

## Jinmao Property Services (816 HK) Upscale property management service provider in higher-tier cities

- GFA under management (mgt) to reach 173.4mn sqm by 2024, implying a CAGR of 44% in 2022-24E
- We estimate GFA under mgt to expand by 2mn sqm each year through acquisitions in 2022E-24E
- Core net profit to grow from RMB 447mn in 2022E to RMB 839mn in 2024E, implying a CAGR of 37%, as a result of fast-growing GFA under mgt
- Initiate **BUY** with revised DCF-based TP of HK\$ 9.10

### An upscale property management service (PMS) provider in higher-tier cities.

Jinmao Property Services Co., Ltd ("JPS" or "the Company") is a fast-growing, leading upscale property management (PM) and city operation service provider in China. As of Dec 31, 2021, GFA under mgt in the first- and new first-tier cities\* were 6.8 mn sqm and 21.8mn sqm, or 18.8% and 59.7% of the total GFA under mgt (36.4 mn sqm). JPS has been able to expand its value-added services (VAS) to benefit from the rising consumption power and increasingly complex consumption habits in the higher-tier cities. GFA under mgt rose from 10.2mn sqm in 2018 to 36.4mn sqm as of Dec 31, 2021, implying a CAGR of 53% during the period. In 2021, properties developed by China Jinmao and independent third parties accounted for 65.9% and 34.1% of total GFA under mgt, or 91.9% and 8.1% of total PM revenue. Besides, JPS had also entered into city operation service sector with preliminary PM contracts for 22 city operation projects of Jinmao Group, among which 12 projects were in operation as of Dec 2021.

### Strategic support from controlling shareholder China Jinmao (S&P Credit rating: stable outlook issued in Apr 2022).

In 2021, contracted sales of China Jinmao was ranked 15<sup>th</sup> among the Top 100 Property Companies in China, according to CRIC. 2021 contracted sales of China Jinmao increased 2% YoY to RMB 235.6bn, while contracted GFA grew 17% YoY to 13.2mn sqm, according to China Jinmao's announcement. Expanding contracted sales of China Jinmao would provide JPS with a steady pipeline of new projects. JPS also partnered with Sinochem Lantian, a fluorine chemical engineering arm of Sinochem Group (controlling shareholder of China Jinmao), to establish a JV specializing in PMS for the high-quality industrial parks and office buildings held by Sinochem Group.

**Initiate BUY with TP at HK\$ 9.10.** Since a substantial proportion of the Group's revenue is dependent on PM agreements with regular and predictable cash flow, we employ the DCF method to assess its value. Our DCF-based TP of HK\$ 9.10 translates into 15.5x P/E and 6.0x P/B for 2022E (vs 7.7x P/E and 2.1x P/B in 2022E for small PMCs). We believe JPS deserves a premium valuation to its peers given its 37% earnings CAGR in 2022E-24E and promising prospects in city operation services. In the short term, JPS's share price will be affected by substantial increase in public free-float shares after the expiry of IPO lockup period.

### Results and Valuations

FY ended Dec 31	2020A	2021A	2022E	2023E	2024E
Revenue (RMB mn)	944	1,516	3,134	4,636	6,294
Chg (% YoY)	19.8	60.5	106.8	47.9	35.8
Core net profit (RMB mn) <sup>1</sup>	77	195	447	640	839
Chg (% YoY)	240.9	153.0	129.0	43.2	31.1
Core EPS (RMB)	0.10	0.24	0.49	0.71	0.93
Chg (% YoY)	240.9	153.0	102.7	43.2	31.1
BVPS (RMB)	0.06	0.24	1.28	1.81	2.51
Chg (% YoY)	(54.4)	297.7	424.9	41.4	38.4
P/E (x)	51.1	20.2	10.0	7.0	5.3
P/B (x)	80.2	20.2	3.8	2.7	2.0
Core ROE (%)	157.0	95.6	38.3	38.8	36.8
Core ROA (%)	3.6	14.4	17.7	19.7	20.1
DPS (RMB)	-	-	0.12	0.18	0.23
Yield (%)	-	-	2.5	3.6	4.7
Net (debt)/cash (RMBmn)	(810)	555	1,555	2,002	2,636

Source(s): The Company, ABCI Securities estimates

Note: RMB to HK\$= 1.1875

<sup>1</sup>Core net profit= Net profit + listing expense;

\*Including Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou Dongguan, Qingdao, Hefei and Foshan, according to the city classification by China Business Network in 2021

## Company Report

### Initiation

May 5, 2022

Rating: **BUY**

TP: HK\$ 9.10

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Share price (HK\$)	5.85
Est. share price return	55.6%
Est. dividend yield	2.5%
Est. total return	58.1%
Previous Rating & TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities estimates

### Key data

52Wk H/L(HK\$)	7.40/3.31
IPO price- 10 Mar 2022 (HK\$)	8.14
Issued shares (mn)	904.189
Market cap (HK\$ mn)	5,288
Avg daily turnover since listing (HK\$ mn)	7.64
Major shareholder(s) (%):	
China Jinmao Holdings	67.28%
Group Ltd ("China Jinmao")	

Source(s): Bloomberg, ABCI Securities

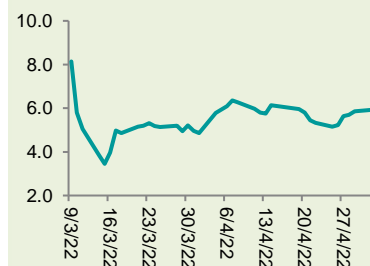
### Share Performance (%)

	Absolute	Relative*
1-mth	1.2	9.1
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

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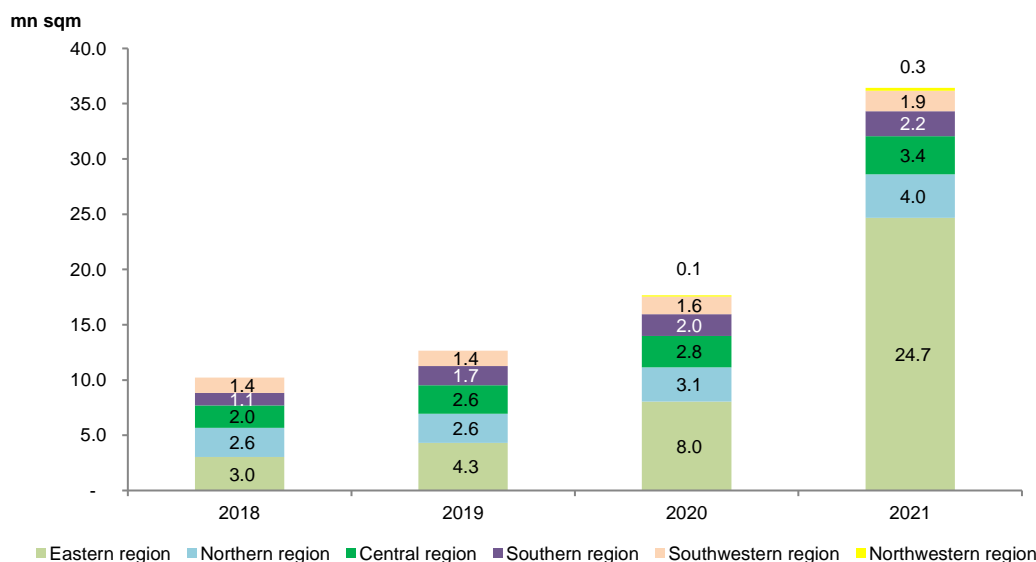
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## Upscale PMS provider in higher-tier cities

JPS is a fast-growing and leading upscale property mgt and city operation service provider in China. China Jinmao, JPS's controlling shareholder, is a top-tier property developer with one of the fastest-growing portfolios of high-end residential properties in China, according to China Index Academy. JPS provides China Jinmao a full range of quality PMS and VAS.

As of Dec 31, 2021, JPS's total contracted GFA reached ~57.6 mn sqm, covering 48 cities across 22 provinces, municipalities, and autonomous regions in China. As of Dec 31, 2021, JPS's GFA under mgt in the first- and new first-tier cities were 6.8 mn sqm and 21.8mn sqm, or 18.8% and 59.7% of the total GFA under mgt (36.4 mn sqm). Strong presence in higher-tier cities provides it with the first-mover advantages in many of these markets. JPS has expanded its VAS to cater to the rapidly rising consumption power and increasingly complex consumption habits of citizens in higher-tier cities to increase revenue and margins.

**Exhibit 1: JPS's GFA under mgt by region**



Source(s): The Company, ABCI Securities

## Diversified revenue mix

JPS has three main business lines:

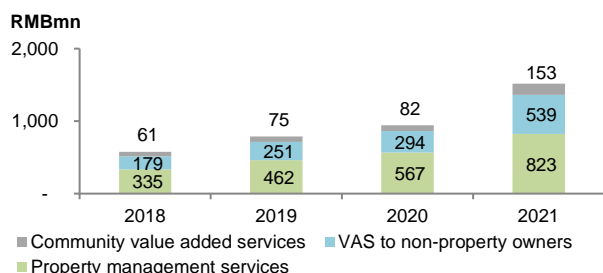
**1) Property mgt services (PMS).** JPS provides a range of PMS to property owners and residents and property developers, including, among others, security, cleaning, greening, gardening, and repair and maintenance services for the operation of common area facilities. JPS's property mgt portfolio covers residential properties, in particular, high-end ones, and a wide range of non-residential properties, including (i) commercial properties, such as office buildings and shopping malls, and (ii) public and other properties, such as schools, government facilities, and other public spaces. Additionally, JPS provides city operation services in multiple forms to assist governments and enterprises in the optimization, innovation, distribution of urban resources, and the delivery of value-added public services to citizens.

**2) Value-added services to non-property owners (VASNPO).** The offerings under the category include (i) sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, and (ii) consultancy and

other value-added services such as pre-delivery and consultancy services mainly to property developers.

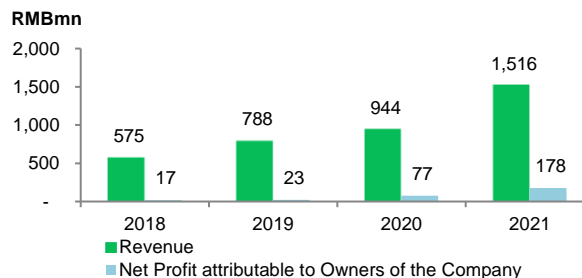
**3) Community value-added services (CVAS).** JPS provides such services mainly to property owners and residents of managed properties to address their daily lifestyle needs, which mainly include (i) platform services for interior decoration, (ii) community living services such as housekeeping, new retail, and catering services, (iii) community space operation services such as elevator advertising services and car park space mgt services, and (iv) real estate brokerage services.

**Exhibit 2: JPS's revenue mix (2018-21)**



Source(s): The Company, ABCI Securities

**Exhibit 3: JPS's revenue and net profit attributable to owners of the Company (2018-21)**

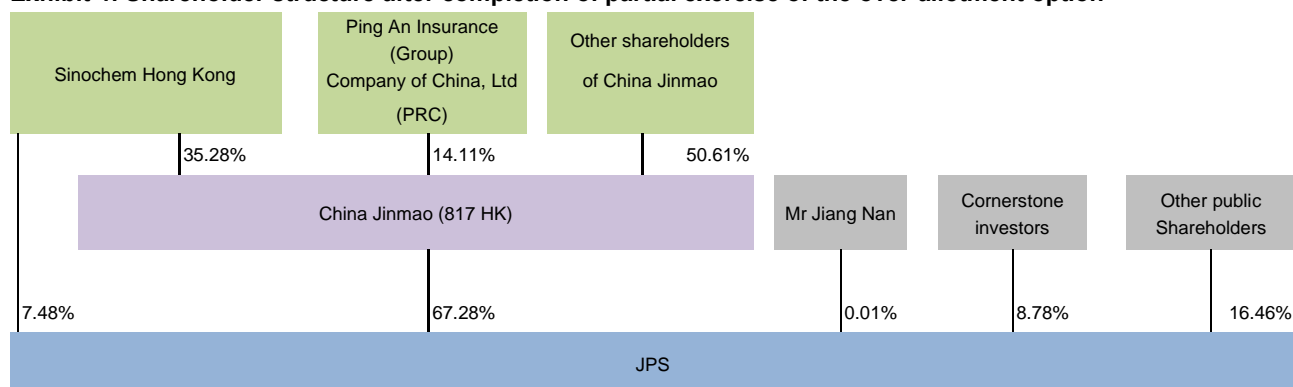


Source(s): The Company, ABCI Securities

## History and shareholding structure

JPS's history can be traced back to 1993 when Sinochem Hotel was established to provide PMS in Beijing for properties developed by the predecessor of China Jinmao Holdings Group Limited ("China Jinmao", [817HK]) and its subsidiaries, which for the purpose of this report and unless the context otherwise requires, excludes JPS and its subsidiaries ("Jinmao Group"), whereby JPS took over PMS business from Sinochem Hotel in 2007. JPS has maintained a close and cooperative relationship with Jinmao Group over the years. Leveraging JPS's relationship with Jinmao Group and benefiting from its rapid expansion, JPS has successfully provided various PMS to projects developed by Jinmao Group and its JVs and associates and further extended its services to projects developed by independent third parties. China Jinmao remains as the controlling shareholder of JPS after IPO.

**Exhibit 4: Shareholder structure after completion of partial exercise of the over-allotment option**



Source(s): The Company, China Jinmao, ABCI Securities

## Strategic support from controlling shareholder, China Jinmao

JPS benefits from the long-standing business cooperation with its controlling shareholder, China Jinmao, a leading and fast-growing property developer in China. Contracted sales of China Jinmao was ranked 15<sup>th</sup> among the Top 100 Property Companies in China for 2021, according to CRIC. In 2021, contracted sales of China Jinmao increased 2% YoY to RMB 235.6bn while contracted GFA grew 17% YoY to 13.2mn sqm, according to China Jinmao's announcement.

JPS has further solidified its market position and business expansion through its relationship with China Jinmao's controlling shareholder, Sinochem Group Co., Ltd ("Sinochem Group"), a Fortune 500 company. According to China Index Academy, Sinochem Group is a world-leading chemical and petroleum engineering enterprise under the supervision of the SASAC. In Mar 2021, the PRC government approved the business combination of Sinochem Group and ChemChina, which is expected to create a globally competitive powerhouse in the global chemical industry engaging in eight business lines, namely, life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. JPS expects its relationship with Sinochem Group to help drive highly visible and sustainable growth opportunities. JPS has recently partnered with Sinochem Lantian, a fluorine chemical engineering arm of Sinochem Group, to establish a JV providing PMS for industrial parks and office buildings held by Sinochem Group, including the core research and production base, Shangyu industrial park, and the core fluorine chemical engineering base, Taicang industrial park.

According to China Jinmao's annual report, China Jinmao's revenue increased 50%YoY to RMB 90,060mn while core profit increased 49%YoY to RMB 4827mn in 2021. Net gearing increased by 18.3ppt YoY to 63.0% as of Dec 2021. China Jinmao has met all the three-red-line requirements as cash-to short term debt ratio is higher than 1 while liabilities-to-assets ratio is lower than 0.7x.

### Exhibit 5: Key financials of China Jinmao

P&L	2021	2020	YoY Chg	Balance sheet	Dec-21	Dec-20	YoY%
	RMBmn	RMBmn			RMBmn	RMBmn	
<b>Revenue</b>	<b>90,060</b>	<b>60,054</b>	<b>50%</b>	Gross debt	107,028	97,578	10%
				Cash	39,744	52,078	(24%)
<b>Gross Profit</b>	<b>16,758</b>	<b>12,114</b>	<b>38%</b>	<b>Net debt</b>	<b>67,284</b>	<b>45,501</b>	<b>48%</b>
<i>Gross Margin (%)</i>	<i>18.6%</i>	<i>20.2%</i>	<i>(1.6ppt)</i>	<b>Net gearing (%)</b>	<b>63.0%</b>	<b>44.7%</b>	<b>18.3ppt</b>
<b>Core profit</b>	<b>4,827</b>	<b>3,230</b>	<b>49%</b>	<b>Cash to Short term debt</b>	<b>1.58</b>	<b>1.88</b>	<b>(15%)</b>
<i>Net margin (%)</i>	<i>5.4%</i>	<i>5.4%</i>	<i>0.0ppt</i>	<b>Liabilities to assets ratio (%)</b>	<b>68.0%</b>	<b>66.8%</b>	<b>1.3ppt</b>
				<b>(excl presales receipt)</b>			

Source(s): China Jinmao, ABCI Securities

### Exhibit 6: Share price performance of China Jinmao (as at May 4, 2022)

	<u>YTD</u>	<u>Since end 2018</u>
China Jinmao (817 HK)	7.1%	-26.7%
Hang Seng Mainland Properties Index	-8.4%	-37.0%

Source(s): Bloomberg, ABCI Securities

## A pioneer in city operation services sector in China

City operation services refer to the integration, optimization, transformation, and distribution of urban resources by governments and enterprises and the delivery of value-added public services to citizens, which underpin the seamless operation of modern urban areas. Leveraging its advantages as a state-owned enterprise, Jinmao Group continues to scale its city operation. It has established itself as a developer of city operation projects through joint ventures with local governments and business partners. As of Dec 31, 2021, JPS had entered into preliminary property mgt contracts for 22 city operation projects of Jinmao Group, representing a diverse portfolio of office building complexes, new towns, cultural towns, and smart cities in Shanghai, Changsha, Lijiang, Qingdao, Nanjing, Sanya, Wenzhou, Tianjin, and more. Among these projects, 12 were in operation.

JPS typically seeks to enter into strategic cooperation agreements with government authorities and state-owned enterprises (SOEs):

- In Feb 2021, JPS established a JV with Jiashan Economic Development Zone Property Mgt Co., Ltd. (嘉善經濟開發區物業管理有限公司) to provide city operation services for Jiashan's 60-sqkm economic development zone encompassing municipal gardens, parks, roads, river course, and underground pipes. JPS provides city operation services, including maintenance and operation of urban equipment and facilities, property mgt of public properties, industrial parks, residential and commercial properties, property mgt preliminary consulting, and human resources services.
- In May 2021, JPS signed a cooperation agreement with the Zhoushan government to provide city operation services for the 12-sqkm economic development zone. JPS strives to transform urban mgt from the traditional decentralized approach to a centralized one to improve efficiency, offering one-stop mgt services for the urban environment, public architectures, city squares, and industrial communities in the Zhoushan economic development zone.

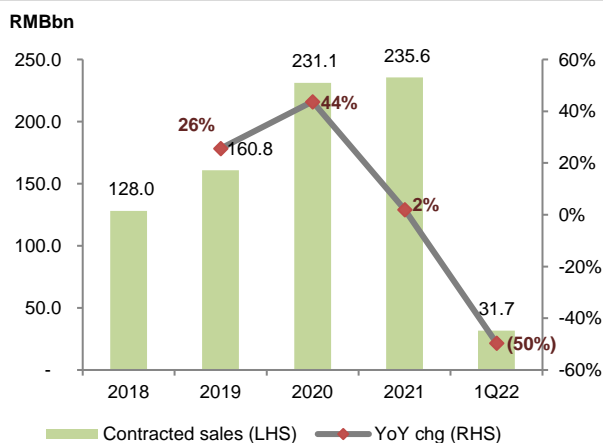
## Property mgt business: Fast GFA growth supported by China Jinmao

### Growing contracted sales of China Jinmao translates to visible pipeline; revenue contribution of third-party independent parties still low

JPS's fast-growing GFA under mgt is mainly driven by projects from China Jinmao. JPS's GFA under mgt rose from 10.2mn sqm in 2018 to 36.4mn sqm as of Dec 31, 2021, implying a CAGR of 53% during the period. In 2021, properties developed by China Jinmao and independent third parties accounted for 65.9% and 34.1% of total GFA under mgt, or 91.9% and 8.1% of total PM revenue.

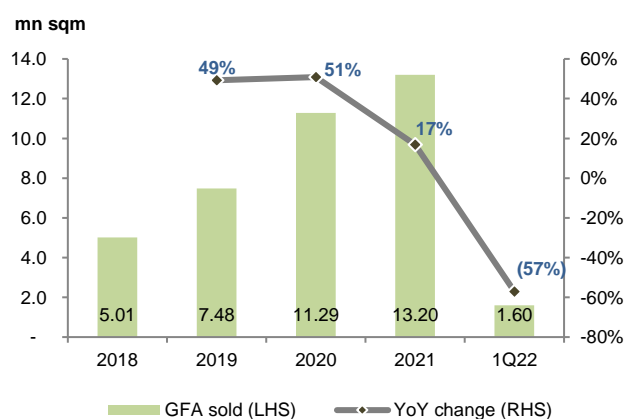
**China Jinmao:** According to China Jinmao's announcements filed to HKEx, China Jinmao's contracted sales increased 2% YoY to RMB 235.6bn, and contracted GFA rose 17% YoY 13.2mn sqm in 2021. We believe that expanding contracted sales of China Jinmao would ensure JPS a steady pipeline of new projects. Due to weakened housing demand and COVID outbreak, contracted sales declined 50% YoY to RMB 31.7bn while contracted GFA dropped 57% YoY to 1.60mn sqm in 1Q22.

**Exhibit 7: China Jinmao's contracted sales**



Source(s): China Jinmao, ABCI Securities

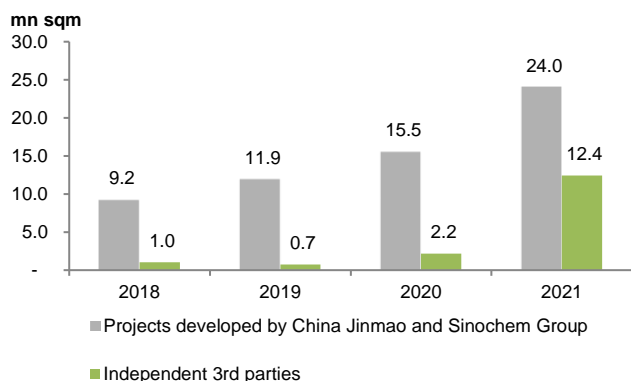
**Exhibit 8: China Jinmao's contracted GFA**



Source(s): China Jinmao, ABCI Securities

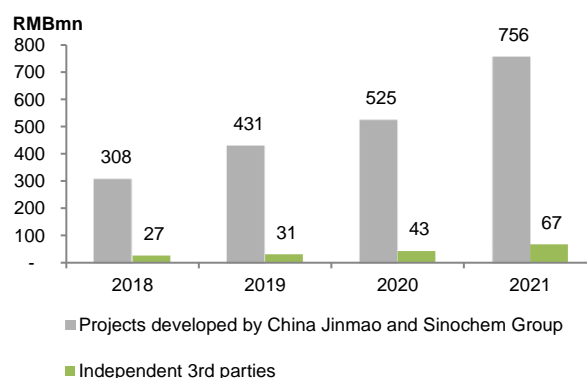
**Independent developers:** Leveraging strong brand recognition and years of experience, JPS expects to expand its business to third-party projects in the areas surrounding existing projects. JPS believes that its leading brand and premium services will enhance overall competitiveness and help acquire more mgt contracts from independent third parties in a cost-effective manner, thereby achieving a competitive edge in the high-tier cities. Since 2020, JPS has been actively expanding its business into properties developed by independent third parties. As of Dec 31, 2021, GFA under mgt for properties developed by independent third parties was 12.4mn sqm.

**Exhibit 9: Total GFA under mgt from projects developed by China Jinmao and Sinochem Group (and their respective joint ventures and associates) and independent third parties**



Source(s): The Company, ABCI Securities

**Exhibit 10: PM revenue from projects developed by China Jinmao and Sinochem Group (and their respective joint ventures and associates) and independent third parties**



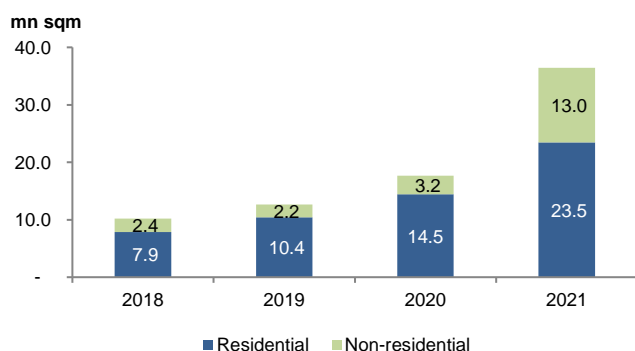
Source(s): The Company, ABCI Securities

## Diverse property profile and comprehensive service offerings

JPS's diversified property mgt portfolio also extends to an increasing variety of commercial properties such as office buildings, shopping malls, and industrial parks such as Shangyu and Taicang industrial parks, and public properties such as central government facilities, international schools, and other public spaces. JPS manages a large portfolio of office buildings and skyscrapers, including the 421-meter Shanghai Jinmao Tower, which was one of the 10 tallest skyscrapers in the world at the time of completion, and the 313-meter Lanzhou Asia-Europe International Building, the tallest skyscraper in China's northwestern region.

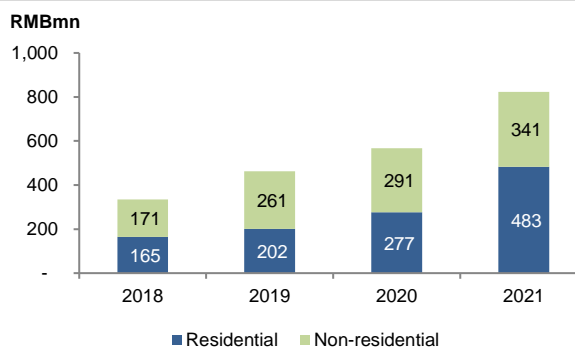
JPS has developed one-stop integrated commercial property mgt and operational solutions under the "Yue Business Services (悅商服務)" brand, which consist of shared reception services, shared administrative services, shared accounting services, shared cleaning services, customized conference services, and more. JPS's one-stop integrated commercial property mgt and operational services have received wide customer demand. As of Dec 31, 2021, non-residential projects account for 35.6% of total GFA under mgt and 41.4% of PM revenue.

**Exhibit 11: GFA under mgt by property type**



Source(s): The Company, ABCI Securities

**Exhibit 12: PM revenue by property type**



Source(s): The Company, ABCI Securities



## Higher profitability driven by high-margin VAS

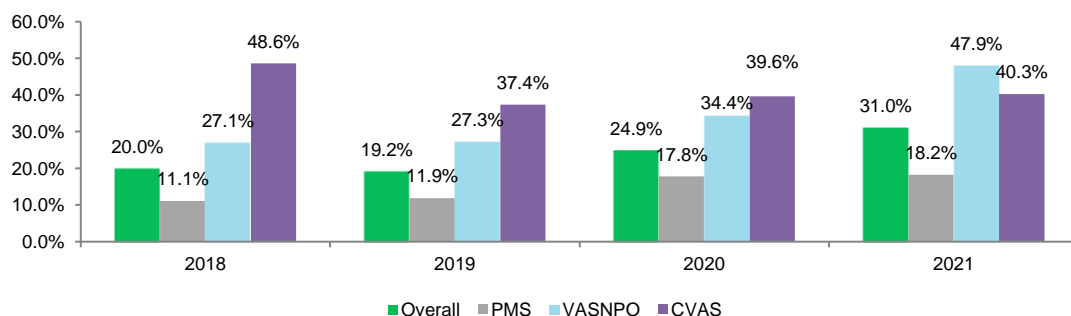
Despite falling mgt fee rate due to increasing third-party projects, JPS achieved better profit margins through disciplined cost saving and product mix change. Gross margin for PMS increased from 11.1% in 2018, to 11.9% in 2019, 17.8% in 2020, 18.2% in 2021. In particular, revenue from CVAS, which entails higher gross margin of 40.3% in 2021, increased at a faster rate of 86%YoY in 2021, as compared to overall revenue growth of 61%YoY. As a result, overall gross margin jumped 6.1ppt YoY to 31.0% in 2021.

**Exhibit 13: Average property mgt fee for JPS**

(RMB/sqm/mth)	2018	2019	2020	2021
<b>Residential properties</b>	<b>3.6</b>	<b>3.7</b>	<b>3.6</b>	<b>NA</b>
YoY change		2.8%	(2.7%)	
<b>Non-residential properties</b>	<b>20.7</b>	<b>20.0</b>	<b>19.7</b>	<b>NA</b>
YoY change		(3.4%)	(1.5%)	
<b>Overall</b>	<b>6.20</b>	<b>5.9</b>	<b>5.4</b>	<b>4.64</b>
YoY change		(4.8%)	(8.5%)	(14.1%)

Source(s): The Company, ABCI Securities

**Exhibit 14: JPS's gross profit margin**



Source(s): The Company, ABCI Securities

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

VASNPO primarily include:

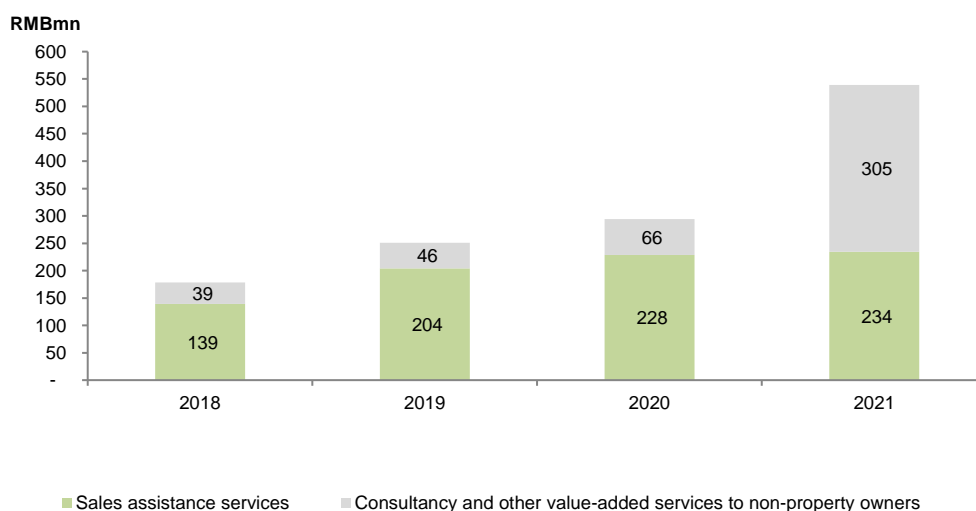
- (i) **Sales Assistance Services:** JPS provided value-added services to non-property owners mainly by providing sales assistance services to property developers for their sales and marketing activities at property sales venues and display units. JPS deploys on-site staff at the property sales venues and display units to provide such services generally. These include operating the visitor reception, cleaning, greening, gardening, security inspection, maintenance and operation of facilities, presentation of display apartments, marketing, and other customer-related services for potential property purchasers. JPS provides sales assistance services to Jinmao Group (and its joint ventures and associates) as well as to independent-third-party property developers. It has assisted in high-end projects such as Beijing Zijinshuyuan (北京紫金書院) and Chang'an Mao Fu (長安茂府) in first and second-tier cities. Sales assistance service contracts generally have a term of no more than one year and can be renewed depending on sales conditions. JPS typically charges a fixed rate commission to provide sales assistance services for the contract term, which is payable by customers on a monthly or quarterly basis.
  
- (ii) **Consultancy and Other VASNPO:** JPS provides consultancy and other VASNPO to assist in site selection, brand positioning, preliminary planning and design, construction, delivery, and repair and maintenance through the life cycle of projects. JPS's services cover the following stages of property development projects: **a) Planning and design-** JPS helps property developers improve design and performance of projects from the perspective of end-users; **b) Construction-** JPS provides on-site consultancy and conducts inspections from time to time. JPS follows up on quality issues that are discovered in these inspections from the perspective of property mgt. JPS also provides consultancy services concerning selection of construction materials, adjustment to the parameters of facilities, and other ancillary requirements; **c) Pre-delivery-** JPS conducts evaluation of properties, including common areas, facilities, and landscapes, before delivery to make sure the properties meet the quality standard and functional requirements as agreed between property developers and residents. It also helps property developers prepare for the delivery of properties, such as procuring facilities and equipment. **d) Post-delivery-** JPS provides post-delivery services to property developers, mainly comprising repair and maintenance services during the post-delivery warranty periods, which typically last two years from the delivery of such properties.

In addition, JPS provides sales agency services to property developers, sourcing potential purchasers and assisting in entering into sales contracts with buyers with respect to newly developed properties and car park spaces developed by such developers. For sales agency services for newly developed properties, it charges commissions calculated at a fixed percentage of the sales price of the relevant properties. In addition to Jinmao Group, JPS also provides consultancy services to office buildings and skyscrapers developed by independent third parties such as Jiangsu Guangdian City (江蘇廣電城) and Wuhan Guohua Financial Center (武漢國華金融中心). JPS generally charges a fixed fee rate per sqm of GFA for the consultancy services and other value-added services provided to non-property owners calculated based on the unit price and areas of each project.

Driven by sales assistance services and pre-delivery services due to an increase in the number of sales activities conducted by property developers to whom JPS provided services, revenue from VASNPO jumped 40% YoY to RMB 251mn in 2019 and 17%YoY to RMB 294mn in 2020. In 2021, VASNPO revenue soared 83%YoY to RMB 539mn, mainly attributable to an increase in revenue from preliminary planning and design services as JPS expanded service offerings.

JPS entered into a sales assistance services framework agreement (the "Sales Assistance Services Framework Agreement") with China Jinmao, pursuant to which JPS agreed to provide sales assistance service to the Jinmao Connected Persons for properties developed by them, to assist with their sales and marketing activities at property sales venues and display units (the "Sales Assistance Services"). As compared to actual sales assistance services revenue of RMB 234mn for 2021, annual caps of RMB 330mn and RMB 390mn (+18% YoY) during 2022E-23E are set for such connected transactions, reflecting strong demand of VASNPO from related parties in coming years, in our view.

**Exhibit 15: Revenue from VASNPO by service type**



Source(s): The Company, ABCI Securities

## CVAS: Steady growth expected

JPS's major CVAS include:

- i. **Community Space Operation Services:** JPS is devoted to increasing its income from the operation of common area resources of the properties under mgt, including (i) publishing advertisement in the common area, such as exterior wall, lobby, elevator room, light box and parking lot entry, for which the Company charges fees per billboards, (ii) leasing common areas for third-party commercial activities, and (iii) car park space mgt services which include rental, cleaning, security and facilities mgt services for owners of car park spaces in the properties under mgt as well as sub-leasing operations in connection with leased car park spaces. JPS also provides vehicle parking services within the area of properties under mgt. JPS implements a smart car park mgt system to record all the entries and exits of vehicles. JPS generally charges a monthly or quarterly service fee for car park mgt services.
- ii. **Real Estate Brokerage Services:** JPS provides sales agency services to customers and real estate brokerage services to property owners and residents for secondary sales or rental transactions of properties. Upon the closing of a secondary sale of a property, it charges a commission fee equal to a predetermined percentage of the purchase price, which is typically borne by both the purchaser and the seller. Similarly, upon closing a rental transaction, JPS typically charges an agency fee equal to one month's rent from either the landlord or the tenant. JPS explores opportunities to provide brokerage services through daily property mgt operations. Most of the brokerage services target communities close to the properties under JPS's mgt.
- iii. **Platform Services for Interior Decoration:** Through its in-house designers based in the headquarters and cooperation with third-party decoration companies, JPS provides property owners and residents of managed properties with interior home design, decoration, and turnkey furnishing services to create a move-in ready residence, for which JPS acts as an agent. JPS assists the property owners and residents of managed properties in identifying suitable third-party decoration companies to decorate and furnish the property units and purchasing furniture, home appliances, and accessories. JPS enters into agreements with sizeable interior decoration service providers. It typically charges service providers a commission representing a pre-negotiated percentage on the contract amount, and such interior decoration service providers charge the property owners and residents if such contract amount exceeds a pre-negotiated threshold. Most of the contracts with interior decoration service providers require a minimum amount of brand promotion service fees to be paid by such providers in advance. Residents can make orders and payments concerning interior decorations directly through JPS's "Home" (回家) mobile application. JPS typically transfers 80% of the order payment amount, extracting commission fee, to the suppliers and typically will not transfer the remaining 20% of the amount of the order payment until the suppliers complete the contracts. As a marketing strategy, JPS invites potential customers to view its display apartment on opening days.
- iv. **Community Living Services:** Leveraging its long-term experience and professional teams for property mgt services, JPS provides a variety of community living services to property owners and residents of the communities focusing on their daily needs, which mainly include: (i) housekeeping, cleaning, air purification, and formaldehyde removal services to property units, and (ii) new retail services through JPS's "Home" (回家) mobile application with third-party merchants of

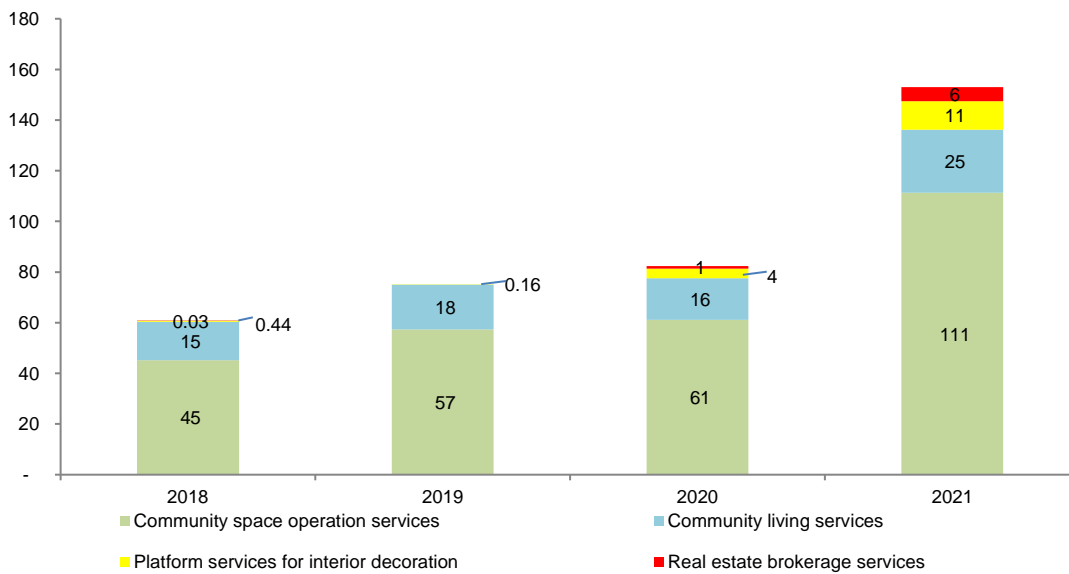


groceries. For housekeeping, cleaning, air purification, and formaldehyde removal services to property units and new retail services, JPS facilitates transactions between residents and third-party service providers and provides the last-mile delivery services for the products purchased on mobile application through JPS's butlers under its new retail services. It also provides catering services to tenants in certain of the office buildings under mgt.

Revenue from CVAS increased 24% YoY to RMB 75mn in 2019, rose 9% YoY to RMB 82mn in 2020, and increased 86% YoY to RMB 153mn in 2021, driven by increasing GFA under mgt and enriched service categories. To optimize the living experience and satisfaction of property owners and residents, JPS intends to diversify revenue stream of community value-added services by expanding real estate brokerage services and car park space sales agency services and community space operation services, such as the mgt of advertising spaces and shared facilities. JPS seeks to increase the number of service points in the residential communities under mgt and organize a series of marketing activities to attract more property owners and residents to expand the coverage of real estate brokerage services. Moreover, it will continue to enhance existing community living services such as interior decoration, new retail and housekeeping and cleaning services, as well as expanding the coverage of community living services based on the feedback from property owners and residents.

Exhibit 16: Revenue from CVAS

RMBmn



Source(s): The Company, ABCI Securities

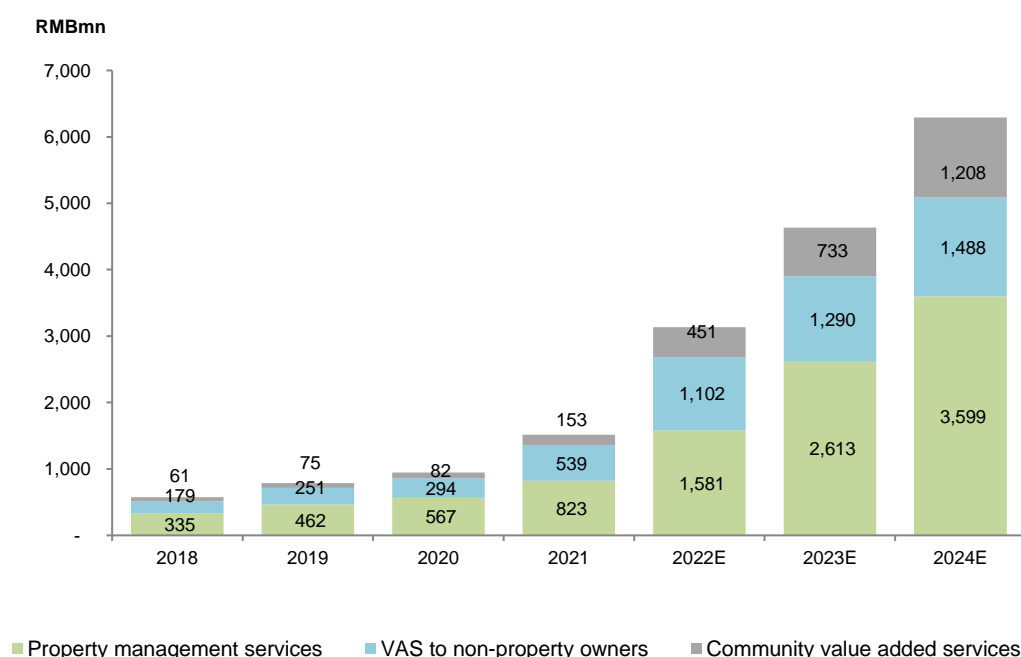
## Earnings forecasts

### Core profit to expand at 37% CAGR over 2022E-24E

We expect revenue to grow at 42% CAGR in 2022E-24E on expanding GFA under mgt (44% CAGR in our forecast). We assume JPS to expand its GFA under mgt by 2mn sqm per year through acquisition in 2022-24E.

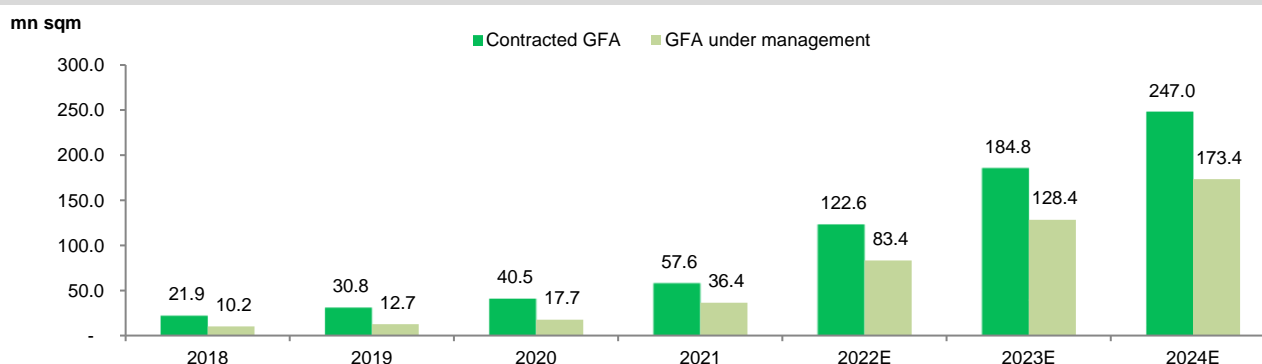
We expect gross margin to trend down from 30.1% in 2022E to 27.4% in 2024E, while net margin would decline from 14.3% in 2022E, to 13.3% in 2024E due to increasing third-party projects with lower margins. Driven by growing revenue and GFA expansion, we forecast core profit to increase from RMB 447mn in 2022E to RMB 839mn in 2024E, representing a 37% CAGR in 2022E-24E.

**Exhibit 17: JPS's revenue breakdown (2018-24E)**



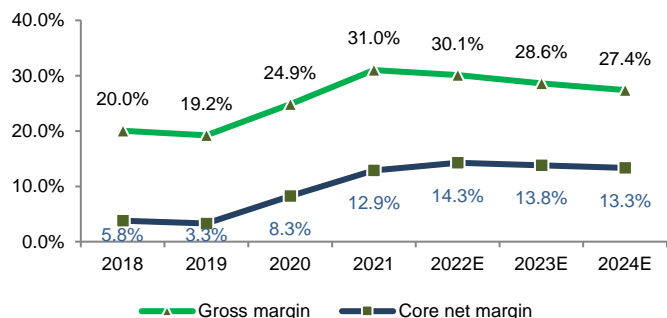
Source(s): The Company, ABCI Securities estimates

**Exhibit 18: JPS's GFA under mgt and contracted GFA (2018-24E)**



Source(s): The Company, ABCI Securities estimates

**Exhibit 19: Gross and core net margins**



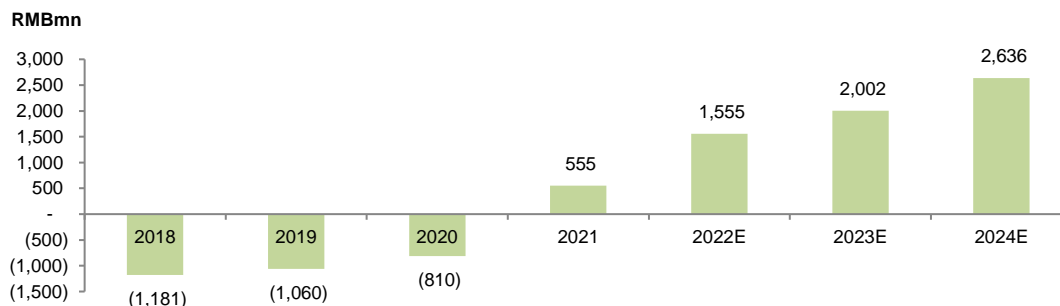
\* Core net margin = (Profit after tax - other expenses and non-recurring items and related tax impact) / Revenue

Source(s): The Company, ABCI Securities estimates

**Turning into a net cash company**

JPS was in a net debt position from 2018 to 2020 while the amount due from related parties was as high as RMB 936.99mn (within other receivables and other assets on balance sheet) as at Dec 2020, which generated significant interest income (included in other income in P&L). Such receivable balance was fully settled by related parties afterwards and JPS had a net cash of RMB 555mn as of Dec 2021. Coupled with the cash flow from operation and financing activities, cash balance would increase further from RMB 1,555mn in 2022E to RMB 2,636mn in 2024E based on our estimates.

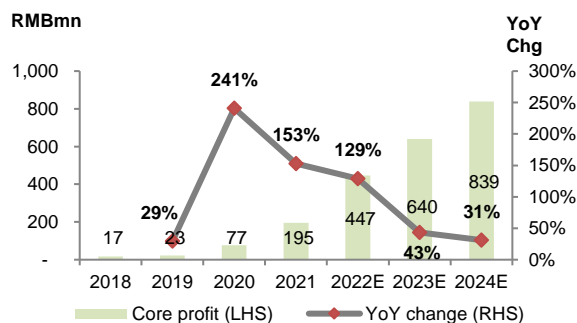
**Exhibit 21: Net cash balance (2018-24E)**



\* Net cash= total cash minus gross debt

Source(s): The Company, ABCI Securities estimates

**Exhibit 20: JPS'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

## Initiate BUY with TP HK\$ 9.10 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 JPS (with a WACC of 12% and 1% terminal growth) is HK\$ 9.10, which translates into 15.5x P/E and 6.0x P/B for 2022E.

### Exhibit 22: JPS's DCF valuation: TP sensitivity to changes in WACC and terminal growth

		WACC				
Terminal growth		10.0%	11.0%	12.0%	13.0%	14.0%
0.0%	TP (HK\$)	10.28	9.50	8.86	8.31	7.85
1.0%		10.71	9.82	9.10	8.51	8.00
2.0%		11.24	10.21	9.40	8.73	8.18
Variance from base case		WACC				
Terminal growth		10.0%	11.0%	12.0%	13.0%	14.0%
0.0%	change (%)	12.9%	4.4%	-2.7%	-8.7%	-13.8%
1.0%		17.6%	7.9%	0.0%	-6.6%	-12.1%
2.0%		23.4%	12.2%	3.2%	-4.1%	-10.1%

Source(s): ABCI Securities estimates

### Peers' valuation

Based on Bloomberg's consensus forecasts, small-cap peers with a market cap less than HK\$ 10bn are trading at a wide range of 4.1x-11.8x 2022E P/E. We believe the wide valuation range is due to differences in growth profile and background of the parent companies. Given the short listing history, JPS is only trading at 10.0x 2022E P/E – we believe re-rating could begin when JPS can establish a consistent and solid track record in FY22 and FY23.



**Exhibit 23: Valuation of HK-listed PMCs operating in China**

	Ticker	Mkt Cap HK\$ (bn)	Share Price (HK\$)	Performance			Valuation									
				YTD	3M	2021	P/E			Yield (%)			P/B			
				% Chg	% Chg	% Chg	2021A	2022E*	2023E*	2021A	2022E*	2023E*	2021A	2022E*	2023E*	
<b>Large PMC (Mkt cap&gt; HK\$30bn)</b>																
1	Country Garden Services	6098 HK	110.9	32.95	(33)	(29)	(11)	21.5	15.4	11.3	1.1	1.6	2.2	2.6	2.3	2.0
2	CR MIXC	1209 HK	89.0	39.00	(16)	7	63	43.5	32.7	24.7	0.4	1.1	1.4	5.4	4.8	4.2
<b>Mid-sized PMC (HK\$10bn&lt;Mkt cap&lt; HK\$30bn)</b>																
3	China Overseas Property	2669 HK	31.4	9.54	4	15	107	31.9	24.3	18.6	0.9	1.2	1.6	10.5	7.9	6.0
4	Poly PS	6049 HK	29.2	52.80	(13)	(14)	1	29.0	22.7	17.9	0.7	0.9	1.1	3.6	3.2	2.8
5	Greentown Services	2869 HK	25.6	7.88	(11)	9	(24)	25.3	20.1	15.8	2.4	2.6	3.2	3.1	2.8	2.6
6	A-Living	3319 HK	17.9	12.64	(21)	(5)	(61)	6.4	5.7	4.8	3.9	4.4	5.0	1.4	1.1	1.0
7	Ever Sunshine	1995 HK	17.5	9.99	(33)	(17)	(29)	22.9	16.4	12.2	1.5	1.9	2.5	2.9	2.9	2.4
<b>Small PMC (Mkt cap&lt; HK\$10bn)</b>																
8	S-Enjoy	1755 HK	7.7	8.89	(40)	(20)	(36)	12.1	7.7	5.7	2.1	3.9	5.1	2.9	2.2	1.7
9	Binjiang Services	3316 HK	6.2	22.50	(9)	3	59	13.2	11.8	8.7	4.2	na	na	5.6	4.5	3.5
10	Yuexiu Services	6626 HK	5.9	3.88	(10)	13	na	12.1	7.9	5.1	2.6	4.1	6.4	1.7	1.5	1.2
11	KWG Living	3913 HK	5.9	2.92	(17)	(9)	(59)	7.5	5.7	4.6	4.9	5.9	7.4	1.4	1.2	1.0
12	Jinmao Property Services	816 HK	5.3	5.85	na	na	na	20.2	10.0	7.0	0.0	2.5	3.6	20.2	3.8	2.7
13	Powerlong CM	9909 HK	5.2	8.07	(52)	(44)	(41)	9.8	7.3	5.8	5.6	5.5	7.2	1.8	1.5	1.3
14	Central China New Life	9983 HK	5.2	4.07	(23)	(19)	(27)	6.9	5.5	4.4	9.8	11.0	13.0	1.5	1.3	1.2
15	Times Neighbourhood	9928 HK	2.0	2.04	(33)	(29)	(60)	5.4	4.1	3.3	1.8	3.5	4.3	0.9	0.8	0.6
<b>PMC Avg</b>					<b>(24)</b>	<b>(12)</b>	<b>(11)</b>	<b>17.4</b>	<b>12.8</b>	<b>9.8</b>	<b>2.8</b>	<b>3.7</b>	<b>4.7</b>	<b>4.3</b>	<b>2.7</b>	<b>2.2</b>
- Large PMC					<b>(24)</b>	<b>(11)</b>	<b>26</b>	<b>32.5</b>	<b>24.0</b>	<b>18.0</b>	<b>0.7</b>	<b>1.3</b>	<b>1.8</b>	<b>4.0</b>	<b>3.6</b>	<b>3.1</b>
- Mid-sized PMC					<b>(22)</b>	<b>(10)</b>	<b>(2)</b>	<b>18.7</b>	<b>14.4</b>	<b>11.1</b>	<b>2.4</b>	<b>2.8</b>	<b>3.4</b>	<b>3.9</b>	<b>3.2</b>	<b>2.6</b>
- Small-sized PMC					<b>(26)</b>	<b>(15)</b>	<b>(27)</b>	<b>11.2</b>	<b>7.7</b>	<b>5.7</b>	<b>3.9</b>	<b>5.3</b>	<b>6.8</b>	<b>4.8</b>	<b>2.1</b>	<b>1.6</b>

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

**Exhibit 24: 2021 peer comparison by GFA (SOE players)**

	PPS 6049 HK			China Overseas Property 2669 HK			YXS 6626 HK			JPS 816 HK		
	2020	2021	YoY chg	2020	2021	YoY chg	2020	2021	YoY chg	2020	2021	YoY chg
<b>GFA comparison</b>												
<b>GFA under mgt (mn sqm)</b>	<b>380</b>	<b>465</b>	<b>22%</b>	<b>187</b>	<b>260</b>	<b>39%</b>	<b>32.6</b>	<b>38.9</b>	<b>19%</b>	<b>17.7</b>	<b>36.4</b>	<b>106%</b>
- Residential	168	209	25%	167	201	20%	29.9*	35.6*	19%	14.5	23.5	62%
- Non-residential	213	256	20%	20	59	193%	2.8	3.3	17%	3.2	13.0	306%
<b>% as total GFA under mgt</b>												
- Residential	44%	45%	1%	89%	77%	(12%)	91%	92%	0%	82%	64%	(17%)
- Non-residential	56%	55%	(1%)	11%	23%	12%	9%	8%	0%	18%	36%	17%
<b>GFA under mgt (mn sqm)</b>	<b>380</b>	<b>465</b>	<b>22%</b>	<b>187</b>	<b>260</b>	<b>39%</b>	<b>32.6</b>	<b>38.9</b>	<b>19%</b>	<b>17.7</b>	<b>36.4</b>	<b>106%</b>
- Developed by major shareholders/parent group	152	186	22%	164	188	15%	28.9	NA		15.5	24.0	55%
- Third parties	228	279	23%	24	72	204%	3.7	NA		2.2	12.4	475%
<b>GFA under mgt (%)</b>												
- Developed by major shareholders/parent group	40%	40%	0%	87%	72%	(15%)	89%	NA		88%	66%	-22%
- Third parties	60%	60%	0%	13%	28%	15%	11%	NA		12%	34%	22%
<b>Contracted GFA (mn sqm)</b>	<b>567</b>	<b>656</b>	<b>16%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>49.9</b>	<b>58.4</b>	<b>17%</b>	<b>40.5</b>	<b>57.6</b>	<b>42%</b>

\* including other non-commercial projects such as public and TOD projects

Source(s): The Company, PPS, China Overseas Property, YXS, ABCI Securities

**Exhibit 25: 2021 peer comparison by financial metric (SOE players)**

	PPS 6049 HK			China Overseas Property 2669 HK			YXS 6626 HK			JPS 816 HK		
	2020	2021	YoY chg	2020	2021	YoY chg	2020	2021	YoY chg	2020	2021	YoY chg
<b>Financials comparison</b>												
<b>Revenue (RMBmn)</b>	<b>8,037</b>	<b>10,783</b>	<b>34%</b>	<b>6,545</b>	<b>9,442</b>	<b>44%</b>	<b>1,168</b>	<b>1,918</b>	<b>64%</b>	<b>944</b>	<b>1,516</b>	<b>61%</b>
- PMS	4,948	6,670	35%	4,857	6,611	36%	344	643	87%	567	823	45%
- VASNPO	1,341	1,811	35%	1,172	1,789	53%	333	341	2%	294	539	83%
- CVAS	1,748	2,301	32%	497	811	63%	134	442	229%	82	153	86%
- Others				19	231	1093%	357	493	38%			
<b>% as total revenue</b>												
- PMS	61.6%	61.9%	0.3%	74.2%	70.0%	(4.2%)	29.4%	33.5%	4.1%	60.1%	54.3%	(5.8%)
- VASNPO	16.7%	16.8%	0.1%	17.9%	19.0%	1.1%	28.5%	17.8%	(10.8%)	31.2%	35.6%	4.4%
- CVAS	21.8%	21.3%	(0.4%)	7.6%	8.6%	1.0%	11.5%	23.0%	11.5%	8.7%	10.1%	1.4%
- Others				0.3%	2.4%	2.1%	30.6%	25.7%	(4.8%)			
<b>Gross profit (RMBmn)</b>	<b>1,499</b>	<b>2,015</b>	<b>34%</b>	<b>1,195</b>	<b>1,642</b>	<b>37%</b>	<b>403</b>	<b>671</b>	<b>66%</b>	<b>235</b>	<b>470</b>	<b>100%</b>
<b>Gross Margin (%)</b>	<b>18.7%</b>	<b>18.7%</b>	<b>0.0%</b>	<b>18.3%</b>	<b>17.4%</b>	<b>-0.9%</b>	<b>34.5%</b>	<b>35.0%</b>	<b>0.4%</b>	<b>24.9%</b>	<b>31.0%</b>	<b>6.1%</b>
- PMS	14.2%	14.3%	0.1%	16.1%	14.9%	(1.2%)	21.6%	22.1%	0.5%	17.8%	18.2%	0.4%
- VASNPO	20.1%	18.7%	(1.4%)	20.1%	17.9%	(2.1%)	50.5%	43.5%	(7.0%)	34.4%	47.9%	13.6%
- CVAS	30.3%	31.4%	1.1%	35.2%	33.3%	(1.9%)	37.8%	46.1%	8.3%	39.6%	40.3%	0.6%
- Others				27.6%	29.0%	1.3%	30.8%	35.8%	5.0%			
<b>Core net profit* (RMBmn)</b>	<b>644</b>	<b>855</b>	<b>33%</b>	<b>700</b>	<b>984</b>	<b>41%</b>	<b>199</b>	<b>395</b>	<b>98%</b>	<b>77</b>	<b>195</b>	<b>153%</b>
Net margin (%)	8.0%	7.9%	(0.1%)	10.7%	10.4%	(0.3%)	17.0%	20.6%	3.5%	8.2%	12.9%	4.7%
	<b>Dec20</b>	<b>Dec21</b>	<b>YoY chg</b>	<b>Dec20</b>	<b>Dec21</b>	<b>YoY chg</b>	<b>Dec20</b>	<b>Dec21</b>	<b>YoY chg</b>	<b>Dec20</b>	<b>Dec21</b>	<b>YoY chg</b>
Gross debt (RMBmn)	23	21	(6%)	-	-		-	-		1,081	-	-100%
Cash (RMBmn)	7,448	7,691	3%	3,706	4,283	16%	1,008	3,822	279%	271	555	105%
<b>Net debt (RMBmn)</b>	<b>(7,425)</b>	<b>(7,669)</b>	<b>3%</b>	<b>(3,706)</b>	<b>(4,283)</b>	<b>16%</b>	<b>(1,008)</b>	<b>(3,822)</b>	<b>279%</b>	<b>810</b>	<b>(555)</b>	<b>-168%</b>
Total Equity (RMBmn)	6,247	6,889	10%	2,184	3,053	40%	761	3,090	306%	49	204	315%

\* 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, PPS, China Overseas Property, YXS, ABCI Securities

## Risk factors

- Contracts without fixed term could be terminated in unexpected timing**  
 As of Sep 30, 2021, for residential properties, around 62.5% of JPS's contracted GFA has no fixed terms. These contracts are normally preliminary contracts with property developers. Contracts with property developers typically expire after a property owners' association has been set up, and a new PM service agreement between such property owners' association and a PMC becomes effective. In our model, we assume these contracts without fixed term could generate recurring management fees perpetually. Reality may deviate and our revenue forecasts would be overstated if these contracts were replaced upon establishment of property owners' associations. Besides, JPS continued to provide services to 10.9% of the total contracted GFA despite their expired contract terms as of Sep 30, 2021. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened or the property owners' associations are yet to be formed to renew the property mgt service contracts or to select a replacing property mgt service provider, or that JPS is still in the negotiation process with the property owners' associations for the renewal of engagement.

### Exhibit 26: Expiration schedule of JPS (Sep 2021)

	Contracted GFA for residential properties	
	mn sqm	%
Without fixed terms	25.049	62.5%
Provided services beyond contract expiration	4.385	10.9%
Year ending Dec 31, 2021	0.262	0.6%
Year ending Dec 31, 2022	0.679	1.7%
Year ending Dec 31, 2023 and beyond	9.730	24.3%
<b>Total</b>	<b>40.105</b>	<b>100.0%</b>

Source(s): The Company, ABCI Securities

- A substantial amount of related-party transactions.** Revenue from related parties increased from RMB 280mn in 2018 to RMB 351mn in 2019 (+25%YoY), to RMB 411mn (+17% YoY) in 2020 and to RMB716mn (+74% YoY) for 2021, representing 48.7%, 44.6%, 43.5%, and 47.2% of total revenue, respectively.

### Exhibit 27: Related-party transactions of JPS

	2018	2019	2020	2021
PMS and value-added services rendered to related companies	RMBmn	RMBmn	RMBmn	RMBmn
Property mgt service income	95	91	103	148
VASNPO	164	232	280	520
CVAS	21	29	29	48
<b>Total</b>	<b>280</b>	<b>351</b>	<b>411</b>	<b>716</b>
YoY change		25%	17%	74%
As % of total revenue	48.7%	44.6%	43.5%	47.2%

Source(s): The Company, ABCI Securities

- Rising receivable balance.** Trade receivables balance increased from RMB 89mn in 2018, to RMB 155mn in 2019 and RMB 204mn in 2020, as trade receivable days increased from 59 days in 2018 to 73 days in 2019 and 80 days in 2020. Rising receivable days is mainly attributable to increased sales assistance services provided to certain related parties to whom JPS typically grants a longer credit period. As of Dec 2021, trade receivables increased further to RMB 414mn (+103%YoY)



while trade receivables days rose further to ~100 days. Mounting receivables are likely to result in lower cash flow.

- **Post M&A risk.** JPS did not make any acquisition during the track record period and a significant proportion of GFA addition came from China Jinmao. Given its limited M&A experience, JPS may lag behind its peers in growth if it fails to acquire third-party projects in the future.
- **Shareholder's support may cease.** In our earnings forecast model, we assume the Company will continue to obtain various strategic supports from the major shareholder, China Jinmao. If there any substantial changes in shareholding structure of the Company, the actual outcomes of the business performance may substantially deviate from our current projections
- **IPO lockup to expire on Sep 10, 2022.** Free-float public shares will increase by 79.4mn shares after the expiry of IPO lockup period. Cornerstone investors are free to transact their JPS shares after the expiry of lockup period. Public free-float shares will increase from 148.8mn to 228.2mn, up 53.4%. The expectation of substantial increase in public free-float shares will affect share price in advance of the expiry of lockup period. The potential change of supply and demand in secondary market may lead to increase in share price volatility.
- **Deteriorating corporate governance within PM sector.** Several listed PMC, such as Evergrande PS (6666 HK), Shimao Services (873 HK) and Aoyuan Healthy (3662 HK) failed to report their audited 2021 financial results. Despite being cash rich companies, it is possible that PMC's assets can be used as guarantees for the highly leveraged parent group, making its financial statements less reliable. For instance, in the review of the Evergrande PS's financial report for the year ended 31 December 2021, it was found that deposits of approximately RMB13.4 billion as security for third party pledge guarantees had been enforced by the relevant banks.

## Financial statements

### Consolidated income statement (2020A-2024E)

FY Ended Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
<b>Revenue</b>	<b>944</b>	<b>1,516</b>	<b>3,134</b>	<b>4,636</b>	<b>6,294</b>
Cost of sales	(709)	(1,045)	(2,191)	(3,310)	(4,570)
<b>Gross Profit</b>	<b>235</b>	<b>470</b>	<b>943</b>	<b>1,325</b>	<b>1,724</b>
Selling and distribution expenses	(2)	(15)	(18)	(21)	(25)
Administrative expenses	(135)	(209)	(346)	(467)	(595)
Other income and gains	75	46	30	37	42
Finance costs	(64)	(34)	-	-	-
Other expenses, net	(1)	(10)	(50)	-	-
<b>Profit before tax</b>	<b>108</b>	<b>248</b>	<b>559</b>	<b>874</b>	<b>1,146</b>
Income tax expense	(30)	(69)	(150)	(234)	(307)
<b>Profit after tax</b>	<b>77</b>	<b>179</b>	<b>409</b>	<b>640</b>	<b>839</b>
Non-controlling interests	-	(1)	-	-	-
<b>Net profit attributable to owners of the parent</b>	<b>77</b>	<b>178</b>	<b>409</b>	<b>640</b>	<b>839</b>
Add: Listing expenses	-	16	37	-	-
Add: Non-controlling interests	-	1	-	-	-
<b>Core net profit*</b>	<b>77</b>	<b>195</b>	<b>447</b>	<b>640</b>	<b>839</b>
<b>Per share</b>					
Reported EPS (RMB)	0.10	0.22	0.45	0.71	0.93
Core EPS (RMB)	0.10	0.24	0.49	0.71	0.93
DPS (RMB)	-	-	0.12	0.18	0.23
Payout ratio (%)	0%	0%	25%	25%	25%
BVPS (RMB)	0.06	0.24	1.28	1.81	2.51
<b>Growth %</b>					
Revenue	19.8%	60.5%	106.8%	47.9%	35.8%
Gross Profit	55.0%	100.2%	100.7%	40.5%	30.1%
Core profit	240.9%	153.0%	129.0%	43.2%	31.1%
<b>Margin %</b>					
Gross margin	24.9%	31.0%	30.1%	28.6%	27.4%
Core net margin	8.3%	12.9%	14.3%	13.8%	13.3%
<b>Revenue breakdown</b>					
Property mgt services	567	823	1,581	2,613	3,599
VAS to non-property owners	294	539	1,102	1,290	1,488
Community value added services	82	153	451	733	1,208
<b>Total</b>	<b>944</b>	<b>1,516</b>	<b>3,134</b>	<b>4,636</b>	<b>6,294</b>
<b>Key assumptions</b>					
Contracted GFA (mn sqm)	40.5	57.6	122.6	184.8	247.0
GFA under mgt (mn sqm)	17.7	36.4	83.4	128.4	173.4

Source(s): The Company, ABCI Securities estimates

\* Core net profit= Net profit attributable to owners of the parent + listing expenses+ non-controlling interests

**Consolidated balance sheet (2020A-2024E)**

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
<b>Current assets</b>	<b>1,124</b>	<b>1,249</b>	<b>2,413</b>	<b>3,124</b>	<b>4,043</b>
Cash and cash equivalents	271	554	1,554	2,001	2,635
Trade receivables	204	414	579	843	1,128
Inventories	5	5	5	5	5
Other current assets	644	276	276	276	276
<b>Non-current assets</b>	<b>1,011</b>	<b>110</b>	<b>112</b>	<b>116</b>	<b>121</b>
Property, plant and equipment	34	55	56	61	65
Intangible assets	7	6	6	6	6
Investment properties	11	9	9	9	9
Deferred tax assets	2	5	5	5	5
Right-of-use assets	16	32	32	32	32
Other non-current assets	942	3	3	3	3
<b>Total Assets</b>	<b>2,135</b>	<b>1,359</b>	<b>2,525</b>	<b>3,241</b>	<b>4,164</b>
<b>Current Liabilities</b>	<b>1,011</b>	<b>1,128</b>	<b>1,330</b>	<b>1,566</b>	<b>1,860</b>
Other payables, deposits received and accruals	521	630	630	630	630
Interest-bearing borrowings	144	-	-	-	-
Trade payables	112	171	373	609	903
Other current liabilities	235	327	327	327	327
<b>Non-current liabilities</b>	<b>1,075</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>
Deferred tax Liabilities	2	2	2	2	2
Interest-bearing borrowings	937	-	-	-	-
Other non-current liabilities	136	25	25	25	25
<b>Total Liabilities</b>	<b>2,086</b>	<b>1,155</b>	<b>1,357</b>	<b>1,593</b>	<b>1,887</b>
<b>Net Assets</b>	<b>49</b>	<b>204</b>	<b>1,168</b>	<b>1,648</b>	<b>2,277</b>
<b>Shareholders' Equity</b>	<b>49</b>	<b>195</b>	<b>1,159</b>	<b>1,639</b>	<b>2,268</b>
Minority Interest	-	9	9	9	9
<b>Total Equity</b>	<b>49</b>	<b>204</b>	<b>1,168</b>	<b>1,648</b>	<b>2,277</b>
<b>Key ratio</b>					
Gross debt (RMB mn)	1,081	-	-	-	-
Net debt/ (cash) (RMB mn)	810	(555)	(1,555)	(2,002)	(2,636)

Source(s): The Company, ABCI Securities estimates

**Consolidated cash flow statement (2020A-2024E)**

As of Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
<b>Net cash flows from operating activities</b>	<b>136</b>	<b>347</b>	<b>494</b>	<b>599</b>	<b>833</b>
Purchase of PP&E	(24)	(35)	(28)	(29)	(31)
Loan interest income received	63	32	-	-	-
Purchases of intangible assets	(3)	(3)	-	-	-
Repayment from related parties	134	1,081	-	-	-
Others	0	0	-	-	-
<b>Net cash flows used in investing activities</b>	<b>171</b>	<b>1,076</b>	<b>(28)</b>	<b>(29)</b>	<b>(31)</b>
Debt raised	-	-	-	-	-
Repayment of interest-bearing borrowings	(134)	(1,081)	-	-	-
Interest expenses	(64)	(35)	-	-	-
Equity raised	-	-	666	-	-
Payment to shareholders	-	-	(112)	(160)	(210)
Others	7	(25)	(20)	37	42
<b>Net cash flows (used in)/from financing activities</b>	<b>(191)</b>	<b>(1,141)</b>	<b>534</b>	<b>(123)</b>	<b>(167)</b>
<b>Net cash inflow/ (outflow)</b>	<b>116</b>	<b>283</b>	<b>1,000</b>	<b>447</b>	<b>634</b>
Cash- beginning	155	271	554	1,554	2,001
<b>Cash- year-end</b>	<b>271</b>	<b>554</b>	<b>1,554</b>	<b>2,001</b>	<b>2,635</b>

Source(s): The Company, ABCI Securities estimates

## Disclosures

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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 2009 (For reference: HSI total return index 2009-21 averaged at 9.2%)

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