

New Hope Service (3658 HK) Well-positioned for value-added services in property management

- We forecast NHSH's GFA under mgt will increase from 20.4mn sqm in 2021E to 44.9mn sqm in 2023E, implying a 56% CAGR during the period
- According to CRIC, contracted sales (by GFA) of New Hope Properties (NHP) rose 78% YoY to 1.00mn sqm in 5M21, supporting the Group's future GFA growth
- We expect NHSH, backed by Grass Green Group and New Hope Dairy, to widen its online fast-moving consumer goods offering and grow its lifestyle business further
- Initiate **BUY** with DCF-based TP of HK\$5.15

A comprehensive lifestyle service operator in southwest China. New Hope Service Holdings (NHSH or "the Group") is a well-established lifestyle service operator in China. As of Dec 31, 2020, it managed 65 projects with a total GFA under mgt of ~10.2 mn sqm. As of Dec 31, 2020, 33.4% and 28.9% of GFA under mgt were located in the Chengdu-Chongqing urban agglomeration and the eastern China region. All of NHSH's property mgt projects are located in the first-tier, new first-tier, and second-tier cities in China.

44% earnings CAGR in 2021E-23E on steady pipelines from New Hope Properties (NHP). During the Track Record Period (2018-20), NHSH managed almost all of the properties developed by NHP, a leading property developer in China. In 2020, NHP was ranked 39th among the Top 100 Real Estate Enterprises in China by overall strength, according to Savills and EH Consulting. According to CRIC, NHP's contracted sales increased 40% YoY to RMB 58.4bn and contracted GFA rose 32%YoY to 2.72mn sqm in 2020 despite the COVID-19 pandemic. In 5M21, contracted sales and contracted GFA rose 81%YoY and 78%YoY.

Synergy with New Hope Group should drive VAS. NHSH benefits from its relationships with other companies in New Hope Group; these companies supply goods to enrich the products offered to customers or help diversify property type for mgt. Companies under New Hope Group - the Grass Green Group and New Hope Dairy Co. are NHSH's long-term suppliers of products such as dairy, food, beverage, snacks, and other fast-moving consumer goods. We expect NHSH to widen its online consumer goods offering and grow its lifestyle business further. In 2020, revenue from Lifestyle Services rose 201.7%YoY to RMB 117mn in 2020.

Initiate BUY with TP at HK\$ 5.15. Since a substantial proportion of the Group's revenue is determined by PM agreements with regular and predictable cash flow, we employ the DCF method to assess its value. Our DCF-based TP of HK\$ 5.15 translates into 15.0x P/E and 3.6x P/B for 2021E (vs 12.9x PE and 2.6x PB in 2021E for small-sized PMC). We believe NHSH deserves a premium valuation to its peers, given its 44% earnings CAGR in 2021E-23E and higher-than-peer margins.

Financial Summary

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	381	588	1,064	1,642	2,242
Chg (% YoY)	47.5	54.6	80.8	54.4	36.5
Core net profit (RMB mn) ¹	64	110	208	317	430
Chg (% YoY)	55.6	71.7	89.2	52.5	35.8
Core EPS (RMB)	0.11	0.18	0.29	0.39	0.53
Chg (% YoY)	55.6	71.7	56.6	35.8	35.8
BVPS (RMB)	0.71	0.24	1.19	1.48	1.87
Chg (% YoY)	14.7	(65.7)	390.0	24.6	26.8
P/E (x)	22.09	12.87	8.22	6.05	4.46
P/B (x)	3.34	9.72	1.98	1.59	1.26
Core ROE (%)	15.1	75.5	21.5	26.3	28.2
Core ROA (%)	4.9	18.6	14.4	18.3	20.2
DPS (RMB)	-	-	0.07	0.10	0.13
Yield (%)	0.00	0.00	3.04	4.13	5.61
Net cash (RMBmn)	(535)	113	880	1,017	1,277

Source(s): The Company, ABCI Securities estimates

Note: RMB to HK\$= 1.20

¹Core net profit= Profit after tax –other expenses and non-recurring items and related tax impact

Company Report June 25, 2021

Rating: **BUY**
TP: HK\$ 5.15

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Share price (HK\$)	2.82
Est. share price return	82.5%
Est. dividend yield	3.0%
Est. total return	85.5%
Previous Rating & TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities estimates

Key data

52Wk H/L (HK\$)	4.20/2.61
IPO price- 25 May 2021 (HK\$)	3.80
Issued shares (mn)	814
Market cap (HK\$ mn)	2,296
Avg daily turnover since listing (HK\$ mn)	4.18
Major shareholder(s) (%): Cathaya Trust	66.9

Source(s): Bloomberg, ABCI Securities

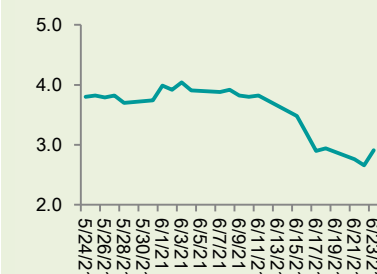
Share Performance (%)

	Absolute	Relative*
1-mth	(24.1)	(24.1)
3-mth	na	na
6-mth	na	na

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

Share performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

New Hope Service Holdings Limited (BUY)
China Property Management Sector
June 25, 2021

Contents

A comprehensive lifestyle service operator in southwest China	3
Property mgt business: Three growth engines	7
Value-added services to non-property owners (VASNPO): Rising presales activities of NHP drive growth	11
Commercial operational services (COS): a highly lucrative business	13
Lifestyle services (LS): Synergy with the New Hope Group	15
Earnings forecasts.....	17
Initiate BUY with TP HK\$5.15 based on DCF.....	19
Risk factors	22
Industry overview	23
Financial statements	25
Disclosures.....	28

A comprehensive lifestyle service operator in southwest China

New Hope Service Holdings (NHS) is a well-established comprehensive property mgt and lifestyle service operator in China, providing property mgt services (PMS), value-added services (VAS) to non-property owners, commercial operational services, and lifestyle services. As of Dec 31, 2020, NHS managed 65 projects and total GFA under mgt amounted to ~10.2 mn sqm. As of Dec 31, 2020, 33.4% and 28.9% of GFA under mgt were located in the Chengdu-Chongqing urban agglomeration and the eastern China region. In particular, Chengdu accounted for 44.7% of total revenue from PMS in 2020. As of Dec 31, 2020, the property projects served by NHS covered 17 cities in nine provinces, one autonomous region, and two municipalities in China.

Exhibit 1: NHS's projects under mgt in China (Dec 2020)



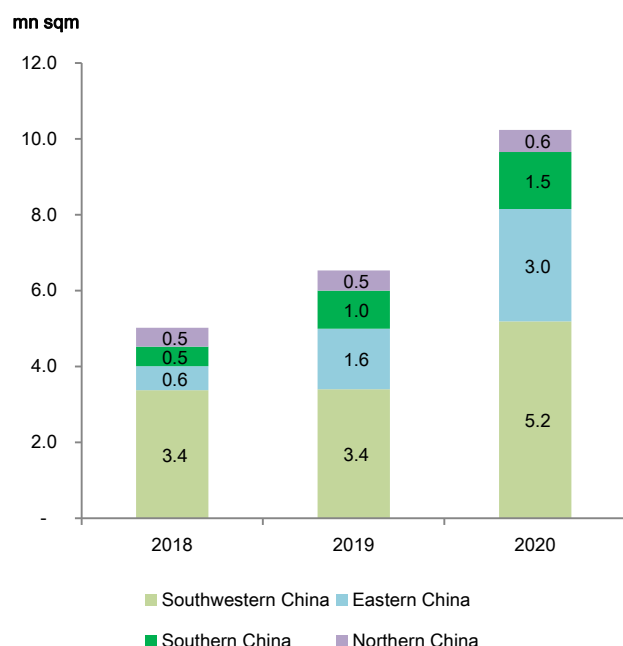
Source(s): The Company, ABCI Securities

Exhibit 2: NHS's Market share in major cities

City	Market size	NHS's GFA under mgt in the city	Market share
	mn sqm	mn sqm	
Chengdu	551.7	2.1	0.4%
Wenzhou	180.4	1.6	0.9%
Nanning	359.4	1.0	0.3%
Kunming	397.8	1.3	0.3%

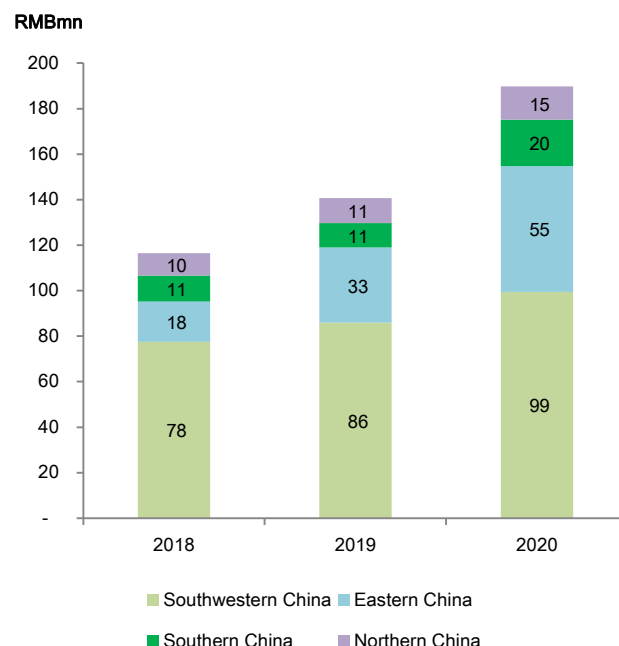
Source(s): The Company, ABCI Securities

Exhibit 3: NHSH's GFA under mgt by region



Source(s): The Company, ABCI Securities

Exhibit 4: NHSH's Property Mgt (PM) revenue by region



Source(s): The Company, ABCI Securities

Diversified revenue mix

NHSH has four main business lines:

1) Property management services (PMS). NHSH provides property developers, property owners, and residents with a wide range of PMS, primarily security, cleaning, greening and landscaping, and repair and maintenance services, in addition to the routine customer services. The segment's revenue, which accounted for 37.0%/32.3% of total revenue and rose 20.8%/34.8% YoY in 2019/ 2020.

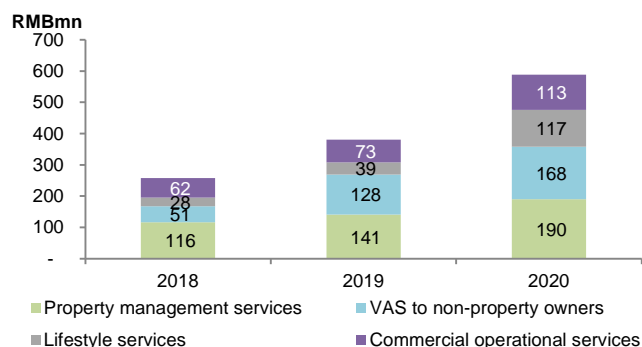
2) Value-added services to non-property owners (VASNPO). NHSH also provides a series of value-added services to non-property owners, primarily property developers. NHSH's value-added services to non-property owners include (i) sales office mgt services; (ii) preliminary planning and design consultancy, pre-delivery and repair and maintenance services; and (iii) other services, such as construction site mgt services. The segment's revenue, which accounted for 33.7%/28.6% of total revenue, rose 152.5%/31.1% YoY in 2019/20.

3) Commercial operational services (COS). NHSH provides commercial operational services such as market research and positioning, opening preparation services, tenant sourcing services, tenant mgt services etc. to commercial properties, including shopping centers, shopping streets, office buildings, specialty markets, and industrial parks. The segment's revenue, which accounted for 19.1%/19.2% of total revenue, rose 16.4%/55.6% YoY in 2019/20.

4) Lifestyle services (LS). NHSH offers a wide range of lifestyle services, comprising (i) community living services, including turnkey furnishing services, repair and maintenance services for property owners and residents, convenient living services, and common area mgt services; (ii) community asset mgt services, including carpark related services and property agency services; (iii) online and offline retail services and catering services; (iv)

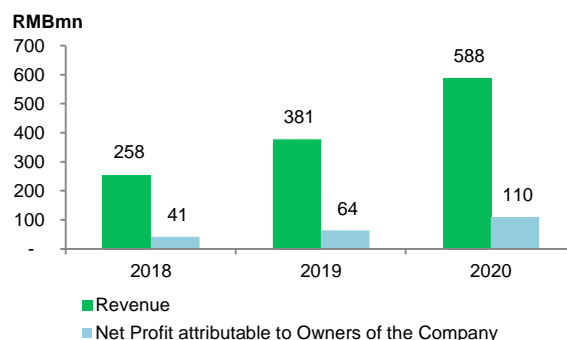
marketing event organization services; and (v) community space operational services. The segment's revenue, which accounted for 10.2%/19.9% of total revenue, rose 37.3%/201.7% YoY in 2019/ 20.

Exhibit 5: NHSH's revenue mix (2018-2020)



Source(s): The Company, ABCI Securities

Exhibit 6: NHSH's revenue and net profit attributable to owners of the company (2018-2020)



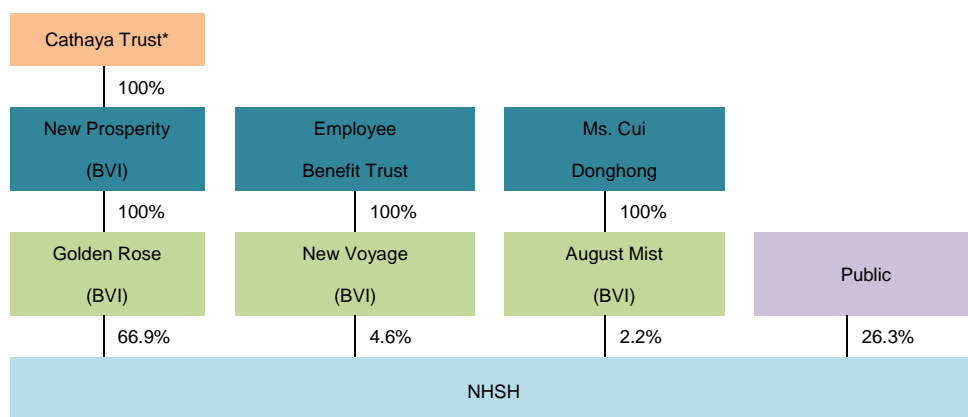
Source(s): The Company, ABCI Securities

History and shareholding structure

NHSH started to provide PMS back in 2010. Over the years, Mr Liu Yonghao ("Mr Liu") and Ms Liu Chang, NHSH Ultimate Controlling Shareholders, have not served as directors or involved in the daily operations and mgt of NHSH. Ultimate Controlling Shareholders had entrusted NHSH to the Directors and senior mgt given the past successful achievements in its operation. Apart from NHSH, Mr Liu also owns and controls New Hope Group, a comprehensive industrial conglomerate with a vision to create better lives for consumers. It has established its footprint in a variety of industries, including food and fast-moving consumer goods, real estate, digital technologies and culture and tourism, medical and healthcare and finance and investment. Some of its businesses have become listed, such as New Hope Liuhe Co., Ltd. (新希望六和股份有限公司) (000876 SZ) and New Hope Dairy Co., Ltd. (新希望乳業股份有限公司) (002946 SZ). In Sep 2020, New Hope Group Company was ranked 27th in the List of Top 500 Chinese Private Enterprises in 2020 by the All-China Federation of Industry and Commerce (中華全國工商業聯合會), the highest ranking among companies in China's agricultural sector and among private enterprises headquartered in Sichuan province.

The Cathaya Trust, a discretionary trust for the benefit of Mr Liu's family members, currently owns a 66.9% stake in NHSH. The Employee benefit trust owns a 4.6% stake in the Group while Ms Cui, who has extensive investment experience in cloud-based resolutions company, ship-building company, technology, and biotechnology industry across Singapore, the PRC and Hong Kong, owns a 2.2% stake in NHSH.

Exhibit 7: Shareholder structure as at June 2021



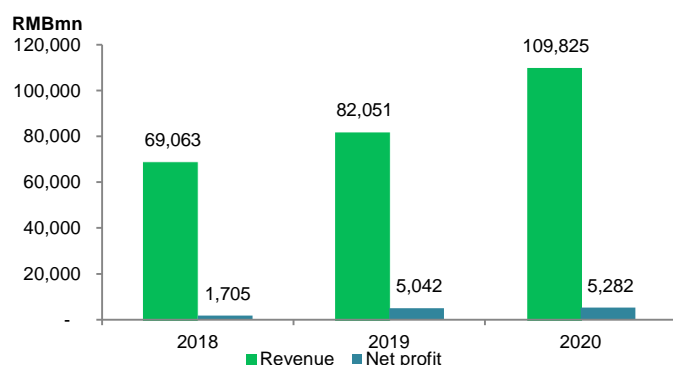
* A discretionary trust for the benefit of Mr. Liu's family members

Source(s): The Company, ABCI Securities

Synergy with New Hope Group

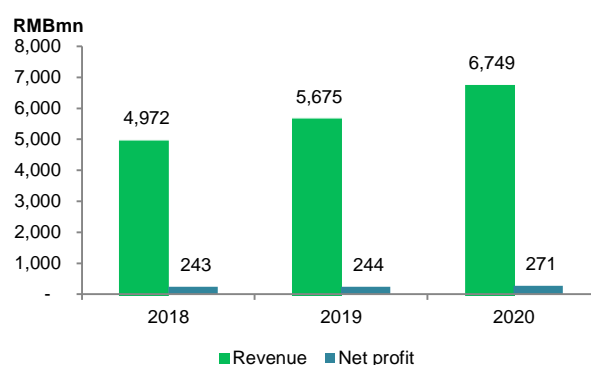
NHSH benefits from long-term and stable relationship with other companies in New Hope Group that supply goods to enrich the products offered to customers or help diversify the types of properties. E.g., companies under New Hope Group, such as Grass Green Group and New Hope Dairy Co., Ltd., are NHSH's stable suppliers providing dairy, food, beverage, snacks, and other fast-moving consumer goods. In addition, NHSH established business relationship with several companies under New Hope Group. It signed a strategic cooperation agreement with Shanghai Lansheng Brain Hospital Investment Corp. (上海藍生腦科醫院投資股份有限公司), a company headquartered in Shanghai that operates brain hospitals, to provide property mgt and logistics services for its portfolio hospitals. NHSH also signed a strategic cooperation agreement with Sichuan Xinwang Kanghua Healthcare Mgt Group Co., Ltd. (四川新望康華醫療管理集團有限公司) to provide PMS for the beauty clinics and medical examination facilities operated by its subsidiaries. In addition, it provides PMS for the office buildings of Sichuan Xinwang Bank Co. Ltd. (四川新網銀行股份有限公司), an internet bank based in Chengdu.

Exhibit 8: New Hope Liuhe's revenue and net profit



Source(s): New Hope Liuhe, ABCI Securities

Exhibit 9: New Hope Dairy's revenue and net profit



Source(s): New Hope Dairy, ABCI Securities

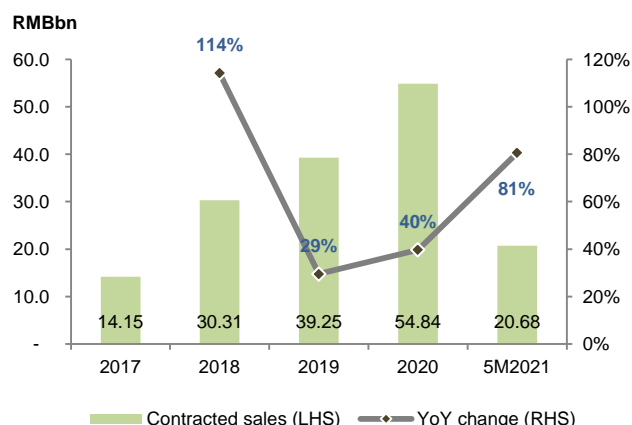
Property mgt business: Three growth engines

Three growth engines- New Hope Property (NHP), independent third parties, and other associates of controlling shareholders

NHSH's fast-growing GFA under mgt is driven by projects from NHP, independent third parties, and other associates of controlling shareholders. NHSH's GFA under mgt rose from 5.0mn sqm in 2018 to 10.2mn sqm in 2020, implying a 43% CAGR during the period. In 2020, NHP (including JV projects), other associates of controlling shareholders, and independent third parties account for 87.2%, 1.7%, and 11.0% of total GFA under mgt or 89.4%, 8.2%, and 2.4% of total PM revenue.

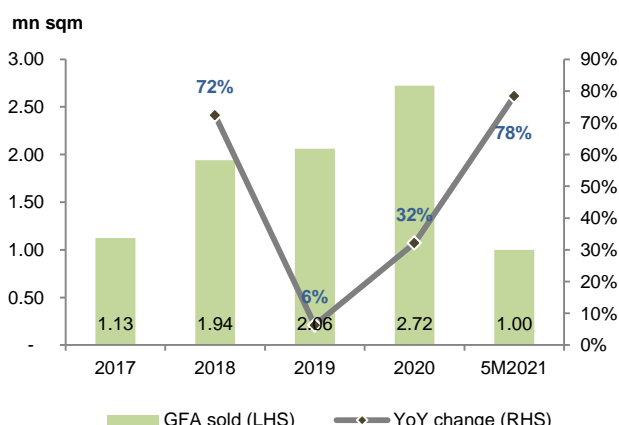
NHP: During the Track Record Period, NHSH managed almost all of the properties developed by NHP, a leading property developer in China. In 2020, it was ranked 39th among the Top 100 Real Estate Enterprises in China in terms of overall strength according to Savills and EH Consulting. Its growth rate, in terms of contracted sales in 2019, was ranked first among the Top 40 Real Estate Enterprises in China, according to Savills and EH Consulting. According to CRIC, despite the COVID-19 pandemic, NHP's contracted sales increased 40%YoY to RMB 58.4bn and contracted GFA rose 32%YoY to 2.72mn sqm in 2020. In 5M21, contracted sales and contracted GFA rose 81%YoY and 78%YoY respectively. During 2017-19, NHSH had a success rate of 100% in tender bidding for properties developed by NHP. Expanding contracted sales of NHP would ensure NHSH a steady pipeline of new projects.

Exhibit 10: NHP's contracted sales



Source(s): CRIC, ABCI Securities

Exhibit 11: NHP's contracted GFA

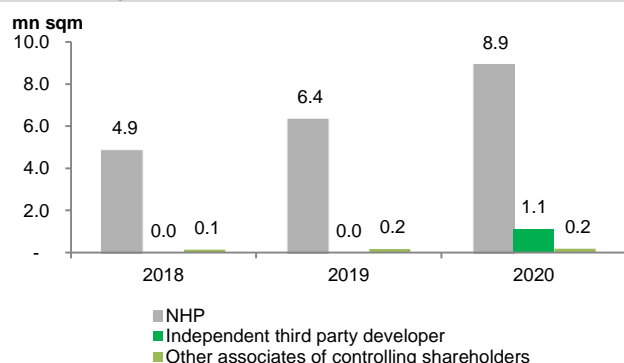


Source(s): CRIC, ABCI Securities

Other associates of controlling shareholders: NHSH also manages properties developed by Sichuan Huaxi Dairy Co., Ltd. (四川華西乳業有限責任公司) and New Hope Liuhe Fodder Corp. (新希望六和飼料股份有限公司), the associates of Ultimate Controlling Shareholders. As of Dec 2020, GFA under mgt from projects developed by other associates of controlling shareholders was 0.178mn sqm, representing 1.7% of total GFA under mgt. In particular, these properties are mainly non-residential projects, such as shopping centers, shopping streets, specialty markets, office buildings, and industrial parks, which had a high mgt fee rate of RMB 9.98/sqm/mth for commercial properties and RMB19.45/sqm for other types of non-residential properties in 2020.

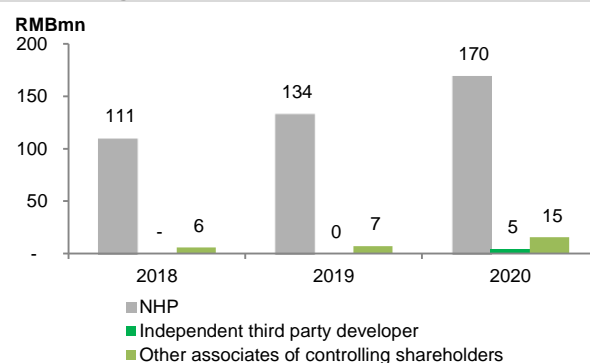
Third parties: NNSH has started to manage projects developed by independent third-party developers in 2020. As at Dec 2020, projects developed by independent third-party developers was 1.13mn sqm, representing 11.0% of total GFA under mgt. In order to further enhance the capability of developing business with these developers, NNSH established the cooperation development center at the headquarters level and cooperation development department at the regional company levels in 2020 to take charge of developing business with the developers. Bidding success rate for properties developed by independent third-party property developers significantly improved to 26.9% in 2020, during which NNSH successfully obtained seven PMS contracts out of 26 tender processes.

Exhibit 12: Total GFA under mgt from projects developed by NHP, third-party developers, and other associates of controlling shareholders



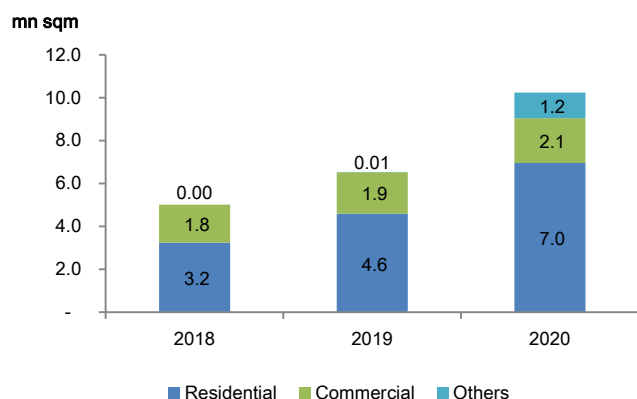
Source(s): The Company, ABCI Securities

Exhibit 13: PM revenue from projects developed by NHP, third-party developers, and other associates of controlling shareholders



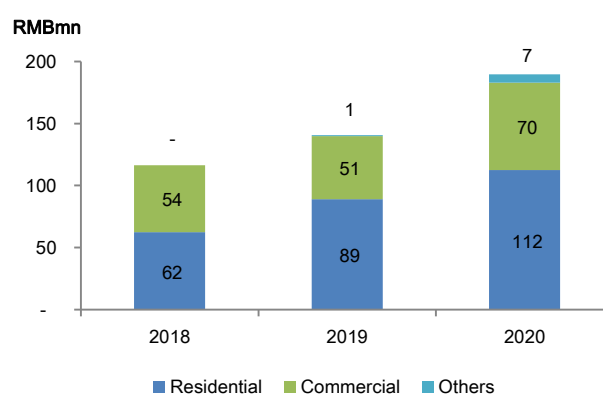
Source(s): The Company, ABCI Securities

Exhibit 14: GFA under mgt by property type



Source(s): The Company, ABCI Securities

Exhibit 15: PM revenue by property type



Source(s): The Company, ABCI Securities

Impressive margin driven by premium rate and efficiency

In 2019, NNSH's average monthly property mgt fee was RMB 3.69 per sqm, 57.4% higher than that of the PMS industry in China. According to Savills and EH Consulting, NNSH's revenue per sqm was RMB 58.23 per sqm in 2019, ranking eighth among the Top 100 Property Mgt Companies in China in terms of overall strength and was awarded the 2020 Top 10 Property Mgt Companies in China in terms of revenue-generating capacity per sqm.

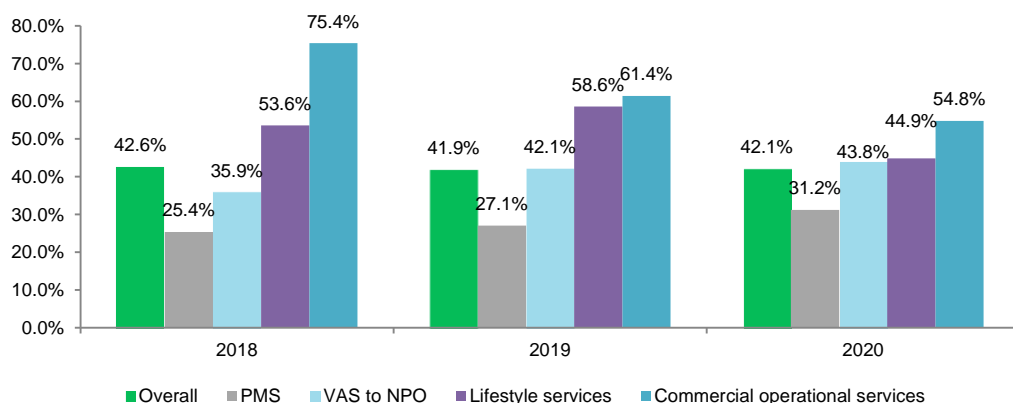
Exhibit 16: Average property mgt fee for NHHH

(RMB/sqm/mth)	2018	2019	2020
Residential properties	2.51	2.77	2.78
<i>YoY change</i>		10.4%	0.4%
- NHP	2.48	2.79	2.77
<i>YoY change</i>		12.5%	-0.7%
- JV or associates of NHP	2.72	2.63	2.80
<i>YoY change</i>		-3.3%	6.5%
Commercial properties	6.10	6.43	6.26
<i>YoY change</i>		5.4%	-2.6%
- NHP	5.84	5.84	5.84
<i>YoY change</i>		0.0%	0.0%
- JV or associates of NHP	5.43	5.43	5.43
<i>YoY change</i>		0.0%	0.0%
- Associates of our Ultimate Controlling Shareholders	8.09	9.98	9.98
<i>YoY change</i>		23.4%	0.0%
- Independent 3rd party	-	-	2.87
<i>YoY change</i>			
Other properties		19.13	2.51
<i>YoY change</i>			
- JV or associates of NHP	-	-	1.79
<i>YoY change</i>			
- Associates of our Ultimate Controlling Shareholders	-	19.13	19.45
<i>YoY change</i>			1.7%
- Independent 3rd party	-	-	1.92
<i>YoY change</i>			
Overall	3.53	3.69	3.44
<i>YoY change</i>		4.5%	-6.8%

Source(s): The Company, ABCI Securities

The development of NHSH's informatization, digitization, and intelligence capabilities boosted revenue per employee from ~RMB 146,988 in 2018 to ~RMB 170,907 in 2020. Driven by enhanced efficiency and premium fee rate, NHSH's gross margin for PMS increased from 25.4% in 2018, to 27.1% in 2019 and 31.2% in 2020.

Exhibit 17: NHSH's gross margin



Source(s): The Company, ABCI Securities



Value-added services to non-property owners (VASNPO): Rising presales activities of NHP drive growth

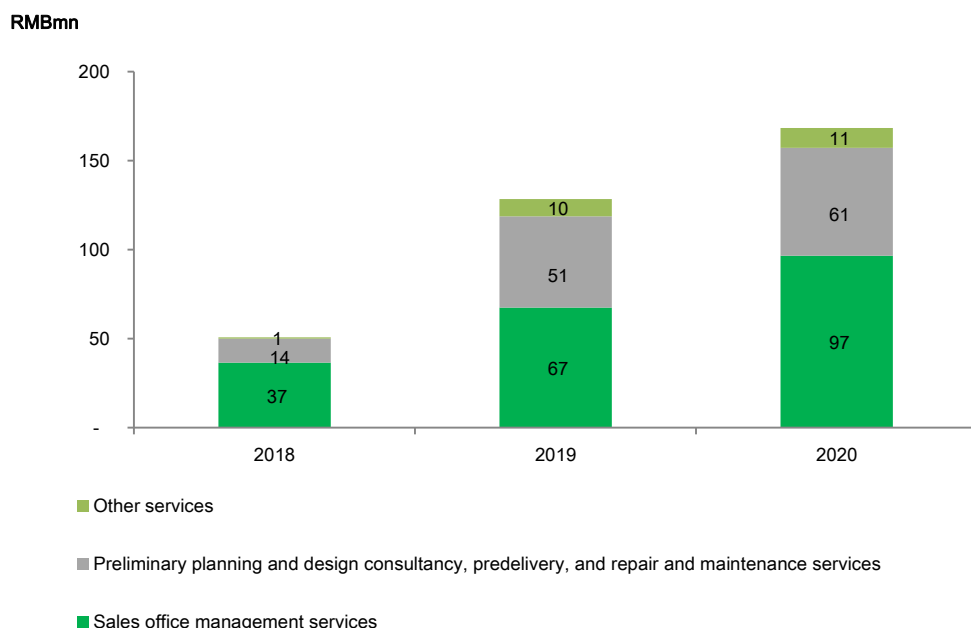
VASNPO primarily include:

- (i) **Sales Office Mgt Services:** NHSH offers PMS to sales offices and display units of property developers, such as customer reception, security, and cleaning services. NHSH's services are designed to ensure the security and smooth operations of sales offices and display units. NHSH provides sales office and display unit mgt services through its employees and third-party subcontractors. Services fees are charged by profit mark-up on top of costs.
- (ii) **Preliminary Planning and Design Consultancy, Pre-Delivery and Repair and Maintenance**
 - **Preliminary Planning and Design Consultancy:** NHSH offers various preliminary planning and design consultancy services which address property developers' needs at different stages of their business operations. At the construction planning stage, the company reviews developers' construction blueprints and offer recommendations from a property mgt perspective, such as advice on energy conservation, fire safety and general security. NHSH primarily charge a uniform fee per sqm for this business.
 - **Pre-delivery Services:** NHSH may be also contracted by property developers to provide inspection and cleaning at the pre-delivery stage of the property sales. NHSH conducts quality inspection of properties, identify quality issues, rectify defects and report to the property developers. The company also provides unit cleaning services before the delivery of properties to make the properties suitable for delivery. A uniform fee per sqm is charged for this business.
 - **Repair and Maintenance Services:** NHSH also assists property developers with the repair and maintenance of properties during their post-delivery quality warranty periods. The Group receive requests from property owners and residents for repair and maintenance services through the customer service hotline, Modern Leisure Lifestyle (漫生活) mobile application and in-person visits. After recording such requests, NHSH dispatches relevant personnel onsite to evaluate the situation and formulate solutions. It then liaises with construction companies to provide the requested services. Under certain circumstances, such as when the construction companies fail to provide the requested services in a timely manner, the Group may step in and provide the services directly. It primarily charges a uniform fee per sqm for the repair and maintenance services during the post-delivery quality warranty periods.
- (iii) **Other Services:** NHSH also provides other services to property developers, primarily construction site mgt services by maintaining the order of the construction site and controlling the personnel and vehicles entering and exiting the site, in order to help ensure the safety of individuals and property on the construction site. A uniform fee per sqm is charged for construction site mgt services.

Driven by growing presales activities of NHP, revenue from VASNPO jumped 153% YoY to RMB 128mn in 2019, as NHSH expanded pre-delivery services and post-delivery repair and maintenance services to non-property owners at end-2018. Revenue from VASNPO rose 31%YoY to RMB168mn in 2020, primarily due to growing revenue from sales office mgt services and preliminary planning and design consultancy services in relation to an increase in the number of projects developed.

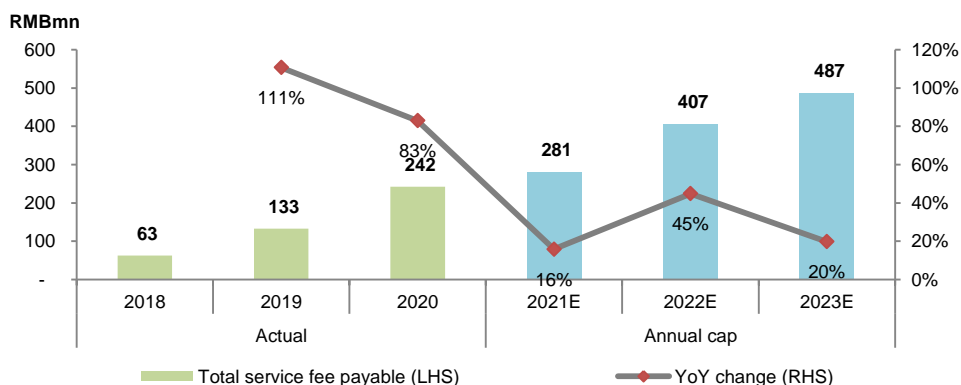
NHSH entered into a master PM and related services agreement (the “Master Property Management and Related Services Agreement”) with New Hope Holdings, pursuant to which NHSH agreed to provide to New Hope Holdings Group property mgt and related services, including VASNPO and PMS for properties owned by New Hope Holdings. Annual caps of RMB 280.8mn (+16%YoY), RMB 406.6mn (+45%YoY) and RMB 486.9mn (+20%YoY) during 2021-23E are set for such connected transactions, reflecting strong demand of VASNPO from related parties in coming years, in our view.

Exhibit 18: Revenue from VASNPO by service type



Source(s): The Company, ABCI Securities

Exhibit 19: Annual cap for Master Property Management and Related Services Agreement



Source(s): The Company, ABCI Securities

Commercial operational services (COS): a highly lucrative business

NHSH provides commercial operational services for 12 quality commercial properties in five cities, namely Chengdu, Kunming, Shanghai, Wenzhou, and Nanning. As of Dec 31, 2018, 2019 and 2020, the occupancy rates of the operating commercial properties under mgt were 90.5%, 90.2% and 90.5%, respectively, and the collection rates of service fees for commercial mgt services were 100%, 98.0% and 98.6%, respectively. Kunming Dashanghui and Zhangjiang Hi-Tech Park are NHSH's landmark projects. As of Dec 31, 2020, Kunming Dashanghui is a benchmark commercial property in Yunnan province, according to Savills and EH Consulting. Located in the core area of Zhangjiang Science City in Shanghai, Zhangjiang Hi-Tech Park comprises small and detached office buildings in a low-density garden style. It has attracted a number of famous companies, including the Fortune 500 enterprises, in, among other fields, information technology, e-commerce, and biological medicine.

Exhibit 20: List of properties under COS

	Properties	Category	City	Contract effective date	Contract term
1	Kunming Dashanghui (昆明大商匯)	Specialty markets	Kunming	Feb-06	19
2	New Hope International (新希望國際)	Office buildings/ shopping streets	Chengdu	Jan-20	5
3	Bailuli (白麓里)	Shopping streets	Wenzhou	Jan-20	5
4	Nanning International Jiaju Expo Center (南寧國際家居博覽中心)	Specialty markets	Nanning	May-15	10
5	Zhongding International (中鼎國際)	Office buildings	Chengdu	Jan-20	5
6	New Hope Building (新希望大廈)	Office buildings/ shopping streets	Chengdu	Jan-20	5
7	Shangding International (商鼎國際)	Shopping streets	Chengdu	Jan-20	5
8	Huangguan International (皇冠國際)	Shopping streets	Chengdu	Jan-20	5
9	Liti City Shopping Center (立體城購物中心)	Shopping streets	Wenzhou	Jan-19	6
10	Kunming Xiwanghui (昆明希望匯)	Shopping streets	Kunming	Jun-17	8
11	Landscape Park (半島科技園)	Industrial park	Shanghai	Jan-20	5
12	JinguanXiu City (錦官秀城)	Shopping streets	Chengdu	Jan-20	5

Source(s): The Company, ABCI Securities

NHSH's COS primarily includes:

(i) Market research and positioning and opening preparation services

- *Market research and positioning services:* NHSH conducts market research and analysis, prepare reports on feasibility study, financial projection and marketing and positioning strategies with an aim of optimizing the positioning and tenant mix of commercial properties, and provide advice on the design and construction plans of commercial properties.
- *Opening preparation services:* NHSH assists property developer with opening process of commercial properties, which include managing the furnishing work and move-in of the tenants and assisting tenants with applications for business licenses.

(ii) Commercial operation services

- *Tenant sourcing services:* NHSH helps property owners of commercial properties identify and solicit target tenants, assist the property owners in optimizing the tenant mix and arrange the signing of tenancy agreements. A service fee is charged based on two times the first month rent in a lump sum payment.
- *Tenant mgt services:* NHSH provides tenant mgt services to property owners, handling tenants' enquiries and complaints, processing rent payments and ensuring timely payment of rent by tenants. A service fee is charged based on ~10.0% of the rent revenue of the property owners

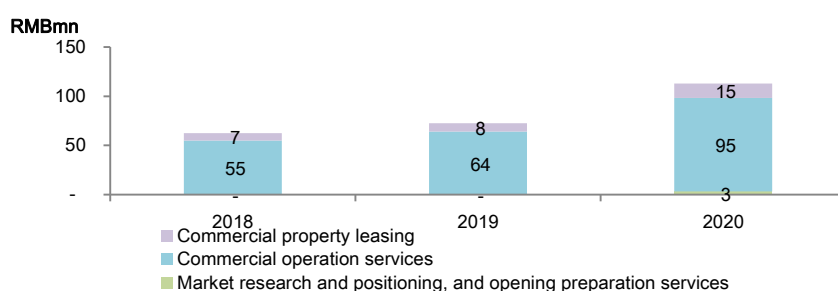
- *Commercial mgt services*: NHSH provides support and guidance to tenants on their operations with an aim to enhance their performance and assist their daily business operations.
- *Marketing and promotion services*: NHSH provides marketing and promotion services to help property owners and tenants hold promotion events and arrange advertising in various media to attract traffic to their commercial properties and respective businesses.

(iii) Commercial properties leasing

- *Commercial properties leasing*: NHSH locates suitable tenants and sublease certain commercial properties that it leased from property owners for rental income.

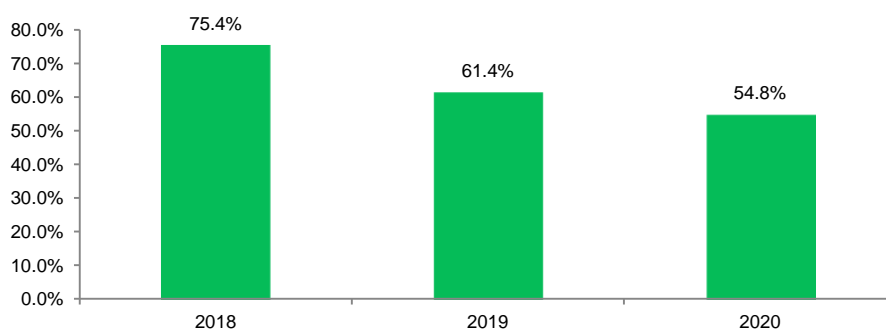
Revenue from COS increased 16.4%YoY to RMB 73mn in 2019 and rose 55.6%YoY to RMB 113mn in 2020. COS entails a much higher gross margin as compared to other business segments. The gross profit margin for COS decreased from 75.4% in 2018 to 61.4% in 2019, primarily due to the loss incurred in Wenzhou Liti City Shopping Center, which is still undergoing an early stage of operation. The gross profit margin dropped to 54.8% in 2020, primarily because NHSH began subleasing Bai Lu Li (白麓里), a shopping street located in Wenzhou, in the last quarter of 2020 as part of the commercial leasing services, which carries relatively lower gross profit margin.

Exhibit 21: Revenue from COS



Source(s): The Company, ABCI Securities

Exhibit 22: Gross margin for COS



Source(s): The Company, ABCI Securities



Lifestyle services (LS): Synergy with the New Hope Group

NHSH's major LS include:

(i) Community Living Services

- *Turnkey Furnishing Services:* NHSH offers turnkey furnishing services to property owners and residents, which help them purchase furniture and home appliances, decorate the property and create a move-in ready residence. NHSH enters into collaboration agreements with third-party merchants and make available their products and services, primarily furniture, home appliances, construction materials, accessories, and decoration services, to property owners and residents.
- *Repair and Maintenance Services For Property Owners and Residents:* NHSH assists property owners and residents in repairing household appliances, furniture, and the properties.
- *Convenient Living Services:* In order to improve the convenience of the property owners and residents in their daily lives, NHSH provides services such as garbage collection, housekeeping services, and air cleaning services.
- *Common Area Mgt Services:* NHSH assists property owners in renting out leasable facilities in the common areas of properties under mgt to third-party vendors seeking a place to operate or promote their businesses, and charge a percentage of the rental proceeds as service fees. NHSH assists property owners in leasing common spaces such as lift advertising spaces, basements and outer wall advertising spaces. NHSH may also rent out empty floor space for small businesses to use as shops. NHSH collects a portion of the rental fees in accordance with an agreed-upon percentage.

(ii) Community Asset Mgt Services

- *Carpark Related Services:* Carpark related services mainly consist of carpark leasing and carpark sales agency services. NHSH purchases parking spaces from property developers and leases such spaces to property owners in exchange for monthly rental fees. NHSH also charges temporary parking fees for customers who lease parking spaces based on the length of parking. NHSH also assists property developers and property owners in selling and purchasing carpark spaces. It serves primarily as an agent facilitating purchase and sales of carpark spaces in exchange for a percentage of the sales proceeds as commissions.
- *Property Agency Services:* NHSH assists property developers and property owners in selling and renting out their properties, and charge service fee based on a percentage of the sales proceeds.

(iii) **Online and Offline Retail Services and Catering Services:** NHSH provides a variety of products to property owners and residents in its residential communities, through Modern Leisure Lifestyle (漫生活) mobile application, Brand New Cozy Home (新享家) mini-application, and offline convenience stores. The products primarily include dairy, beverages, cereal, cooking oil, non-staple food and snacks. As of Dec 31, 2020, the apps and convenience stores offered more than 1,000 stock keeping units, or SKUs, of products.

(iv) **Marketing Event Organization Services:** NHSH provides marketing event organization services to property developers, primarily including marketing event planning, supply procurement, advertisement design and on-site coordination.

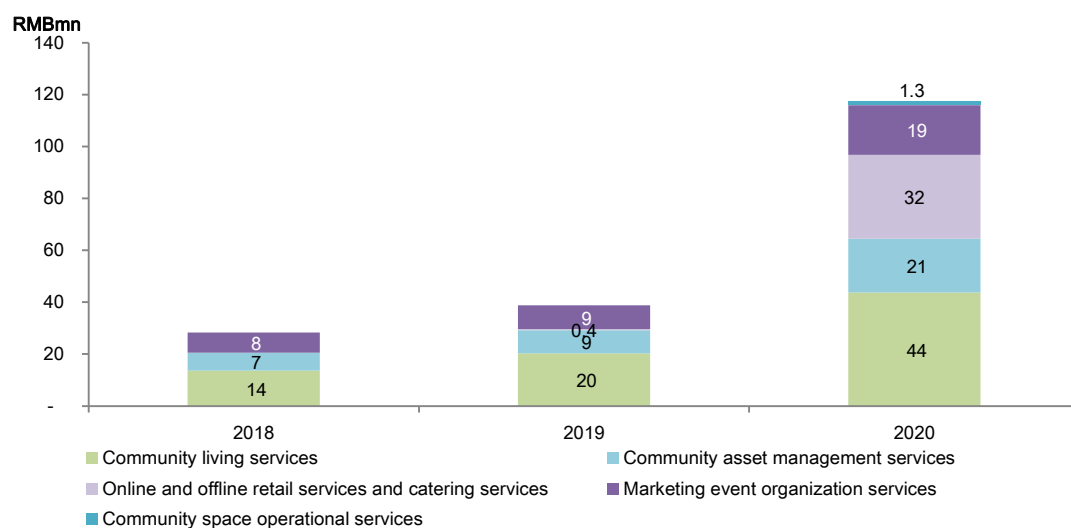
(v) **Community Space Operational Services:** NHSH typically assists the property owner in developing tenant sourcing strategies for operational spaces in or near residential communities. This includes identifying target tenants, soliciting tenants, and subleasing the operational spaces to the qualified tenants. It also provides



business planning and operational mgt services to the tenants. NHSH brings in businesses and facilities such as convenience stores, libraries, restaurants and educational institutions for the operational spaces to improve the living experience of the residents.

Driven by growing penetration rate, revenue from LS increased 37.3% YoY to RMB 39mn in 2019 and rose 201.7%YoY to RMB 117mn in 2020, mainly driven by fast-growing revenue from online and offline retail services and catering services. Going forward, by securing stable supply from related companies including Grass Green Group and New Hope Dairy, we expect NHSH to widen its online fast-moving consumer goods offering and could become a major distribution channel of the related companies.

Exhibit 23: Revenue from LS



Source(s): The Company, ABCI Securities

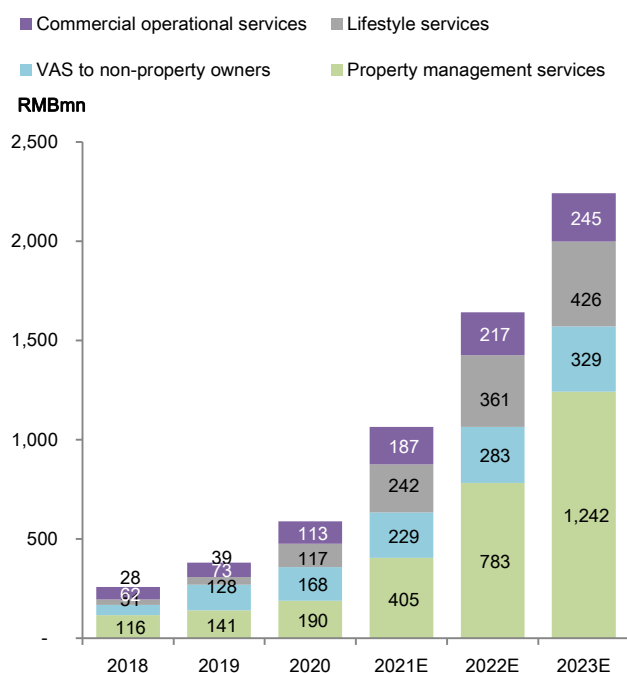
Earnings forecasts

Net profit to expand at 44% CAGR over 2021E-23E

We expect revenue to grow at 45% CAGR in 2021E-23E on expanding GFA under mgt (56% CAGR in our forecast), and average mgt fee rate of residential and commercial projects would increase at 3% and 5% CAGRs for 2021E-23E because of the higher rate for the newly completed residential projects under mgt and better pricing for commercial projects. We also assume NHSH to acquire 3mn sqm and 5mn sqm in 2021E and 2022E to increase GFA under mgt.

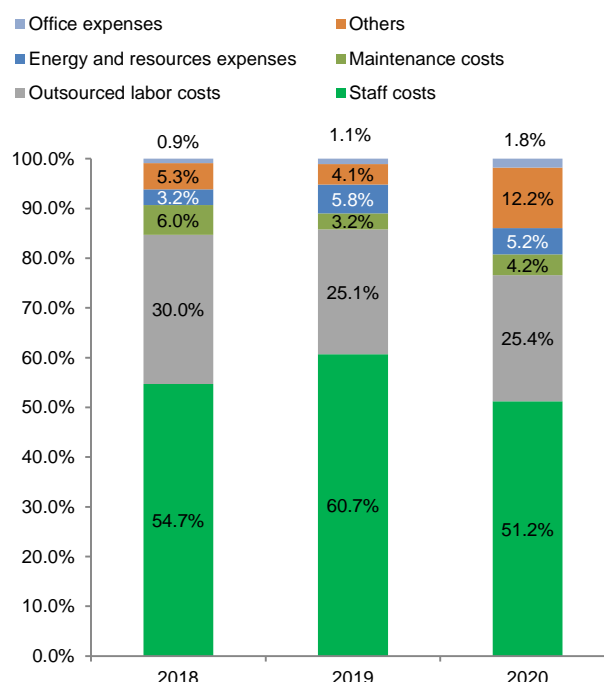
We expect gross margin to trend down from 40.2% in 2021E to 36.1% in 2023E due to increasing volume of third-party projects with lower margins. Core net margin would remain stable at 19-20% during 2021E-2023E, thanks to higher interest income from a growing net cash balance. Driven by growing revenue and GFA expansion, we forecast core profit to increase from RMB 208mn in 2021E to RMB 430mn in 2023E, representing a 44% CAGR in 2021E-23E.

Exhibit 24: NHSH's revenue breakdown



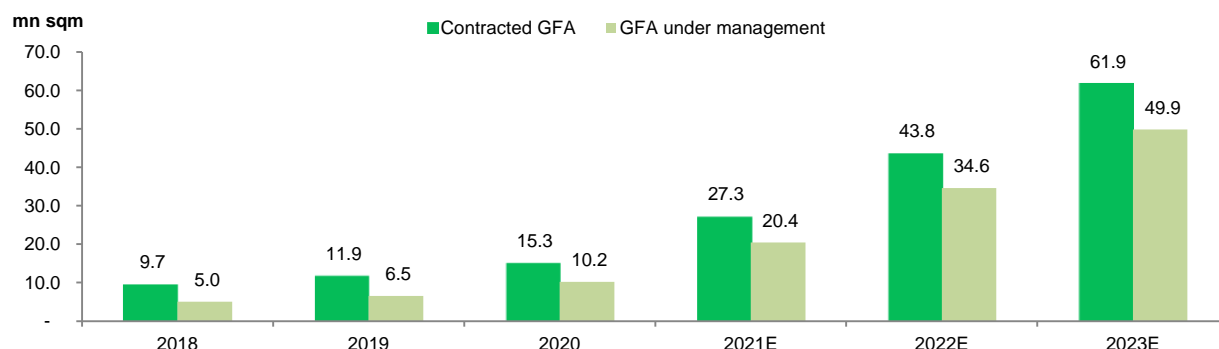
Source(s): The Company, ABCI Securities estimates

Exhibit 25: NHSH's cost of sales breakdown



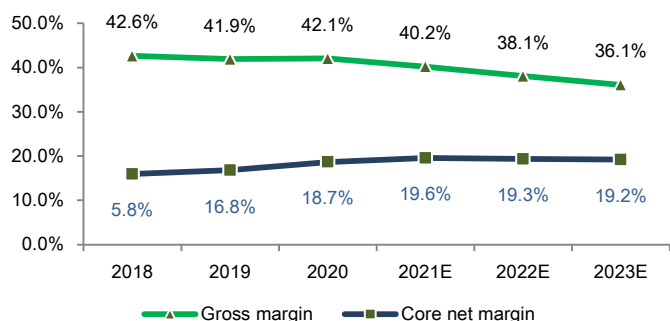
Source(s): The Company, ABCI Securities

Exhibit 26: NHSH's GFA under mgt and contracted GFA



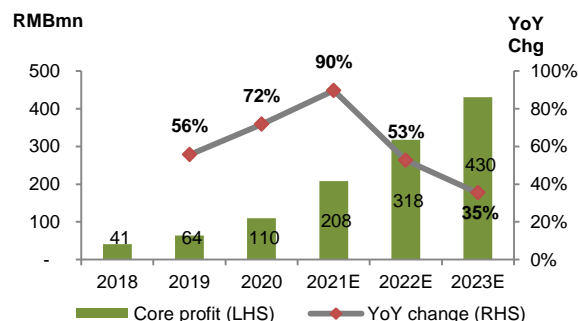
Source(s): The Company, ABCI Securities estimates

Exhibit 27: Gross and core net margins



Source(s): The Company, ABCI Securities estimates

Exhibit 28: NHSH's core profit and YoY chg

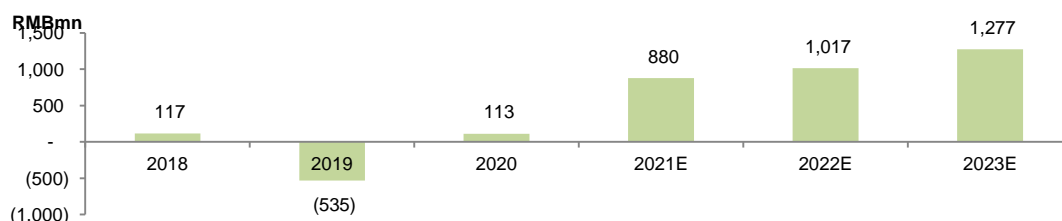


* Core net profit= Profit after tax - other expenses and non-recurring items and related tax impact
Source(s): The Company, ABCI Securities estimates

Turning into a net-cash company

NHSH was in a net debt position in 2019 since the Group made loans to New Hope Property Development, its immediate holding company, regarding a RMB 600mn asset-backed securities (ABS) with a 9-year maturity and a 6% interest rate. However, on Dec 16, 2020, New Hope Property Development purchased the entire ABS from other ABS holders and became the sole holder. New Hope Property Development then terminated the 2019 ABS on Dec 28, 2020. Pursuant to a debt expiation agreement entered into between New Hope Property Development and the Group dated Dec 29, 2020, the remaining long-term borrowings were offset by the same amount of other receivables due from New Hope Property Development. We expect NHSH will continue to maintain a net cash position starting from 2021E. Coupled with the cash flow from operation, cash balance would increase further from RMB 880mn in 2021E to RMB 1,277mn in 2023E.

Exhibit 29: Net cash balance



* Net cash= total cash minus gross debt
Source(s): The Company, ABCI Securities estimates

Initiate BUY with TP HK\$5.15 based on DCF

DCF valuation based on a 12% WACC

In our view, a substantial proportion of the Group's revenue is determined by PM agreement, which generates recurrent income in the long term. As such, we believe the DCF method would offer a more accurate assessment of the Group's long-term value given its high cash flow visibility and robust revenue/net profit growth.

The DCF-derived model TP for NHSH (with a WACC of 12% and 1% terminal growth) is HK\$ 5.15, which translates into 15.0x P/E and 3.6x P/B for 2021E.

Exhibit 30: NHSH's DCF valuation: TP sensitivity to changes in WACC and terminal growth

	WACC					
Terminal growth	TP (HK\$)	10.0%	11.0%	12.0%	13.0%	14.0%
1.0%		5.81	5.38	5.02	4.72	4.46
2.0%		6.03	5.54	5.15	4.82	4.54
3.0%		6.30	5.74	5.29	4.93	4.63
<u>Variance from base case</u>	WACC					
Terminal growth	change (%)	10.0%	11.0%	12.0%	13.0%	14.0%
1.0%		13%	5%	-2%	-8%	-13%
2.0%		17%	8%	0%	-6%	-12%
3.0%		22%	12%	3%	-4%	-10%

Source(s): ABCI Securities estimates

Comparative approach

In view of NHSH's size in GFA under mgt, we consider comparable listed peers of the group are those with similar GFA under mgt. These include Binjiang Services (3316 HK), Yincheng Life (1922 HK) and Redsun Services (1971 HK).

Small cap peers with market cap less than HK\$10bn are trading at a wide range of 8.2x-23.9x 2021E P/E, based on Bloomberg's consensus forecasts. We believe the wide valuation range is due to differences in growth profile and background of the parents. Given short listing history, NHSH is only trading at 8.2x 2021E PE as the capital market may only gain confidence after NHSH consistently delivers solid set of financial results in its upcoming 1H21 interim and FY21 final results announcement. In our view, NHSH deserves a premium valuation over its listed peers trading at an average of 12.9x, based on its 44% earnings CAGR in 2021-23E and higher-than-peer gross margin.

Exhibit 31: Valuation of HK-listed PMCs operating in China

Exhibit 01: Valuation of HK listed PMCs operating in China																
		Ticker	Mkt Cap HK\$ (bn)	Share Price (HK\$)	Performance			Valuation								
					3M	YTD	2020	P/E			Yield (%)			P/B		
			(HKD bn)	(HK\$)	% Chg	% Chg	% Chg	2020A	2021E*	2022E*	2020A	2021E*	2022E*	2020A	2021E*	2022E*
Large PMC (Mkt cap> HK\$50bn)																
1	Country Garden Services	6098 HK	262.9	81.05	12	56	101	69.6	49.4	33.6	0.1	0.5	0.7	13.7	10.4	8.3
2	Evergrande PS	6666 HK	100.1	9.10	(37)	4	2	31.5	19.8	13.2	1.1	1.2	1.7	8.3	6.0	4.4
3	CR MIXC	1209 HK	121.7	52.90	22	48	61	123.4	68.7	49.7	0.2	0.6	0.8	8.1	7.6	6.9
4	Sunac Services	1516 HK	86.1	27.20	19	62	48	89.0	57.6	35.5	0.3	0.5	0.8	7.4	6.7	5.9
Mid-sized PMC (HK\$10bn<Mkt cap< HK\$50bn)																
5	A-Living	3319 HK	51.2	35.70	14	5	29	22.8	16.8	12.8	1.0	2.3	3.0	5.4	4.3	3.5
6	Ever Sunshine	1995 HK	34.3	20.95	16	21	224	71.0	45.0	30.0	0.5	0.7	1.2	9.9	8.2	6.8
7	Poly PS	6049 HK	30.8	56.50	20	(9)	31	38.1	29.2	22.6	0.7	1.1	1.4	4.2	3.8	3.3
8	Greentown Services	2869 HK	38.5	11.80	46	25	13	42.2	32.4	24.1	1.3	1.4	1.8	4.6	4.3	3.8
9	S-Enjoy	1755 HK	19.9	22.95	8	28	47	34.4	23.6	16.4	0.9	2.1	3.1	12.1	7.8	6.0
10	China Overseas Property	2669 HK	26.7	7.44	46	101	(17)	38.1	29.2	22.4	0.9	1.0	1.3	12.4	9.4	7.1
11	KWG Living	3913 HK	19.5	9.40	26	53	(20)	42.3	23.0	14.4	0.8	1.4	2.3	3.2	4.6	3.7
12	Excellence	6989 HK	10.8	8.82	7	(12)	(6)	21.9	16.5	11.9	0.0	1.8	2.4	8.5	2.8	2.4
13	Powerlong CM	9909 HK	18.1	28.10	14	13	157	47.6	33.1	23.8	1.0	1.5	2.1	7.0	6.0	5.1
Small PMC (Mkt cap< HK\$10bn)																
14	Central China New Life	9983 HK	10.3	8.15	24	27	(6)	25.2	13.6	9.8	1.4	3.9	5.0	3.2	2.7	2.3
15	Times Neighbourhood	9928 HK	6.5	6.66	15	(10)	50	22.6	13.3	8.9	0.5	2.3	3.4	3.1	2.6	2.1
16	Aoyuan Healthy	3662 HK	4.4	6.20	16	24	(14)	14.6	10.1	7.5	2.7	4.2	5.6	3.5	2.9	2.3
17	Kaisa Prosperity	2168 HK	4.8	31.60	23	36	(8)	17.2	11.4	7.6	2.6	3.5	5.2	3.2	2.7	2.2
18	Binjiang Services	3316 HK	9.8	36.20	109	149	103	37.3	25.2	16.6	2.6	1.1	1.6	9.7	NA	NA
19	New Hope Services	3658 HK	2.3	2.82	NA	NA	NA	12.8	8.2	6.0	0.0	3.0	4.1	9.7	2.0	1.6
20	Redsun Services	1971 HK	1.8	4.19	(4)	24	(14)	15.7	10.1	7.5	2.7	3.4	5.3	3.5	2.9	2.3
21	Yincheng Life	1922 HK	1.4	5.20	9	18	202	17.6	11.4	7.6	1.0	NA	NA	6.8	2.7	2.2
PMC Avg					20	31	50	38.3	26.1	18.2	1.2	1.9	2.6	6.8	4.9	4.0
- Large PMC					4	42	53	78.4	48.9	33.0	0.4	0.7	1.0	9.4	7.7	6.4
- Mid-sized PMC					22	25	51	39.8	27.6	19.8	0.8	1.5	2.1	7.5	5.7	4.6
- Small-sized PMC					25	32	48	19.0	12.9	8.9	1.8	3.1	4.3	4.9	2.6	2.1

*Bloomberg's consensus forecast
Source(s): Bloomberg, ABCI Securities

Exhibit 32: 2020 peer comparison by GFA (small/mid-sized players, GFA under mgt < 40mn sqm)

	Binjiang Services 3316 HK			Yincheng Life 1922 HK			Redsun Services 1971 HK			NHSH		
	2019	2020	YoY chg	2019	2020	YoY chg	2019	2020	YoY chg	2019	2020	YoY chg
GFA comparison												
GFA under mgt (mn sqm)	14.4	19.6	28%	26.1	39.1	50%	15.8	27.0	71%	6.5	10.2	57%
- Residential	12.3	16.9	27%	21.1	30.6	45%	12.1	23.0	91%	4.6	7.0	51%
- Non-residential	2.0	2.6	38%	4.9	8.5	73%	3.7	4.0	8%	1.9	3.3	70%
% as total GFA under mgt												
- Residential	86%	86%	-1%	81%	78%	-3%	77%	85%	9%	70%	68%	-2%
- Non-residential	14%	14%	1%	19%	22%	3%	23%	15%	-9%	30%	32%	2%
GFA under mgt (mn sqm)	14.4	19.6	28%	26.1	39.1	50%	15.8	27.0	71%	6.5	10.2	57%
- Developed by major shareholders/parent group	9.6	13.2	19%	5.4	7.0	29%	11.0	13.0	18%	6.5	9.1	39%
- Third parties	4.8	6.3	50%	20.7	32.2	56%	4.7	14.0	197%	-	1.1	na
GFA under mgt (%)												
- Developed by major shareholders/parent group	67%	68%	-5%	21%	18%	-3%	70%	48%	-22%	100%	89%	-11%
- Third parties	33%	32%	5%	79%	82%	3%	30%	52%	22%	0%	11%	11%
Contracted GFA (mn sqm)	26.8	35.5	29%	30.8	42.8	39%	27.6	39.9	45%	11.9	15.3	28%

Source(s): The Company, Binjiang Services, Yincheng Life, Redsun Services, ABCI Securities

Exhibit 33: 2020 peer comparison by financial metric (small/mid-sized player, GFA under mgt < 40mn sqm)

	Binjiang Services 3316 HK			Yincheng Life 1922 HK			Redsun Services 1971 HK			NHSH		
	2019	2020	YoY chg	2019	2020	YoY chg	2019	2020	YoY chg	2019	2020	YoY chg
Financials comparison												
Revenue (RMBmn)	702	960	37%	696	962	38%	503	768	53%	381	588	55%
- PMS	412	554	35%	553	772	40%	355	496	40%	141	190	35%
- VAS to NPO	224	312	39%	-	-	-	121	161	33%	128	168	31%
- CVAS	66	94	42%	143	190	33%	27	110	311%	39	117	202%
- Others										73	113	56%
% as total revenue												
- PMS	59%	58%	-1%	79%	80%	1%	71%	65%	-6%	37%	32%	-5%
- VAS to NPO	32%	32%	1%	0%	0%	0%	24%	21%	-3%	34%	29%	-5%
- CVAS	9%	10%	0%	21%	20%	-1%	5%	14%	9%	10%	20%	10%
- Others										19%	19%	0%
Gross profit (RMBmn)	197	297	51%	112	162	45%	127	214	68%	160	247	55%
Gross Margin (%)	28.1%	31.0%	2.9%	16.1%	16.9%	0.8%	25.3%	27.9%	2.6%	41.9%	42.1%	0.1%
- PMS	16.1%	18.8%	2.7%	9.8%	10.7%	0.9%	25.2%	25.5%	0.3%	27.1%	31.2%	4.1%
- VAS to NPO	43.2%	45.3%	2.1%	-	-	-	21.2%	21.6%	0.4%	42.1%	43.8%	1.7%
- CVAS	51.1%	55.0%	4.0%	40.4%	42.1%	1.7%	46.1%	48.0%	1.9%	58.6%	44.9%	-13.7%
- Others										61.4%	54.8%	-6.7%
Core net profit* (RMBmn)	125	220	75%	46	67	47%	59	93	58%	64	110	72%
Net margin (%)	17.9%	22.9%	5.0%	6.6%	7.0%	0.4%	11.8%	12.2%	0.4%	16.8%	18.7%	1.9%
	Dec19	Dec20	YoY chg	Dec19	Dec20	YoY chg	Dec19	Dec20	YoY chg	Dec19	Dec20	YoY chg
Gross debt (RMBmn)	-	-	na	-	-	na	-	-	na	584	-	
Cash (RMBmn)	517	852	65%	448	567	27%	179	826	361%	49	113	128%
Net debt (RMBmn)	(517)	(852)	65%	(448)	(567)	27%	(179)	(826)	361%	535	(113)	-121%
Total Equity (RMBmn)	185	858	365%	122	196	61%	217	720	231%	423	145	-66%

* Core profit= Net profit-profit/loss from discontinued operation- tax adjustment- (Other (losses)/gains-net + Other exceptional items) x 0.75

Source(s): The Company, Binjiang Services, Yincheng Life, Redsun Services, ABCI Securities

Risk factors

- 21.7% of NHSH's GFA under mgt will expire by 2022**
 About 21.7% of NHSH's GFA under mgt will expire by 2022. Failure to renew these contracts may lead to PM revenue decline. These are mainly PM contracts with the property owners' associations and public projects, which generally have a fixed term and need to be renewed upon expiration. Contracts without fixed terms will usually be terminated once a property owners' association has been set up and a new PM service agreement between such property owners' association and a PM company becomes effective. In our model, we assume these contracts that will expire in coming years could be fully renewed. However, this assumption may not be true and our revenue forecasts would be overstated if these contracts failed to be extended.

Exhibit 34: Expiration schedule of NHSH (Dec 2020)

	GFA under mgt	
	mn sqm	%
Without fixed terms	7.84	76.5%
Year ending Dec 31, 2021	1.31	12.8%
Year ending Dec 31, 2022	0.91	8.9%
Year ending Dec 31, 2023 and beyond	0.18	1.8%
Total	10.24	100.0%

Source(s): The Company, ABCI Securities

- Rising labor costs.** As a result of growing headcounts and increasing minimum wages, the staff costs in cost of sales rose 30%YoY to RMB 174.6mn in 2020. As at Dec 31, 2020, NHSH had a total of 3,442 full-time employees in the PRC.
- Substantial amount of related-party transactions.** Revenue from related parties increased from RMB 63mn in 2018, to RMB 133mn in 2019, and RMB 242mn in 2020, representing 24.4%, 34.8%, and 41.2% of total revenue, respectively. Rising reliance on related parties may reflect inability to secure third-party projects.

Exhibit 35: Related-party transactions of NHSH

	2018	2019	2020
Provision of property mgt services and other services	RMBmn	RMBmn	RMBmn
- Companies controlled by Mr. Liu Yonghao and Ms. Liu Chang	47	110	194
- Associate of companies controlled by the Ultimate Owners	16	23	48
Total	63	133	242
As % of total revenue	24.4%	34.8%	41.2%

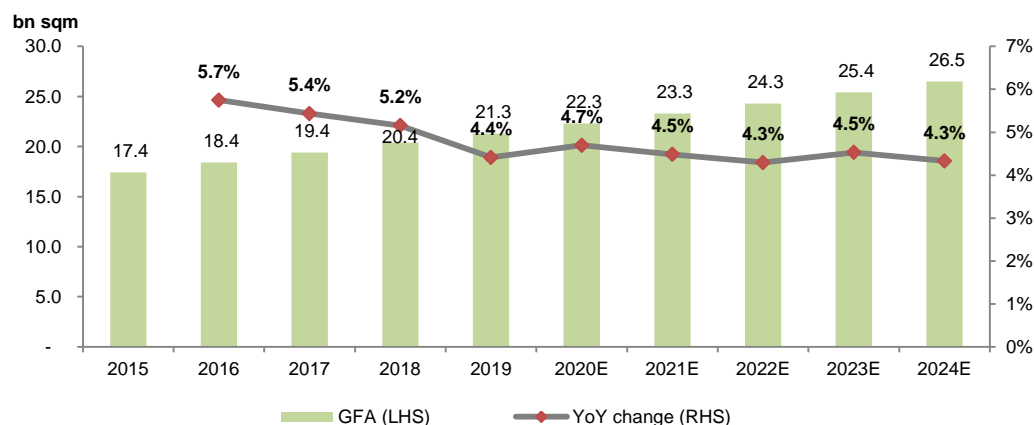
Source(s): The Company, ABCI Securities

- Conservative approach in M&A.** NHSH did not make any major acquisitions during 2018-2020; a significant proportion of GFA addition during the period came from NHP. Given its limited M&A experience, NHSH may lag behind its peers in growth if it is unable to secure third-party projects through M&A in the future.
- Lock-up expiration of cornerstone investors.** Immediately after the completion of the partial exercise of the over-allotment option, cornerstone investors accounted for 12.4% of total outstanding shares or 47% of total public float. The increased supply of shares and possible share placements after the lock-up period (6 months from listing date on 25 May 2021) could negatively affect NHSH's share performance.
- Low daily turnover.** Since NHSH's listing on May 25, 2021, the stock has an average daily turnover of HK\$4.8mn only on average since listing. Stock liquidity risk and volatile share price are major concerns for investors.

Industry overview

The property mgt industry in China has been developing for nearly 40 years. As of end-2019, there were ~137,000 PMCs in China. The overall market size of the property mgt industry in China increased from 17.4 bn sqm in 2015 to 21.3 bn sqm in 2019, representing a CAGR of 5.2%. According to the forecast of Savills and EH Consulting, the CAGR for the mgt area of the Chinese property industry from 2020-24 will be 4.5%.

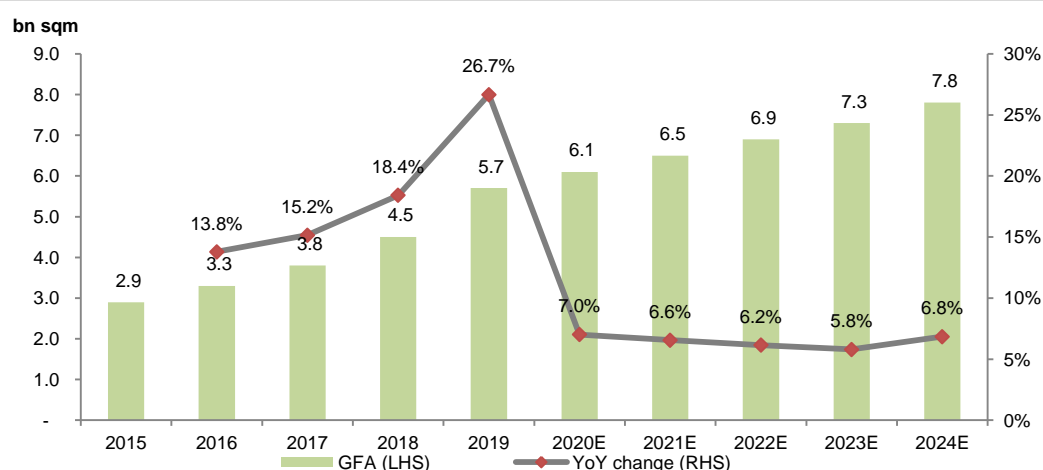
Exhibit 36: The Overall Market Size of the Property Mgt Industry in China, 2015-2024E



Source(s): Savills and EH Consulting Report

The Top 100 Property Mgt Companies in China have accelerated their growth in terms of GFA under mgt. According to the Savills and EH Consulting Report, the GFA under mgt of the Top 100 Property Mgt Companies grew steadily to 5.7bn sqm in 2019 at a CAGR of 19.1% from 2015-19, which had continued for five consecutive years. According to the forecast of Savills and EH Consulting, the GFA under mgt of the Top 100 Property Mgt Companies will increase at a CAGR of 6.2% from 2020-24.

Exhibit 37: The GFA under mgt of the Top 100 Property Management Companies in China

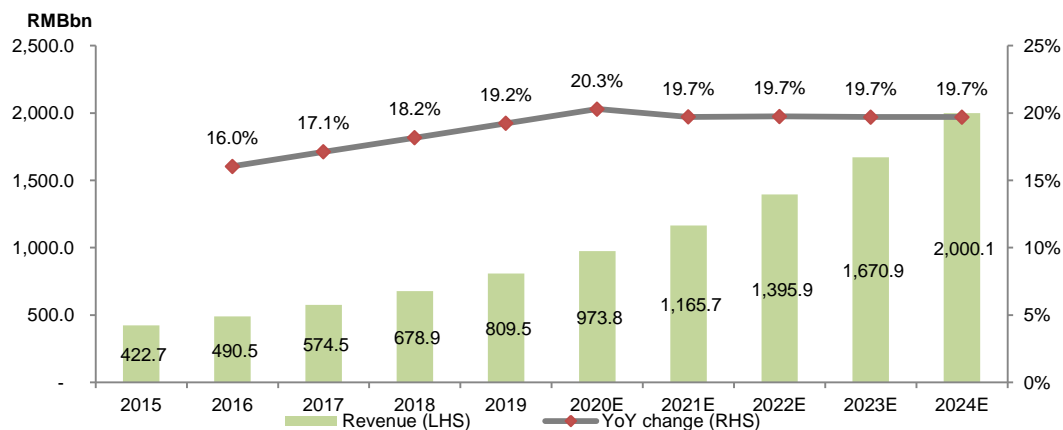


Source(s): Savills and EH Consulting Report

The continuous increase in the GFA under property mgt, growing customer needs of diversified services, and the expansion of diversified revenue channels have promoted greater growth in the operating revenue of property mgt companies. In 2019, the total

operating revenue of the property mgt industry of China increased 19.2% YoY to ~RMB 809.5bn, representing a CAGR of 17.6% in 2015-19. According to the forecast of Savills and EH Consulting, the CAGR for the total operating revenue of the property mgt industry will reach 19.7% from 2020-24.

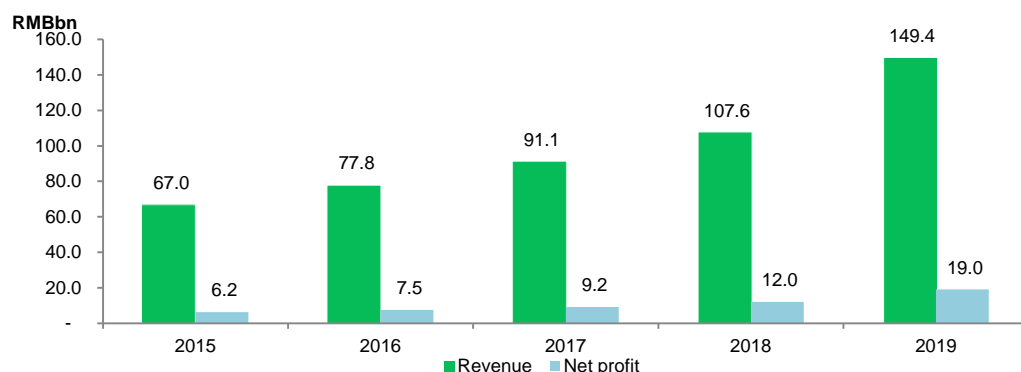
Exhibit 38: The Operating Revenue of property mgt service market in China



Source(s): Savills and EH Consulting Report

The operating revenue of the Top 100 Property Mgt Companies reached a record high of RMB 149.4bn in 2019, accounting for 18.5% of the entire industry, representing a year-on-year increase of 38.8% as compared to RMB107.6bn in 2018. The CAGR for the operating revenue of the Top 100 Property Mgt Companies was 22.2% from 2015 to 2019, which was 4.6% higher than the CAGR for the overall operating revenue of the industry. The Top 100 Property Mgt Companies have achieved steady growth in net profits while maintaining stable charging levels. According to Savills and EH Consulting Report, net profit of the Top 100 Property Mgt Companies amounted to RMB 19.0bn in 2019, representing a YoY increase of 58.2% from 2018. The CAGR for net profits of the Top 100 Property Mgt Companies was 32.6% from 2015-19.

Exhibit 39: Operating revenue, net profit and net profit margin of the Top 100 Property Mgt Companies from 2015-19



Source(s): Savills and EH Consulting Report

Financial statements

Consolidated income statement (2019A-2023E)

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	381	588	1,064	1,642	2,242
Cost of services	(221)	(341)	(636)	(1,017)	(1,433)
Gross Profit	160	247	428	625	809
Selling and marketing expenses	(3)	(3)	(4)	(5)	(5)
Administrative expenses	(82)	(119)	(187)	(261)	(308)
EBIT	74	125	237	359	495
Other income	0	0	0	0	0
Share of results of associates	1	0	-	-	-
Finance income	45	43	22	32	36
Finance expenses	(48)	(45)	-	-	-
Expected credit loss on financial assets	(1)	(0)	(1)	(1)	(2)
Other net (loss)/income	7	10	(25)	-	-
Profit before tax	77	133	232	389	529
Tax	(13)	(23)	(43)	(73)	(99)
Profit after tax	64	110	189	317	430
Minority interest	(0)	-	-	-	-
Net profit	64	110	189	317	430
Core net profit*	64	110	208	317	430
Per share					
Reported EPS (RMB)	0.11	0.18	0.26	0.39	0.53
Core EPS (RMB)	0.11	0.18	0.29	0.39	0.53
DPS (RMB)	-	-	0.07	0.10	0.13
Payout ratio (%)	0%	0%	25%	25%	25%
BVPS (RMB)	0.71	0.24	1.19	1.48	1.87
Growth %					
Revenue	47.5%	54.6%	80.8%	54.4%	36.5%
Gross Profit	45.1%	55.1%	72.9%	46.1%	29.4%
EBIT	38.0%	68.9%	89.6%	51.8%	37.7%
Core profit	55.6%	71.7%	89.2%	52.5%	35.8%
Margin %					
Gross profit margin	41.9%	42.1%	40.2%	38.1%	36.1%
EBIT margin	19.4%	21.2%	22.2%	21.9%	22.1%
Core net margin	16.8%	18.7%	19.5%	19.3%	19.2%
Revenue breakdown (RMBmn)					
Property mgt services	141	190	405	783	1,242
VAS to non-property owners	128	168	229	283	329
Lifestyle services	39	117	242	361	426
Commercial operational services	73	113	187	217	245
Total	381	588	1,064	1,642	2,242
Key assumptions					
Contracted GFA(mn sqm)	11.9	15.3	27.3	43.8	61.9
GFA under mgt (mn sqm)	6.5	10.2	20.4	34.6	49.9

Source(s): The Company, ABCI Securities estimates

* Core net profit = profit after tax – other expenses and non-recurring items and related tax impact



Consolidated balance sheet (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	1,263	488	1,311	1,564	1,940
Bank balances and cash	49	113	880	1,017	1,277
Trade receivables	83	163	220	335	451
Inventories	0	0	0	0	0
Due from related parties	1,103	173	173	173	173
Other current assets	27	38	38	38	38
Non-current assets	55	104	129	172	191
Property, plant and equipment	12	17	43	85	104
Intangible assets	4	6	6	6	6
Goodwill	0	0	0	0	0
Other non-current assets	39	81	81	81	81
Total Assets	1,318	591	1,440	1,735	2,130
Current Liabilities	372	397	426	483	555
Accruals and other payables	134	172	172	172	172
Contract liabilities	89	162	162	162	162
Borrowings	75	0	0	0	0
Trade payables	24	44	72	129	202
Other current liabilities	51	19	19	19	19
Non-current liabilities	522	49	49	49	49
Other non-current liabilities	12	46	46	46	46
Long-term borrowings	509	0	0	0	0
Deferred Tax Liabilities	1	3	3	3	3
Total Liabilities	895	446	474	532	604
Net Assets	423	145	966	1,204	1,526
Shareholders' Equity	423	145	966	1,204	1,526
Minority Interest	0	0	0	0	0
Total Equity	423	145	966	1,204	1,526
Key ratio					
Gross debt (RMB mn)	584	-	-	-	-
Net debt/ (cash) (RMB mn)	535	(113)	(880)	(1,017)	(1,277)
Net gearing (%)	126%	-78%	-91%	-85%	-84%

Source(s): The Company, ABCI Securities estimates



Consolidated cash flow statement (2019A-2023E)

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
EBITDA	78	133	251	387	535
Change in Working Capital	47	49	(28)	(58)	(43)
Tax payment	(12)	(16)	(43)	(73)	(99)
Operating Cash Flow	113	165	179	256	392
Purchase of PP&E	(6)	(8)	(40)	(70)	(59)
Disposal of IP	-	-	-	-	-
Purchases of intangible assets	(1)	(3)	-	-	-
Provision of loans to related parties	(600)	-	-	-	-
Others	(117)	299	22	32	36
Investing Cash Flow	(725)	289	(18)	(38)	(23)
Debt raised	600	-	-	-	-
Interest expenses	(35)	-	-	-	-
Equity raised	-	-	684	-	-
Dividend	(8)	(316)	(52)	(79)	(108)
Others	14	(25)	(26)	(1)	(2)
Financing Cash Flow	544	(390)	606	(81)	(109)
Net cash inflow/ (outflow)	(68)	63	767	138	260
Cash- beginning	117	49	113	880	1,017
Cash- year-end	49	113	880	1,017	1,277

Source(s): The Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Tung Yiu Kei Kenneth, 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 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.

Definition of equity rating

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

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 2008 (For reference: HSI total return index 2008-20 CAGR at 9.2%)

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