21.50

SHARE HOLDING PATTERN, %

Lin Zhong & Family	26.34
CIFI HOLDINGS (GROUP) CO. LTD	24.35
Lin Feng	10.28

PRICE VS. HSI



Source: Wind, PSHK

KEY FINANCIALS

CNY mn	FY19	FY20E	FY21E	FY22E
Net Sales	1,878	3,134	4,039	5,613
Net Profit	224	415	617	904
EPS, CNY cent	14.58	24.84	36.94	54.14
P/E, x	128.96	75.68	50.89	34.72
BVPS, CNY cent	67.91	172.81	202.30	245.36
P/BV, x	27.68	10.88	9.29	7.66
DPS (HKD cent)	4.79	9.94	14.78	21.66
Div. Yield (%)	0.21	0.44	0.65	0.96

Source: Company reports, Phillip Securities Est.

Research Analyst

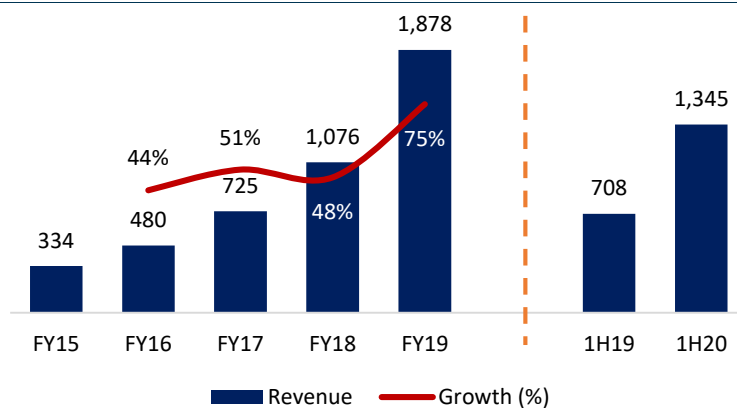
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Company Profile

Yongsheng Property, the predecessor of EVER SUNSHINE LIFESTYLE SERVICES GROUP, was established in 2002. Since 2003, it has provided property management services for properties developed by CIFI Holdings, mainly in Beijing and Shanghai, and continues to develop the eastern region. Since 2013, the company has begun to manage properties developed by third-party property developers. As of the end of 2016, the company's GFA under management has exceeded 10 million square meters, and the total number of property management services projects has exceeded one hundred. In the industry, it is a company that started expanding outward earlier. According to the "2020 China Top 100 Property Management Companies Research Report" released by China Index Academy, the company ranks 12th among the top 100 property management services companies in China.

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

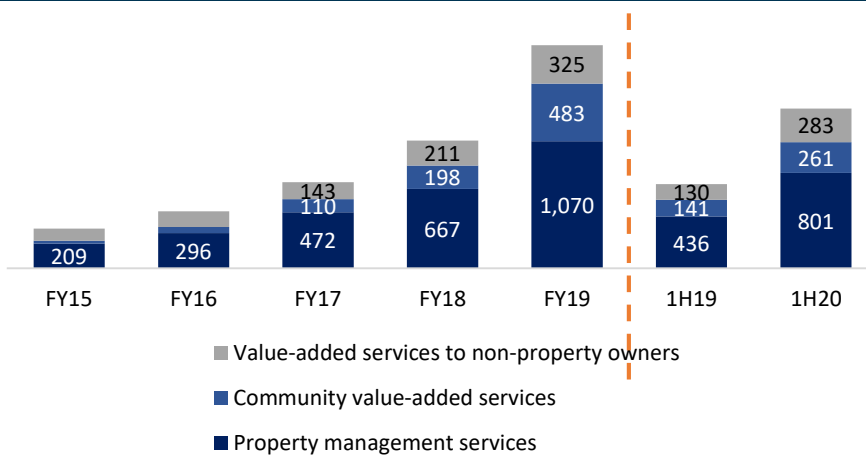


Source: company, PSHK

In addition to traditional property management services, the company actively expands value-added services. Starting in 2010 and 2013, it began to provide VAS to non-property owners and community VAS. From April 2017 to March 2018, it was listed on NEEQ and listed on the main board of the Hong Kong Stock Exchange in December 2018 with the stock code 1995.HK.

In 2019, the company's revenue recorded approximately RMB 1.88 billion, a year-on-year increase of approximately 74.5%. The CAGR reached 54% from 2015 to 2019. The company is mainly divided into three major businesses, 1) property management services, 2) community VAS and 3) VAS to non-property owners. In 2019, property management services, community VAS and VAS to non-property owners recorded RMB 1.07 billion, RMB 480 million and RMB 320 million, respectively, accounting for 56.98%, 25.73% and 17.29% of the company's revenue. In the first half of 2020, under the influence of the epidemic, the company still maintained high growth in property management services, community VAS and VAS to non-property owners, increasing by 83.7%, 84.6% and 117.1% year-on-year respectively, accounting for the company's revenue of 59.6%, 19.4% and 21.0%.

Figure 2: The company's revenue (in millions of RMB) (by business segment)



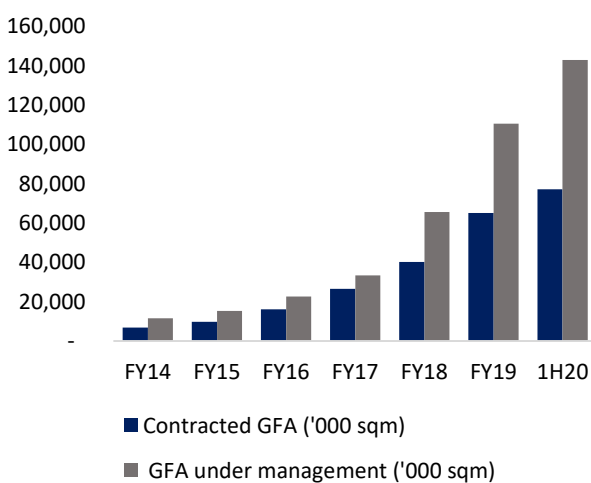
Source: company, PSHK

Property management service

In terms of property management services, the company mainly provides property management services to property developers, owners and residents, including cleaning, security, gardening and repair and maintenance services. The portfolio of managed properties comprises residential and non-residential properties. As of June 30, 2020, the company's contracted GFA was approximately 142.8 million square meters, and the number of contracted projects was 788, representing a HoH increase of approximately 29.2% and 29.4%. The GFA under management reached about 77.2 million square meters, and the number of GFA under management was 497, with a HoH increase of 18.5% and 23.3%.

In terms of regional distribution, the company's projects under management are mainly concentrated in the eastern region with the Yangtze Delta as the center, accounting for 66.3% of the company's contracted GFA, while the second-high proportion is the central region, accounting for about 13.5%. Through continuous deepening of the layout, the scale effect is improved, and the layout is also for increasing the order density of value-added services.

Figure 3: Company contracted GFA and GFA under management ('000 sqm)



Source: company, PSHK

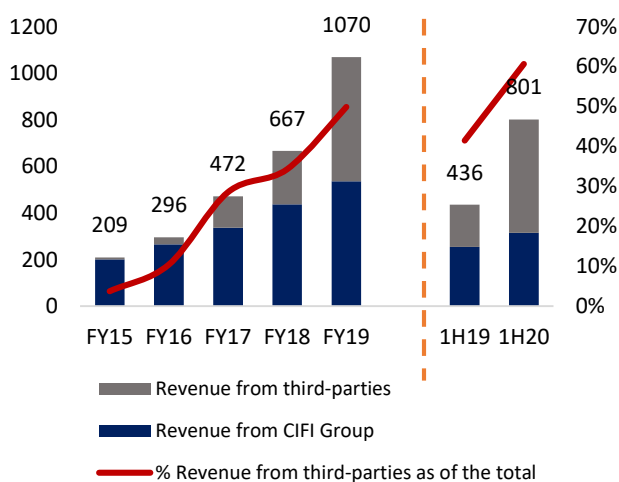
Figure 4: Distribution of the company's GFA in management in the first half of 2020



Source: company, PSHK

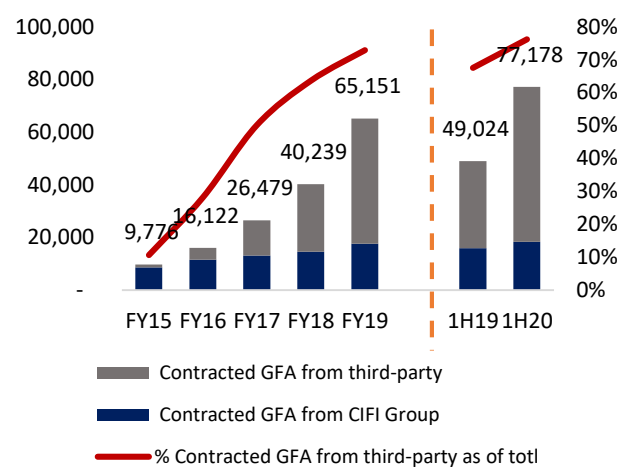
In terms of revenue sources, the company's GFA under management from third parties has continued to increase. In the 1H20, the company's new GFA under management from third parties increased by 11.31 million square meters from the previous quarter to 58.77 million square meters, accounting for 76.1% of the total GFA under management. The company's related-party transactions accounted for a low proportion and its expanding outward capabilities were strong. The revenue directly obtained by the company from CIFI Holdings was RMB 255 and 315 million respectively in the first half of 2019 and 2020, accounting for 58.5%/39.3% of the total. The company's pricing power has also continued to increase, and the average fee of third-party projects has continued to increase, which has led to an increase in the company's overall average property fee.

Figure 5: Revenue from property management services (by source of income) (RMB million)



Source: company, PSHK

Figure 6: GFA under management (by source) ('000 sqm)

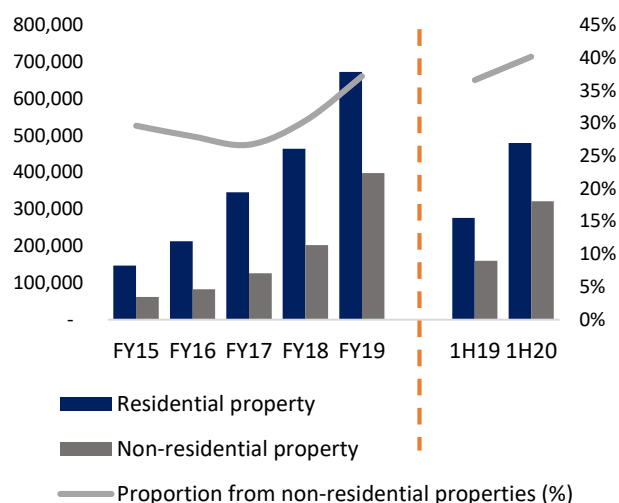


Source: company, PSHK

The company's projects under management cover different kinds of properties.

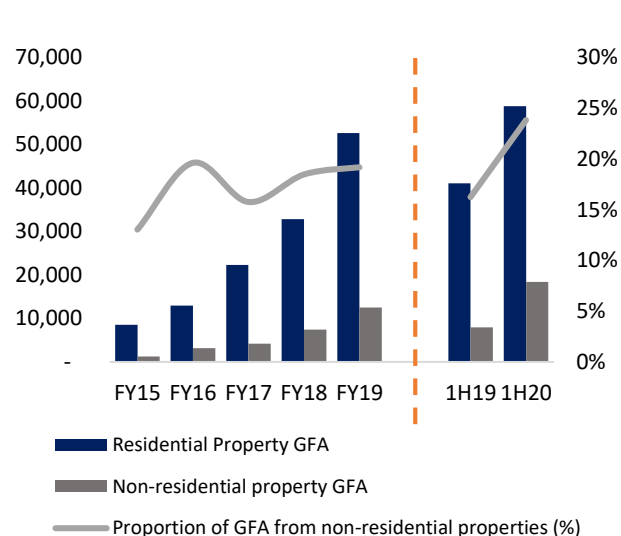
The company focuses on the multi-business development of residential and non-residential properties. In terms of non-residential properties, the company's management projects include office buildings, shopping malls, industrial parks, hospitals, etc. As of June 30, 2020, approximately 23.8% of the company's GFA under management are non-residential properties. The company's revenue from non-residential businesses has also continued to increase. In the first half of 2020, non-residential property management services revenue accounted for 40.1%, compared with 2015's 29.6% increased by 10.5 percentage points.

Figure 7: Revenue from basic property management services (calculated by business type) (million RMB)



Source: company, PSHK

Figure 8: The company's GFA under management (calculated by business type) ('000 sqm)



Source: company, PSHK

Community VAS

The main target of the company's community VAS are property owners and residents, including (i) home living services; (ii) parking space management, leasing and sales services; (iii) property agency services; and (iv) common area value-added services.

VAS to non-property owners

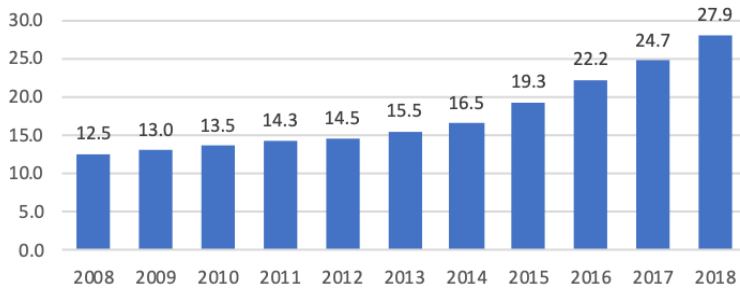
The company's VAS to non-property owners mainly target property developers. The services include (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services. In the first half of 2019/2020, the company's revenue from VAS to non-property owners accounted for 18.4%/21.0%, and gross profit accounted for 15.9%/14.7%, respectively, mainly due to the low GPM of the company in VAS to non-property owners, which is also low while compared to the industry average. The development of VAS to non-property owners is generally related to related developer projects, and the continuity and certainty of growth is more obvious than that of property management services and community VAS. In recent years, the company's revenue from VAS to non-property owners contributed by third-party property developers has also continued to rise.

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

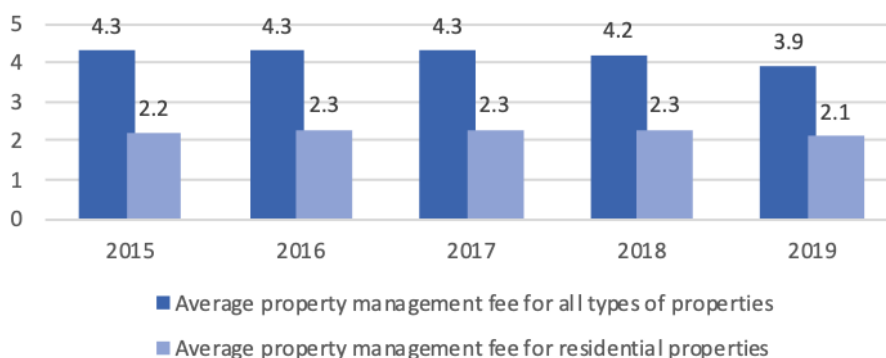


Source: "2019 Property Service Enterprise Development Index Evaluation Report", Phillip Securities Research

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 10: Average value of property management fees (RMB/per sqm/month)

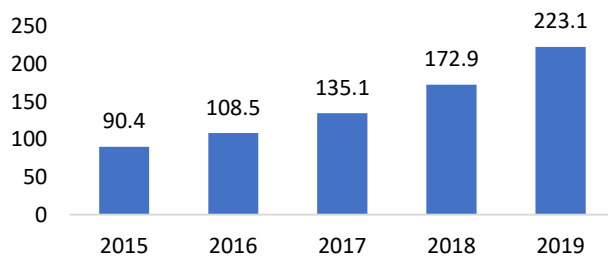


Source: CIA, Phillip Securities Research

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



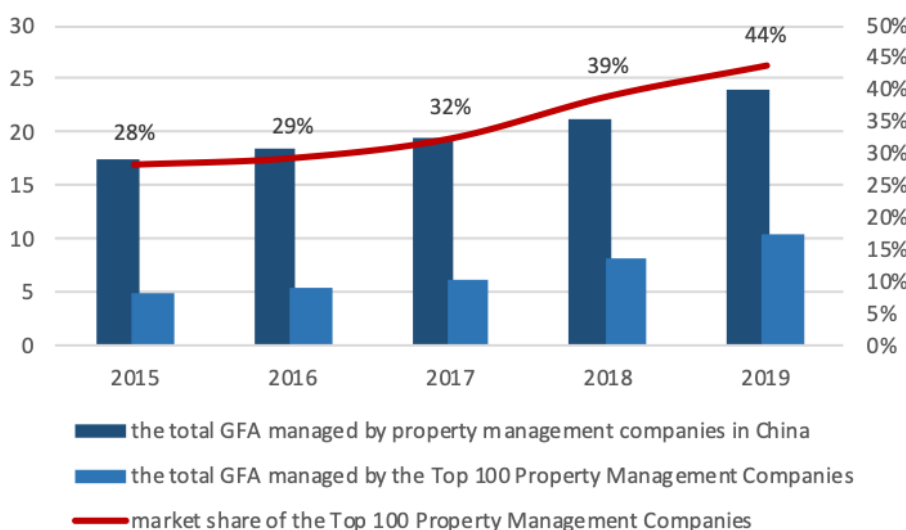
Source: CIA, Phillip Securities Research

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 12: 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 13: 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.

In January, the Ministry of Housing and Urban-Rural Development of the PRC (中华人民共和国住房和城乡建设部)、the National Development and Reform Commission of the PRC (中华人民共和国国家发展和改革委员会)、China Banking and Insurance Regulatory Commission(中国银保监会) and other ten ministries and commissions issued the "Notice on Strengthening and Improving Residential Property Management Services", which includes integrating property management into the grassroots social governance system, improving the service level of property management services, and improving the owner committee Govern the structure, promote the development of the life service industry, standardize the use and management of maintenance funds, and strengthen the supervision and management of property services.

Item 11 in the notice mentioned improving the price formation mechanism for property services. Property service prices are mainly formed through market competition. The service price is agreed upon by the owner and the property service company in the property service contract, which can be dynamically adjusted according to factors such as service standards and price indices. In this notice, it is clearly proposed to improve the market-based pricing mechanism for property services, and to relieve the market's worries about price increases limit in the past. In the future, basic property management services can also provide high-quality property management companies with sustained profit growth momentum through price adjustments.

Company competitive advantage

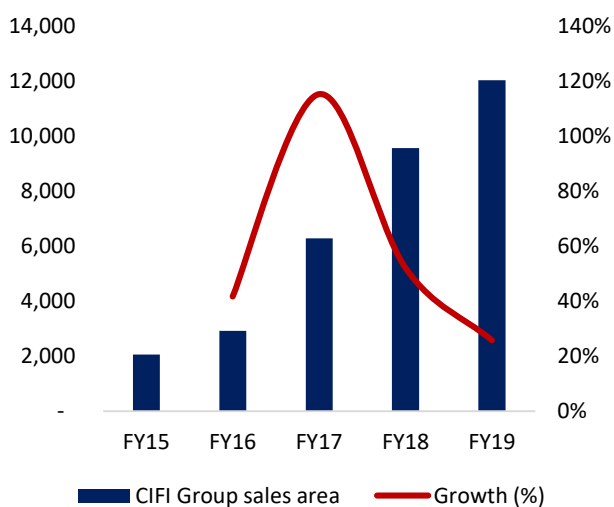
The company manages the scale of 4-wheel drive and continues to increase

In terms of business expansion, the company has a specific strategic plan to use the "four-wheel drive" approach to achieve rapid growth in the scale of operations, so as to achieve sustainable high growth. Four-wheel drive refers to 1) projects obtained by third-party extensions, 2) new projects developed by the parent company CIFI Holdings, 3) projects obtained by establishing joint ventures with third parties, 4) projects obtained by strategic acquisitions.

Different from the industry's continuous acquisitions, the company expands its scope through its quality, brand, channel and execution capabilities. It advocates market expansion as its main strategy. The company believes that the ideal business growth structure is the Marketing: Parent company: Joint venture: Mergers and acquisitions are 5:2:2:1, reducing reliance on parent companies and mergers and acquisitions.

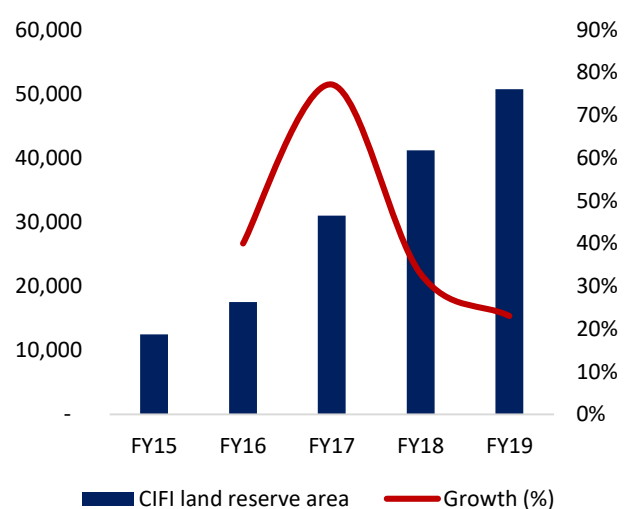
The sales area of the parent company CIFI Group has shown rapid growth in recent years, providing continuous GFA under management growth for the company's projects under management. CIFI Group's sales area has increased from 2.06 million square meters in 2015 to 12.04 million square meters in 2019, CAGR Up to 55.5%. As of June 30, 2020, CIFI Group has a land reserve area of 52.7 million square meters, and it is expected to continue to provide stable project delivery for company in the future.

Figure 14: CIFI Group sales area ('000 sqm)



Source: company, PSHK

Figure 15: CIFI's land reserve area ('000 sqm)



Source: company, PSHK

In terms of third-party external expansion, the company mainly obtains new projects through three channels. The first is to obtain the first-hand project management rights of third-party property developers by participating in the bidding of new development projects. The second is the bidding conducted by participating in the owners' committee to replace the original property management services service provider. The third is the company's participation in government procurement to obtain infrastructure projects such as stadiums, rail transit and office buildings. The bid winning rate depends on the company's service quality and reputation. The company continues to deepen its regional development, establish good cooperative relations with local governments and partners, and increase the bid winning rate.

On the other hand, the company has reached strategic cooperation with different property developers, including leading regional developers. Through the establishment of a joint venture company for scale expansion, the company is responsible for the subsequent property service projects. In addition, the company also has strategic cooperation with government state-owned enterprises. Starting in 2019, the company began to set foot in urban services and reached a strategic cooperation with Jilin Gaoxin Tonghua. Later, in 2020, we will reach strategic cooperation with Jining District in Ulan Chabu City, Inner Mongolia, Siyang District in Suqian City, Jiangsu Province, WuXi HuiShan State-owned Investment Holding, etc., in the construction of smart cities, the transformation of old communities and urban public Continue to expand in construction and other aspects.

Figure 16: The company's partners in third-party expansion



Source: company, PSHK

In terms of strategic mergers and acquisitions, in the industry's merger and acquisition wave, the company has completed four M&A since its listing. The acquisition targets were Qingdao Yayuan, Qingdao Yinshengtai, Jiangsu Xiangjiang and Guangxi Zhangtai. The company focuses on the company's business complement in the acquisition, and also focuses on the quality of the acquired company when selecting the target. The company also raised approximately HK\$1.58 billion in equity in the middle of last year. Prepare capital for subsequent strategic mergers and acquisitions.

Figure 17: The company's past mergers and acquisitions

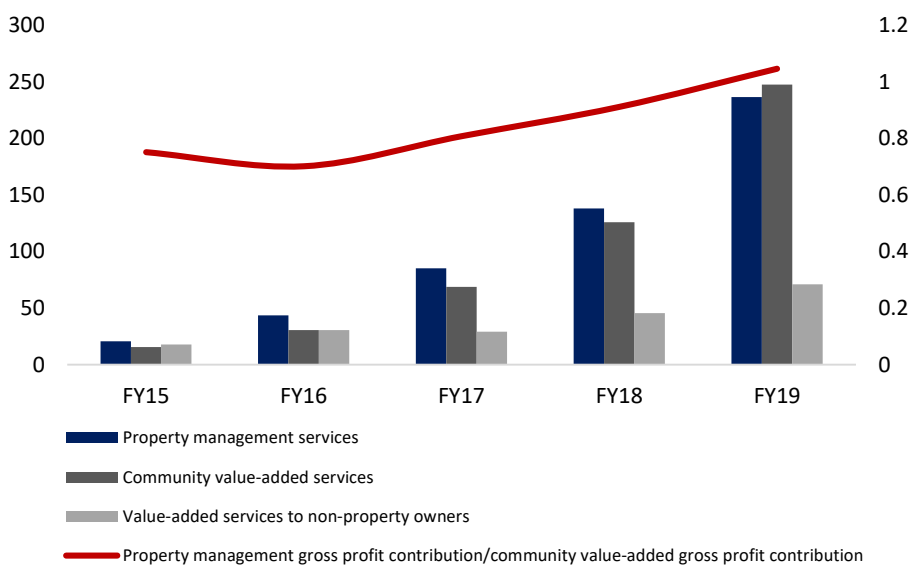
Date	Target company	Proportion of acquired equity	Consideration (mil)	Types of project under management
June 2019	Qingdao Yayuan	51%	462	Commercial offices, high-end apartments, etc.
February 2020	Qingdao Yinshengtai	50%	9	Residential and property
April 2020	Jiangsu Xiangjiang	55%	465	Government departments, public buildings, etc.
January 2021	Guangxi Zhangtai	65%	434	Residential

Source: company, PSHK

The company advocates platform plus ecology and leads development on community VAS

As mentioned above, the revenue of property management services companies from value-added services has increased year-on-year in recent years. Unlike basic property management services, which rely on cost control to obtain profit, the profitability of value-added services is more focused on the quality of services, and it will be more important in the future. Large room for improvement is the second growth driver for property management companies. Company’s development in community VAS is at the forefront of the industry, and the gross profit contribution from community VAS surpassed basic property management services in 2019 and gradually become a home life service provider.

Figure 18: Comparison of the company's gross profit contribution by business (million RMB)



Source: company, PSHK

In the development of community VAS, the company develops in a platform plus ecology model, and uses the community as a platform to build an ecosystem. On the product side, the company has independently BU its professional business. A professional team is responsible for product development and research on how to reach the owner accurately. On the business side, the company adopts a business-raising plan. On the one hand, it cooperates with big brands to jointly empower, and on the other hand, it also splits with localized small businesses. There will be no more than two single-category suppliers in a community to form ‘Support business plan’. On the client side, focusing on cultivating the owner’s habit, through time-based or scenario-based sales strategies, the owner’s stickiness to the company’s value-added services is improved, and the path dependence and mental cycle of the user side are formed.

Financial forecast

In terms of basic property services, we estimate it by CIFI Group’s contracted sales, the company’s past third-party outreach capabilities, and acquisition capabilities. The company’s 2020/2021/2022/2023 contracted GFA growth is expected to be 28.00/36.40/47.32/ 61.52 million square meters. Based on the previous company’s contract convert ratio, the company’s reserve area conversion period will be completed within 2 years on average. The company’s 2020/2021/2022/2023GFA under management is expected to be 10,387/13,509/17,097/217.15 million square meters respectively, the corresponding basic property service income is CNY 1.64/2.07/2.55/3.16 billion.

In terms of community VAS, growth is expected from three perspectives, 1) the increase of GFA under management, 2) the increase in the unit price of community service revenue and 3) the penetration rate of community VAS. It is expected that the growth in recent years will mainly come from the increase in penetration rate, and as the penetration rate of community VAS increases, the increase in unit price will constitute the second growth driver. The company's 2020/2021/2022/2023 annualized growth of value-added service revenue per square meter is expected to be 26%/26%/26%/27%, corresponding to community VAS revenue of RMB 9.71/15.91/25.36/40.75 billion.

In terms of VAS to non-property owners, it mainly comes from CIFI Group's early-stage sales and project delivery. We predict that the delivery area from CIFI Group in 2020-2023 will be 409/250/287/369 million square meters, corresponding to VAS to non-property owners was RMB 5.23/3.83/5.29/8.17 billion.

In terms of GPM, we predict that the company's GPM for 2020-2024 will be 30.7%, 33.1%, 34.2%, and 35.5%, respectively. Among them, the GPM of property management services service revenue is relatively stable, mainly from the cost-side management. The growth of GPM is expected to be limited, and the growth in the next four years is expected to be slight. In terms of VAS to non-property owners, the relationship with the parent company is relatively high, and GPM is expected to remain stable. In terms of community VAS, since the company has begun to implement BU management in terms of professional services with low GPM in recent years, it is expected that the GPM of community VAS will fall after the revenue share increases. On the whole, as the proportion of community VAS with higher GPM continues to increase, the company's overall GPM is also on the rise.

Company valuation

We believe that in addition to basic property services and other services with subscription attributes, the company's development in community VAS is also the best in the industry. In the future, with industry integration, revenue growth from property management services will slow down, and value-added services will become the second driving force for the company's growth. The company builds brand reputation through high-quality standardized services, and continues to expand community VAS, further towards for the development of life service providers, we believe that the PEG valuation method can more effectively reflect the value.

We expect the company's 2020/2021/2022/2023 earnings per share to be RMB 24.84/36.94/54.14/82.88 cents, with an average growth rate of 49.8% in 2021-2023. The average PEG of the property management services industry is 0.98. Considering that the company has more consumption attributes than other peers, the company is given a 1.1x PEG in 2021 and a target price of 24.38 Hong Kong dollars, corresponding to 54.78x/37.38x expected P/E ratios in 2021 and 2022, the initial cover, gives an overweight rating.

(Current price as of February 22)

Peer Comparison

Company	Ticker	CMP	Mkt Cap.	P/E			P/B		
				TTM	2020	2021	TTM	2020	2021
(Base Currency) ('mn HKD)									
COUNTRY G	6098 HK Equity	67.00	197,153	69.7x	43.5x	31.8x	23.5x	12.7x	9.7x
EVERGRAN	6666 HK Equity	16.40	177,297	-	36.1x	24.9x	-	11.0x	8.2x
CHINA RESC	1209 HK Equity	50.00	114,125	-	65.7x	48.3x	-	6.7x	6.1x
SUNAC SER	1516 HK Equity	24.75	76,812	102.1x	51.2x	31.4x	0.1x	6.3x	5.5x
A-LIVING SM	3319 HK Equity	34.00	45,333	26.1x	16.6x	13.2x	6.0x	4.2x	3.5x
EVER SUNS	1995 HK Equity	21.55	35,997	91.3x	47.4x	31.8x	11.2x	10.2x	8.1x
SHIMAO SEF	873 HK Equity	13.92	32,907	-	22.1x	14.1x	-	4.2x	3.5x
GREENTOW	2869 HK Equity	8.29	26,717	31.8x	24.3x	19.4x	3.4x	3.5x	3.1x
KWG LIVING	3913 HK Equity	8.95	18,059	-	24.2x	15.9x	-	4.0x	3.3x
CHINA OVER	2669 HK Equity	4.96	16,303	28.6x	19.0x	14.8x	9.7x	6.1x	4.7x
POWERLON	9909 HK Equity	24.90	16,036	45.2x	30.1x	22.3x	7.2x	5.6x	4.8x
S-ENJOY SE	1755 HK Equity	18.80	15,434	36.3x	19.6x	13.6x	13.1x	7.7x	5.9x
JINKE SMAR	9666 HK Equity	82.40	53,795	63.2x	42.7x	28.2x	27.4x	6.0x	5.1x
EXCELLENC	6989 HK Equity	9.50	11,614	-	19.0x	13.5x	-	3.1x	2.6x
CENTRAL CI	9983 HK Equity	7.18	9,027	-	13.0x	9.7x	2.8x	2.6x	2.2x
POLY PROP	6049 HK Equity	53.20	29,437	38.9x	26.0x	19.7x	4.2x	3.7x	3.3x
SICHUAN LAI	2606 HK Equity	38.95	6,937	10.4x	7.7x	5.9x	2.6x	1.8x	1.5x
TIMES NEIGH	9928 HK Equity	6.57	6,476	34.2x	13.1x	7.4x	5.2x	2.9x	1.7x
COLOUR LIF	1778 HK Equity	3.60	5,238	8.2x	7.4x	6.8x	1.1x	0.9x	0.8x
ZHENRO SE	6958 HK Equity	4.23	4,389	-	12.2x	8.5x	21.4x	-	-
			Mean	45.1x	27.0x	19.1x	9.3x	5.4x	4.4x
			Median	36.3x	23.1x	15.4x	6.0x	4.2x	3.5x

Source: Bloomberg, PSHK

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY19	FY20E	FY21E	FY22E	FY23E
Revenue	1,878	3,134	4,039	5,613	8,053
COGS	(1,322)	(2,173)	(2,701)	(3,693)	(5,190)
Gross Profit	555	961	1,339	1,920	2,863
Admin expense	(247)	(407)	(529)	(735)	(1,055)
Other operating gain/(loss)	26	25	34	46	66
Operating Profit	335	579	843	1,231	1,874
Net finance income	(6)	26	44	55	71
Associated companies & JVs	(0)	-	-	-	-
Profit before tax	329	605	887	1,286	1,945
Tax	(80)	(151)	(222)	(321)	(486)
NCI	(25)	(39)	(48)	(60)	(74)
Profit for the year	224	415	617	904	1,384
EPS	14.58	24.84	36.94	54.14	82.88

Key Financial Data

Dec Y/E	FY19	FY20E	FY21E	FY22E	FY23E
Valuation Ratio					
P/E ratio, x	128.96	75.68	50.89	34.72	22.68
P/B ratio, x	27.68	10.88	9.29	7.66	6.03
Dividend Yield, %	0.21	0.44	0.65	0.96	0.26
Per share data (RMB cent)					
EPS	14.58	24.84	36.94	54.14	82.88
BVPS	67.91	172.81	202.30	245.36	311.99
DPS (HKD cent)	4.79	9.94	14.78	21.66	5.79
Growth & Margin					
Growth					
Revenue Growth	75%	67%	29%	39%	43%
Operating income Growth	154%	73%	46%	46%	52%
Net income Growth	124%	85%	49%	47%	53%
Margin					
Gross Profit Margin	30%	31%	33%	34%	36%
Operating profit Margin	18%	18%	21%	22%	23%
Net Profit Margin	12%	13%	15%	16%	17%
Key Ratios					
ROE	18%	14%	17%	21%	25%
ROA	9%	10%	12%	14%	16%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY19	FY20E	FY21E	FY22E	FY23E
Non Current Asset					
PPE	41	57	78	108	149
GoodWill	431	431	431	431	431
LT investment	51	77	77	77	77
Other	147	131	117	106	97
Total Non Current Assets	670	695	703	722	754
Current Asset					
T/R	342	429	553	769	1,103
Inventories	-	-	-	-	-
Restricted Bank deposits	43	43	43	43	43
Cash and cash equivalents	1,284	2,946	3,654	4,732	6,360
Others	139	139	139	139	139
Total Current Assets	1,808	3,558	4,389	5,683	7,646
Total Assets	2,478	4,253	5,093	6,406	8,400
Non Current Liabilities					
Loan	1	1	1	1	1
Deferred tax liabilities	49	49	49	49	49
Others	13	14	15	15	16
Total Non Current Liabilities	63	64	64	65	66
Current Liabilities					
Loan	-	-	-	-	-
T/P	490	595	740	1,012	1,422
B/P	285	139	180	250	359
Others	412	437	549	740	1,027
Total Current Liabilities	1,187	1,171	1,469	2,002	2,808
Equity					
Share capital	14	14	14	14	14
Reserve	1,134	2,887	3,379	4,098	5,212
Non controlling interest	80	119	167	227	301
Total Equity	1,228	3,019	3,560	4,339	5,526
Total Liabilities and Equity	2,478	4,253	5,093	6,406	8,400

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA	355	606	871	1,261	1,908
Chg in working cap	219	(185)	103	218	307
Others	(13)	(0)	(0)	(0)	(0)
Tax	(52)	(70)	(151)	(222)	(321)
CFO	509	351	823	1,257	1,894
Capex	(18)	(25)	(34)	(47)	(65)
Others	(301)	(0)	44	55	71
CFI	(318)	(25)	10	8	6
Issue of Shares	-	-	-	-	-
Dividends paid	(31)	(91)	(124)	(185)	(271)
Others	(52)	1,427	(1)	(1)	(1)
CFF	(83)	1,337	(125)	(186)	(272)
Net Change in Cash	108	1,662	708	1,079	1,628
Foreign exchange	16	-	-	-	-
Cash and CE at Y/E	1,284	2,946	3,654	4,732	6,360

(現價截至 2 月 22 日)

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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