

Chuanglian (2371 HK) Accelerating revenue growth

- Education-related businesses contributed to 71.9% of total revenue in 1H22; revenue growth has been accelerating in recent years
- NPM (to shareholders of the Company) fluctuated in recent years due to the high operating costs and tax rates
- The Group was in a net cash position of RMB 200mn as of end-1H22, but its recent investment in cryptocurrencies may present new financial risks

Education businesses as main contributors to revenue. The Group has two unrelated business segments – education services and financial services. For education services, the Group offers online training services, on-site training services, and consultancy services. For the financial services, the Group offers financial services and finance lease services. Education businesses and finance businesses contribute to 71.9% and 28.1% of total revenue in 1H22, or 73.2% and 26.8% of total segment profits in 1H22.

Industry provides growth opportunities. According to report data by Frost and Sullivan cited in the prospectus of Fenbi (2469 HK), non-formal vocational education and training industry is expected to achieve a revenue CAGR of 8.4% in 2021-2026; the 2021-26 revenue CAGR of career testing preparation and vocational skill training would be 9.8% and 7.8%. We believe the industry provides adequate room for the Group's education businesses.

Growth accelerated in FY21 and 1H22. In FY21, the Group's revenue grew 53.1% YoY, while revenue of education businesses and finance businesses expanded 39.1% YoY and 350.7% YoY. In 1H22, total revenue grew 77.9% YoY, while education/finance businesses revenue grew 47.9%/270.6% YoY. The accelerating revenue growth shows the continued expansion of the Group's education businesses and an optimistic start for its finance businesses.

Improving cost efficiency. The Group's operating expenses in relation to revenue declined. Selling & marketing expenses and admin expenses combined were more than 50% of total revenue in FY19/20, and dropped to ~42% in FY21 and 1H22. The Group also managed to lower the cost of services in relation to revenue. GPM and NPM (to shareholders of the Company) were 56.2% and 10.3% in 1H22 vs. 52.5% and 11.8% in FY21.

Financial leverage remained low, but new business ventures may add to asset revaluation risk. The Group had no debt and was in a net cash position as of end-1H22 and end-FY21. However, the Group has recently invested in cryptocurrencies and entered into transactions that will be settled in cryptocurrencies. The volatile nature of cryptocurrency market may increase asset revaluation risk, which could result in substantial unrealized gain/loss on income statement and affects net profit.

Risk factors: 1) Low market cap and turnover; 2) Macroeconomic risk; 3) Regulatory risk; 4) Investment in cryptocurrencies; 5) Fluctuations in EPS.

Results and Valuation

FY ended Dec 31	FY19A	FY20A	FY21A	1H22A ⁽²⁾
Revenue (RMB mn)	165	183	280	150
Chg (% YoY)	8.5	11.0	53.1	77.9
Net Profit (to shareholders of the Company) (RMB mn)	(20)	(2)	33	15
Chg (% YoY)	N/A	(89.8)	N/A	N/A
Basic EPS (RMB cent)	(0.37)	(0.03)	0.52	0.23
Chg (% YoY)	N/A	(91.9)	N/A	N/A
P/E (x)	N/A	N/A	6.60	7.46
BVPS (RMB cent)	4.30	4.31	5.45	5.63
P/B (x)	0.80	0.80	0.63	0.61
DPS (RMB cent)	0	0	0	0
Yield (%)	0.0	0.0	0.0	0.0
ROAA (%)	(8.0)	(0.8)	10.6	9.9
ROAE (%)	(7.6)	(1.1)	9.5	8.2

Source(s): The Group, ABCI Securities

Company Report Feb 24, 2023 Rating: UNRATED

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Share price (HK\$) 0.039
52 wk High/Low (HK\$) 0.062/0.027

Source(s): Bloomberg, ABCI Securities

Key Data

Issued shares (bn) 6.75
Mkt cap (HK\$ mn) 263.34
3 mth days ADT (HK\$ mn) 4.2
Shareholding (%)
Lu Xing 20.65

Source(s): The Group, Bloomberg, HKEX

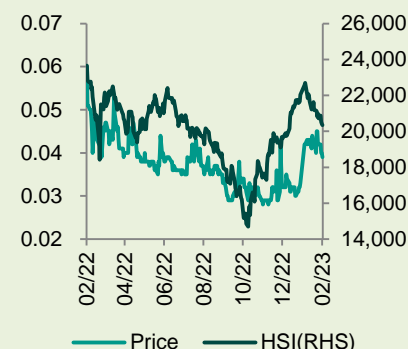
Share performance (%)

	Absolute	Relative*
1-mth	18.2	25.9
3-mth	34.5	17.7
6-mth	5.4	1.9

* Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-year price performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Note:

- 1) All pricing and market data as of Feb 23, 2023
- 2) 1H22 P/E and return figures are annualized
- 3) RMB/HKD: 1.1368

**農銀國際**

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

Chuanglian Holdings Limited (2371 HK, UNRATED)

Feb 24, 2023

Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, except per share data)	FY18A	FY19A	FY20A	FY21A	1H21A	1H22A
Revenue	152	165	183	280	84	150
Online training services	129	139	146	169	60	102
Certification services	1	10	17	47	0	0
On-site training services	9	8	12	12	12	3
Consultancy services	3	3	0	15	1	3
Financial services	10	5	8	30	11	31
Finance lease services	0	0	0	7	0	11
COGS	(70)	(64)	(80)	(133)	(27)	(66)
Gross profit	82	101	103	147	57	84
Selling and marketing exp	(28)	(27)	(23)	(37)	(17)	(21)
Admin exp	(53)	(68)	(72)	(80)	(37)	(41)
Other income, net gains and losses	9	(11)	1	19	(0)	3
Finance expenses	0	(6)	(6)	(6)	(3)	(2)
Pretax profit/loss	11	(10)	2	43	(1)	23
Tax	(4)	(10)	(5)	(13)	(2)	(4)
Net profit/loss	6	(20)	(3)	30	(3)	19
- Owners	8	(20)	(2)	33	(4)	15
- MI	(1)	1	(1)	(3)	0	3
EPS (RMB cent)						
- Basic	0.15	(0.37)	(0.03)	0.52	(0.06)	0.23
- Diluted	0.15	(0.37)	(0.03)	0.52	(0.06)	0.23

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	FY18A	FY19A	FY20A	FY21A	1H21A	1H22A
Bank balances and cash, & term deposits	85	104	121	169	191	200
Digital assets	0	0	0	12	0	4
Trade and other receivables	15	16	22	50	32	26
Others	8	4	29	8	29	16
Current assets	108	124	172	239	252	246
Plant and equipment	40	63	58	50	53	52
Right-of-use assets	0	108	94	82	87	75
Intangible assets	60	54	52	50	50	49
Goodwill	50	38	38	38	38	38
Financial assets at fair value through other comprehensive income	51	42	24	57	30	50
Financial asset at fair value through profit or loss	3	3	2	2	2	2
Others	0	10	5	52	5	59
Non-current assets	205	319	274	331	265	326
Total assets	312	443	447	570	517	572
Contract liabilities	15	11	10	31	32	40
Trade and other payables	21	25	38	45	23	31
Others	11	27	30	28	26	27
Current liabilities	47	62	78	104	81	97
Deferred tax liability	12	11	10	9	11	8
Lease liabilities	0	109	96	86	89	80
Convertible bonds	0	0	0	0	31	0
Non-current liabilities	12	120	106	95	131	88
Shareholders' equity	250	256	257	368	298	380
Minority interest	3	4	6	3	7	7
Total equity	253	261	263	371	305	387
Total liabilities and equity	312	443	447	570	517	572

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities



Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	FY18A	FY19A	FY20A	FY21A	1H21A	1H22A
Pretax profit	11	(10)	2	43	(1)	23
Depreciation & amortization	16	28	33	33	15	16
Others	(11)	21	3	(28)	(3)	17
Cash flow from operating activities	15	39	38	47	11	56
Change in plant and equipment	(12)	(35)	(7)	(2)	(0)	(5)
Change in intangible assets	(8)	(1)	(6)	(5)	(0)	(3)
Net cash outflow from acquisition of subsidiaries	(13)	0	0	(32)	0	0
Others	(7)	(6)	2	(6)	5	(10)
Cash flow from investing activities	(41)	(42)	(11)	(46)	5	(18)
Bank borrowing	0	0	3	(3)	(3)	0
Repayment of lease liabilities	0	(8)	(16)	(19)	0	(9)
Issuance of shares	0	0	0	73	0	0
Others	29	31	(2)	(0)	64	0
Cash flow from financing activities	29	22	(15)	51	61	(9)
Net change in cash	4	18	12	52	76	29
ForEx effect	1	0	(0)	1	(1)	2
Cash at the end of FY	85	104	116	169	191	200

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities

Key operating and financial ratios

FY ends at Dec 31	FY18A	FY19A	FY20A	FY21A	1H21A	1H22A
Growth (YoY %)						
Revenue	17.2	8.5	11.0	53.1	55.9	77.9
- Education related business	13.0	12.3	9.2	39.2	42.5	47.9
- Financial services and finance lease services	162.7	(48.9)	68.4	350.7	294.5	270.6
Gross profit	11.7	22.7	1.5	43.1	82.4	48.1
Net profit (to owners of the company)	N/A	(366.2)	(89.8)	N/A	(77.0)	(521.2)
Basic EPS	N/A	(346.7)	(91.9)	N/A	55.9	77.9
Profitability ratios (%)						
GPM	54.2	61.3	56.1	52.5	67.5	56.2
Pretax margin	6.9	(5.8)	1.2	15.3	(1.0)	15.2
NPM (to owners of the company)	5.0	(12.2)	(1.1)	11.8	(4.3)	10.3
Revenue contribution (%)						
- Education related business	93.7	97.0	95.5	86.8	86.5	71.9
- Financial services and finance lease services	6.3	3.0	4.5	13.2	13.5	28.1
Return ratios (%)						
ROAA	3.0	(8.0)	(0.8)	10.6	(2.3)	9.9
ROAE	2.5	(7.6)	(1.1)	9.5	(2.6)	8.2
Liquidity ratio (x)						
Current ratio	2.3	2.0	2.2	2.3	3.1	2.5
Cash ratio	1.8	1.7	1.5	1.6	2.4	2.1
Leverage ratios (%)						
Total debt to Equity	0.0	1.1	0.0	0.0	10.1	0.0
Total debt to Total assets	0.0	0.7	0.0	0.0	6.0	0.0
Net debt/(cash) to Equity	(39.8)	(44.8)	(45.6)	(39.8)	(52.5)	(51.7)
Net debt/(cash) to Total assets	(23.4)	(26.4)	(29.7)	(23.4)	(31.0)	(35.0)

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities

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