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23 August 2023

**Company Report: Central China New Life (09983 HK)**

公司报告: 建业新生活 (09983 HK)

## Concern on Related-Party Risk May Continue, "Neutral"

- Downgrade to "Neutral" with TP of HK\$2.30.** We believe the market concern on CCNL's related-party risk remains, especially considering that 1) the liquidity crisis for its related developer may last for a longer time; and 2) weak property sales performance continues in Henan. We forecast loss in 2023F with EPS at -RMB0.021. We also revise down our forecasts on the Company's 2024F and 2025F EPS to be RMB0.405 and RMB0.462. We derive our HK\$2.30 TP for CCNL by applying 5.2x 2024F PE. Hence, we downgrade our investment rating to "Neutral".
- Disappointing 1H2023 results mainly due to large impairment loss.** Largely in line with the negative profit warning, the Company finally delivered a loss attributable to shareholders at RMB299.6 mn in 1H2023. For the top line, CCNL recorded total revenue of RMB1,353.3 mn in 1H2023, down by 13.5% YoY. Considering the increasing credit risk of relevant trade receivables from CCRE, the Company made large impairment provision for the first half of this year at an amount of RMB641.2 mn. We do not rule out the possibility for further impairment, as we believe the risk from its related developer may last for a longer time.
- On the other side, solid growth in basic property management brought some positive surprise.** In 1H2023, the Company's basic business in property management maintained solid growth amid a challenging environment. Not only the growth in revenue, the GPM of property management also improved greatly by 6.8 ppt YoY to 25.7% in 1H2023. Considering 1) the solid growth in GFA under management; and 2) higher margin of its core business of property management in 1H2023, we believe CCNL's resilient performance in its core business should bring some relief to the Company's 2H2023 results.
- Upside risks:** 1) faster-than-expected improvement in profitability; 2) faster completion of properties in Henan; and 3) more GFA acquired from third parties or through M&As. **Downside risks:** 1) slower-than-expected growth in basic property management; 2) deterioration of liquidity position for CCRE; and 3) unexpected labor cost hikes.

**Rating:**
**Neutral**

Downgraded

**评级:**
**中性 (下调)**
**6-18m TP 目标价:**
**HK\$2.30**

Revised from 原目标价:

HK\$3.20

**Share price 股价:**
**HK\$2.150**

### Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(20.4)	(24.2)	(30.4)
Rel. % to HS Index 相对恒指变动 %	(13.6)	(15.7)	(21.6)
Avg. Share price(HK\$) 平均股价 (港元)	2.5	2.6	2.7

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(△%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2021A	3,599	620	0.491	28.2	3.6	2.339	0.7	0.393	22.4	22.0
2022A	3,148	562	0.443	(9.8)	4.3	2.320	0.8	0.355	18.7	19.1
2023F	3,240	(27)	(0.021)	(104.7)	(94.5)	2.030	1.0	0.158	8.0	(1.0)
2024F	3,574	518	0.405	n.a.	4.9	2.277	0.9	0.203	10.2	18.8
2025F	3,962	591	0.462	14.1	4.3	2.536	0.8	0.231	11.6	19.2
Shares in issue (m) 总股数 (m)				1,278.7	Major shareholder 大股东				Wu Po Sum	68.1%
Market cap. (HK\$ m) 市值 (HK\$ m)				2,749.2	Free float (%) 自由流通比率 (%)					25.1
3 month average vol. 3 个月平均成交股数 ('000)				647.5	FY23 Net gearing (%) FY23 净负债/股东资金 (%)					Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				3.843 / 2.024	FY23 Est. NAV (HK\$) FY23 每股估值 (港元)					3.1

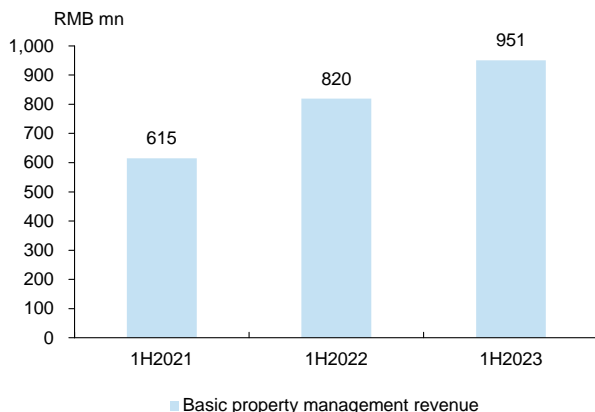
Source: the Company, Guotai Junan International.

**We downgrade Central China New Life (CCNL, or the "Company") to "Neutral" with TP of HK\$2.30.** We believe the market concern on CCNL's related-party risk remains, especially considering that 1) the liquidity crisis for its related developer may last for a longer time; and 2) weak property sales performance continues in Henan. We expect the Company to record loss for 2023F, with EPS at -RMB0.021. We also revise down our forecasts on the Company's 2024F and 2025F EPS to be RMB0.405 and RMB0.462. With valuation method using PE multiple, we derive our HK\$2.30 TP for CCNL by applying 5.2x 2024F PE. We downgrade our investment rating to "Neutral".

**Disappointing 1H2023 results mainly due to large impairment loss.** Largely in line with the negative profit warning announced on 15 Aug. 2023, the Company finally delivered a loss attributable to shareholders at RMB299.6 mn in the first half of this year. For the top line, CCNL recorded total revenue of RMB1,353.3 mn in 1H2023, down by 13.5% YoY, which missed our estimate. Considering that the Company's basic property management still recorded YoY growth of 16.0% in 1H2023, the main drag factors came from the Company's VAS businesses, especially the VAS to non-property owners. During the first half of this year, the Company's community VAS recorded revenue of RMB297.6 mn, down by 12.1% YoY. Meanwhile, the revenue from VAS to non-property owners represented a great slump of 74.2% YoY in 1H2023, recording RMB105.1 mn. Obviously, the sharp decline in VAS to non-property owners was attributed to the trouble faced by its related developer, Central China Real Estate (CCRE, 00832 HK). Considering the increasing credit risk of relevant trade receivables from CCRE, the Company made large impairment provision for the first half of this year at an amount of RMB641.2 mn. If we excluded the exceptional loss, the Company recorded core net profit attributable to shareholders of RMB205.0 mn in 1H2023, compared to RMB313.2 mn for the period of 1H2022. Based on the core net profit, the Company declared interim dividend of HK\$0.0871/ share for 1H2023, representing a dividend payout ratio of 50%.

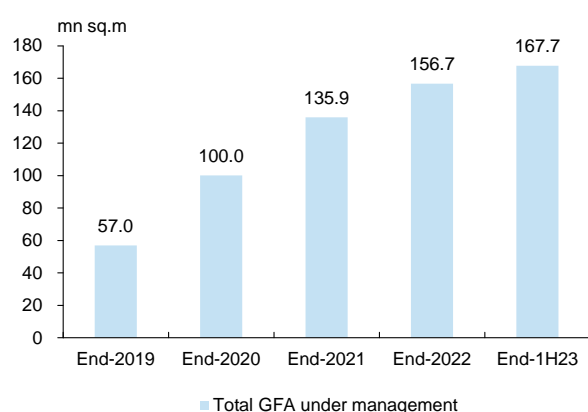
**On the other side, solid growth in basic property management brought some positive surprise.** Although unexpected interim loss is disappointing, the Company's basic business in property management maintained solid growth amid a challenging environment. Not only the growth in revenue, the GPM of property management also improved greatly by 6.8 ppt YoY to 25.7% in 1H2023. The Company's continuous efforts in cost optimization also achieved results in lower SG&A expenses. The Company's selling expense to revenue ratio declined from 1.1% in 1H2022 to 0.7% in 1H2023, meanwhile the administrative expense to revenue ratio declined from 6.7% to 6.0%. For the operational data, from Jan. 2023 to Jul. 2023, the Company's GFA under management increased by 12.5 mn sq.m., which included 10.1 sq.m., or 81.2% from third parties. Considering 1) the solid growth in GFA under management; and 2) higher margin of its core business of property management in 1H2023, we believe CCNL's resilient performance in its core business should bring some relief to the Company's 2H2023 results.

**Figure 1: CCNL's growth in basic property management remained resilient**



Source: the Company, Guotai Junan International.

**Figure 2: CCNL's GFA under management maintained solid growth in 1H2023**

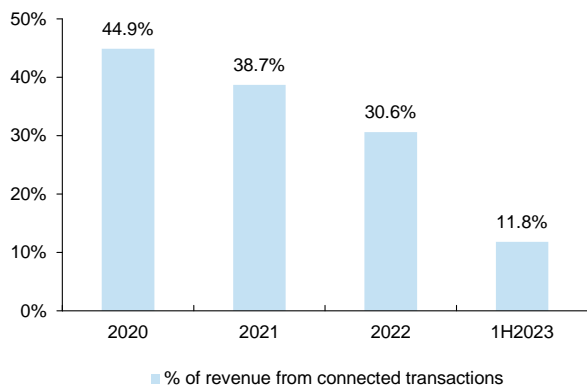


Source: the Company, Guotai Junan International.

**Risk from its related developer will last for a longer time.** We are glad to see the Company's continuous decline in connected transactions with its related parties. In 2022, the revenue from CCNL's related parties still accounted for a large revenue proportion of 30.6%. However, this ratio has lowered to 11.8% in 1H2023. It is hard to say it is active or passive strategy for the Company to reduce reliance on its related developer, as CCRE experienced the most pessimistic period in the first half of this year. On 3 Apr. 2023, CCRE proposed exchange offers on its USD senior notes, which officially announced that CCRE has entered into the camp of distressed developers. On 23 Jun. 2023, CCRE failed to pay interests on a note and hence announced

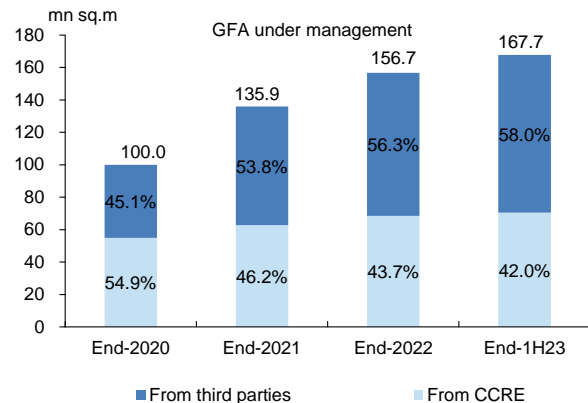
that it would suspend payments on all offshore debts. According to the management, based on prudent accounting principles, the Company has already made enough impairment provision, at around 40% of the related-party receivables. However, considering 1) the continuous deterioration of liquidity position of CCRE; and 2) still weak property sales in Henan province, we believe CCNL's trade receivable risk from its related developer may last for a long time. In addition, in 1H2023, the Company paid deposit of RMB537 mn (can be refunded in one year) to acquire the exclusive sales agency right for car parking spaces, which may further weigh on its liquidity pressure, in our view.

**Figure 3: CCNL's connected revenue declined sharply in 1H2023**



Source: the Company, Guotai Junan International.

**Figure 4: The proportion of CCNL's managed GFA from CCRE continued to decline**



Source: the Company, Guotai Junan International.

**Upside risks:** 1) faster-than-expected Improvement in profitability; 2) faster completion of properties in Henan; and 3) more GFA acquired from third parties or through M&As.

**Downside risks:** 1) slower-than-expected growth in basic property management; 2) deterioration of liquidity position for CCRE; and 3) unexpected labor cost hikes.

**Table 1: CCNL's key results in 1H2023**

Income statement data (RMB mn)	1H2022	1H2023	Change
<b>Revenue</b>	<b>1,565</b>	<b>1,353</b>	<b>(13.5%)</b>
- Property management services	820	951	16.0%
- Community value-added services	338	298	(12.1%)
- Value-added services to non-property owners	407	105	(74.2%)
<b>Gross profit</b>	<b>498</b>	<b>380</b>	<b>(23.7%)</b>
Other income, gains and losses	45	15	(67.2%)
Selling and marketing costs	(17)	(9)	(46.7%)
Administrative expenses	(104)	(82)	(21.9%)
Net impairment losses on financial assets	(14)	(641)	4527.5%
Other losses - net	(10)	(24)	141.9%
Finance costs, net	1	(0)	(105.6%)
Share of results of JVs and associates	(0)	0	(728.1%)
<b>Profit before tax</b>	<b>398</b>	<b>(362)</b>	<b>(190.9%)</b>
Tax expense	(97)	63	(165.1%)
Minority interests	(12)	(1)	(93.5%)
<b>Shareholders' net profit</b>	<b>290</b>	<b>(300)</b>	<b>(203.4%)</b>
<b>Shareholders' core net profit*</b>	<b>313</b>	<b>205</b>	<b>(34.5%)</b>
Gross profit margin (%)	31.8	28.1	0.3 ppt
Shareholders' profit margin (%)	18.5	n.a.	n.a.
Balance sheet data (RMB mn)	2022	1H2023	Change
Net debt (cash)	(1,980)	(1,493)	(24.6%)
Total equity	3,059	2,538	(17.0%)
Net gearing (%)	Net cash	Net cash	n.a.
Trade and other receivables	2,709	2,858	5.5%
Trade and other payables	1,245	1,335	7.2%
Operational data	2022	1H2023	Change
Contracted GFA (mn sq.m.)	271.5	282.5	4.1%
GFA under management (mn sq.m.)	156.7	167.7	7.0%

Source: the Company, Guotai Junan International.

Note\*: Core net profit was adjusted by the impairment provision for receivables, and fair value gains or losses from financial assets at fair value through profit or loss and related tax effect.

**Table 2: Sector valuation comparison**

Company	Stock Code	Currency	Mkt Cap (HK\$ m)	PE				PB				ROE(%)	D/Y(%)
				2022A	2023F	2024F	2025F	2022A	2023F	2024F	2025F	2023F	2023F
<b>HK listed property management companies with major business in mainland China</b>													
China Resources Mixc Lifesty	01209 HK	HKD	76,007	29.6	24.9	19.5	16.1	4.7	4.4	3.8	3.2	18.7	1.7
China Overseas Property Hold	02669 HK	HKD	29,516	23.2	17.9	14.1	11.3	8.2	6.0	4.5	3.5	38.4	1.7
Onewo Inc-H	02602 HK	HKD	29,049	15.1	12.4	9.8	8.2	1.6	1.5	1.3	1.2	11.1	1.3
Country Garden Services Hold	06098 HK	HKD	24,523	10.8	5.4	4.5	4.3	0.6	0.6	0.5	0.5	11.0	6.1
Poly Property Services Co-H	06049 HK	HKD	21,276	16.4	14.3	11.7	9.7	2.4	2.3	2.0	1.7	16.4	1.8
Greentown Service Group Co L	02869 HK	HKD	12,218	19.1	15.2	12.4	10.3	1.5	1.5	1.4	1.3	10.0	3.3
Sunac Services Holdings Ltd	01516 HK	HKD	6,694	n.a.	8.1	5.8	6.8	0.8	0.8	0.7	0.7	9.8	5.4
Jinke Smart Services Group-H	09666 HK	HKD	6,522	n.a.	12.2	10.6	9.5	1.1	1.0	1.0	0.9	8.9	0.0
Evergrande Property Services	06666 HK	HKD	6,270	3.8	3.0	4.4	4.4	(2.8)	(8.9)	8.9	3.0	(43.4)	n.a.
A-Living Smart City Services	03319 HK	HKD	6,177	2.9	2.8	2.6	2.4	0.4	0.4	0.3	0.3	14.7	2.7
Cifi Ever Sunshine Services	01995 HK	HKD	5,335	9.6	6.8	6.1	8.5	0.9	0.9	0.8	n.a.	14.0	5.1
C&D Property Management Grou	02156 HK	HKD	5,183	17.1	14.2	11.0	8.9	3.6	n.a.	n.a.	n.a.	22.9	n.a.
Binjiang Service Group Co Lt	03316 HK	HKD	5,119	10.7	8.8	6.7	5.2	3.6	3.0	2.2	1.7	37.3	3.4
Yuexiu Services Group Ltd	06626 HK	HKD	4,277	8.9	8.1	6.6	5.6	1.2	1.1	1.0	0.9	14.0	4.4
S-Enjoy Service Group Co Ltd	01755 HK	HKD	3,816	7.5	5.6	4.5	4.9	1.3	1.1	0.9	0.9	21.1	5.7
Shimao Services Holdings Ltd	00873 HK	HKD	3,653	n.a.	6.7	5.9	5.3	0.4	0.4	0.4	0.5	6.7	0.0
Central China New Life Ltd	09983 HK	HKD	2,749	4.2	4.0	4.5	4.4	0.8	0.8	0.8	0.7	19.4	12.6
Powerlong Commercial Managem	09909 HK	HKD	2,559	4.9	4.3	3.9	3.4	0.8	0.8	0.7	0.6	18.5	8.1
Excellence Commercial Proper	06989 HK	HKD	2,551	5.4	4.1	3.3	2.8	0.6	n.a.	n.a.	n.a.	16.8	11.4
See Intelligent Commercial M	00606 HK	HKD	2,398	10.2	7.6	6.7	5.8	0.8	0.8	0.7	0.7	11.0	3.8
Dexin Services Group Ltd	02215 HK	HKD	2,390	18.0	n.a.	n.a.	n.a.	2.9	n.a.	n.a.	n.a.	n.a.	n.a.
Jinmao Property Services Co	00816 HK	HKD	2,242	5.6	4.6	3.6	3.0	1.5	1.2	1.0	0.8	28.5	8.6
Hevol Services Group Co Ltd	06093 HK	HKD	1,764	22.0	n.a.	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	n.a.	n.a.
Kwg Living Group Holdings Lt	03913 HK	HKD	1,681	n.a.	3.3	3.0	2.7	0.5	0.4	0.4	0.3	14.8	0.0
E-Star Commercial Management	06668 HK	HKD	1,354	7.5	6.9	6.0	5.3	1.0	1.0	0.9	0.8	14.5	7.8
Sino-Ocean Service Holding L	06677 HK	HKD	1,302	15.7	2.5	2.3	2.1	0.5	0.8	0.9	0.9	32.9	15.5
Huafa Property Services Grou	00982 HK	HKD	1,177	5.2	n.a.	n.a.	n.a.	421.6	n.a.	n.a.	n.a.	n.a.	n.a.
New Hope Service Holdings Lt	03658 HK	HKD	896	3.8	3.5	2.9	2.5	0.7	0.5	0.4	0.4	15.1	11.7
Financial Street Property -H	01502 HK	HKD	893	6.3	5.8	4.8	3.9	0.7	0.7	0.6	0.6	11.8	8.5
Ronshine Service Holding Co	02207 HK	HKD	798	44.9	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Roiserv Lifestyle Services-H	02146 HK	HKD	778	2.8	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Colour Life Services Group	01778 HK	HKD	632	0.7	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Suxin Joyful Life Services C	02152 HK	HKD	625	6.9	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Times Neighborhood Holdings	09928 HK	HKD	542	n.a.	3.5	3.2	2.8	0.3	0.3	0.3	0.3	8.6	4.3
Yincheng Life Service Co Ltd	01922 HK	HKD	534	4.3	n.a.	n.a.	n.a.	1.5	n.a.	n.a.	n.a.	n.a.	n.a.
Dowell Service Group Co Ltd	02352 HK	HKD	528	4.6	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Aoyuan Healthy Life Group Co	03662 HK	HKD	516	2.8	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.
Kangqiao Service Group Ltd	02205 HK	HKD	511	7.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xinyuan Property Management	01895 HK	HKD	494	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Clifford Modern Living Holdi	03686 HK	HKD	488	4.4	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Capital Jiaye Proper	02210 HK	HKD	433	3.2	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
First Service Holding Ltd	02107 HK	HKD	400	8.2	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.
Sundy Service Group Co Ltd	09608 HK	HKD	374	9.8	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.
Kaisa Prosperity Holdings Lt	02168 HK	HKD	348	3.2	9.9	7.7	5.0	0.2	0.5	0.5	0.4	6.9	2.9
Redco Healthy Living Co Ltd	02370 HK	HKD	336	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lushang Life Services Co L-H	02376 HK	HKD	327	3.2	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Zhong Ao Home Group Ltd	01538 HK	HKD	273	3.1	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Zhenro Services Group Ltd	06958 HK	HKD	240	n.a.	0.4	n.a.	n.a.	0.2	0.1	n.a.	n.a.	26.2	74.5
Xingye Wulian Service Group	09916 HK	HKD	220	4.0	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.
Redsun Services Group Ltd	01971 HK	HKD	216	2.0	0.6	n.a.	n.a.	0.2	0.2	n.a.	n.a.	31.2	55.8
Landsea Green Life Service C	01965 HK	HKD	197	5.6	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.
Riverine China Holdings Ltd	01417 HK	HKD	188	13.3	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.
Jiayuan Services Holdings Lt	01153 HK	HKD	168	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ling Yue Services Group Ltd	02165 HK	HKD	140	1.6	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Ye Xing Holdings Ltd	01941 HK	HKD	69	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average				9.3	7.6	6.7	5.9	9.3	0.9	1.4	1.1	15.6	9.6
Weighted Average				18.5	14.7	11.8	9.9	4.7	2.5	2.5	2.0	16.9	3.1

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement					
Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F
Total revenue	3,599	3,148	3,240	3,574	3,962
- Property management and VAS	3,041	2,881	2,941	3,257	3,629
- Lifestyle services	407	182	209	226	240
- Commercial property management	151	85	89	91	93
Cost of sales	(2,416)	(2,105)	(2,363)	(2,604)	(2,880)
Gross profit	1,183	1,043	876	970	1,082
- Selling and marketing expenses	(57)	(32)	(26)	(29)	(32)
- Administrative expenses	(230)	(239)	(217)	(232)	(254)
- Impairment losses on financial assets	(101)	(78)	(661)	(30)	(30)
- Other income/exceptional	19	65	0	20	30
Operating profit	814	759	(28)	699	796
- Finance income/(costs), net	12	(0)	(4)	(4)	(4)
- Share of results of JVs and associates	(0)	0	0	0	0
Profit before tax	826	759	(32)	695	793
Income tax	(173)	(188)	14	(168)	(192)
Profit after tax	653	571	(18)	527	600
Non-controlling interest	(34)	(9)	(9)	(9)	(9)
Shareholders' profit / loss	620	562	(27)	518	591
Basic EPS (RMB)	0.491	0.443	(0.021)	0.405	0.462

Cash Flow Statement					
Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F
Operating activities					
Profit before income tax	826	759	(32)	695	793
Depreciation & amortisation	58	42	33	20	16
Impairment of trade and other receivables	101	0	0	0	0
Finance costs	3	0	4	4	4
Interest income	(6)	0	0	0	0
Others	24	(0)	(0)	(0)	(0)
Changes in working capital	(724)	(303)	600	(40)	(45)
Net cash from operations	283	499	605	679	768
Income tax paid	(105)	(130)	6	6	6
Cash from operating activities	178	369	611	685	774
Investing activities					
Interest received	6	0	0	0	0
Purchase of PPE/intangible assets	(32)	5	(20)	(15)	(14)
Acquisitions/disposals of subsidiaries	(113)	0	0	0	0
Payment/proceeds from other financial assets	385	(16)	0	0	0
Other investing cash flow	0	(42)	0	0	0
Cash from investing activities	246	(53)	(20)	(15)	(14)
Financing activities					
Dividend paid to owners of the Company	(343)	(583)	(320)	(203)	(259)
Increase in debts	0	74	0	0	0
Capital raised	6	(516)	0	0	0
Interest paid	(2)	(0)	(4)	(4)	(4)
Other financing cash flow	(21)	(36)	0	0	0
Cash from financing activities	(361)	(1,061)	(324)	(207)	(263)
Net changes in cash	64	(746)	266	463	497
Cash at beginning of year	2,218	2,264	2,049	2,315	2,778
Exchange losses	(17)	530	0	0	0
Cash at end of year	2,264	2,049	2,315	2,778	3,276

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F
PPE	95	51	39	34	31
Interests in associates & JVs	6	6	6	7	7
Intangible assets	274	271	271	271	271
Prepayments and other receivables	33	76	76	76	76
Deferred tax assets	43	58	58	58	58
Other non-current assets	0	44	44	44	44
Total non-current assets	452	506	494	489	487
Inventories	18	14	23	33	43
Contract assets	24	24	25	27	30
Trade and other receivables	2,222	2,709	2,787	3,075	3,409
Restricted cash	2	5	5	5	5
Cash & cash equivalents	2,264	2,049	2,315	2,778	3,276
Other current assets	55	27	27	27	27
Total current assets	4,585	4,829	5,183	5,946	6,790
Total assets	5,037	5,335	5,677	6,436	7,277
Trade and other payables	1,053	1,245	1,916	2,114	2,343
Contract liabilities	544	588	605	668	740
Short-term borrowings	0	22	15	15	15
Current tax liabilities	199	261	253	427	625
Other current liabilities	28	7	7	7	7
Total current liabilities	1,825	2,123	2,797	3,230	3,730
Long-term borrowings	0	52	59	59	59
Contract liabilities	87	56	56	56	56
Deferred tax liabilities	27	38	38	38	38
Other non-current liabilities	42	6	6	6	6
Total non-current liabilities	156	152	159	159	159
Total liabilities	1,980	2,276	2,956	3,390	3,890
Total shareholders' equity	2,954	2,943	2,595	2,911	3,243
Minority interest	102	117	126	135	144
Total equity	3,057	3,059	2,721	3,046	3,387

Financial Ratios					
	2021A	2022A	2023F	2024F	2025F
Revenue growth (%)	35.6	(12.5)	2.9	10.3	10.9
Gross profit growth (%)	37.5	(11.8)	(16.0)	10.7	11.5
Operating profit growth (%)	49.9	(6.7)	(103.7)	(2,609.6)	13.9
Shareholders' profit growth (%)	45.2	(9.2)	(104.8)	(2,018.4)	14.1
Gross margin (%)	32.9	33.1	27.1	27.1	27.3
Operating profit margin (%)	22.6	24.1	-0.9	19.6	20.1
Shareholders' profit margin (%)	17.2	17.9	-0.8	14.5	14.9
ROE (%)	21.9	19.1	-1.0	18.8	19.2
ROA (%)	13.3	10.8	-0.5	8.6	8.6
Current ratio (x)	2.5	2.3	1.9	1.8	1.8
Net gearing ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Total liabilities/total assets (%)	39.3	42.7	52.1	52.7	53.5
Receivable turnover days	180.0	285.8	309.6	299.4	298.7
Payable turnover days	150.3	199.2	244.2	282.5	282.5

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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