

Central China Management | 9982 HK

Market leader in a rising industry

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- ▶ **Henan's leading project management company**
- ▶ **Asset-light business model supports net profit CAGR of 25% in 2020-2023F**
- ▶ **Initiate with Outperform rating**

Outperform (initiation)

Current price:

HK\$2.21

(as at 5 Jul 2021)

Target:

▶ **HK\$4.70**

(initiation)

Central China Management Company Limited (CCMGT) is a leading Chinese project management company. According to CIA, CCMGT's projects under management recorded aggregate GFA sold of 5.7m sq.m in 2020 and contracted sales CAGR of 71.5% for 2017-2020, both metrics the highest among peers in China. Its newly contracted GFA amounted to 8.6m sq.m in 2020, the second-highest among peers. CCMGT is well-positioned to capitalize on growth opportunities arising from China's rapidly growing project management industry, driven by urbanization and rising demand for quality property development.

Competitive advantages: Henan-focused, the "Jianye" brand, and an asset-light business model. Its strategy, deeply-rooted in Henan, is what has made CCMGT the largest project management company in the province in terms of newly contracted GFA, aggregate GFA sold, and contracted sales in 2020. CCMGT's Jianye brand was well-recognized by project owners and homebuyers based on its superior quality reflecting "Jianye Standards". According to CIA, the result has been strong sales and premium pricing against similar products. CCMGT follows an asset-light business model capable of generating rapid earnings growth due to low capital requirements. As CCMGT does not invest in project companies, rapid business expansion can be achieved with limited financial risk.

Fast earnings growth and high profits. We expect 25% CAGR for CCMGT's net profit in 2020-2023F, implying net profit margin of c.60% on the back of a 25% revenue CAGR and greater economies of scale. We initiate coverage on the shares with an Outperform rating and HK\$4.70 target price based on 12x FY22F P/E. Key risks to CCMGT include an economic slowdown in Henan, increasing competition within the project management industry, and negative publicity surrounding the Jianye brand.

Forecast and valuation

Year to 31 Dec	2019	2020	2021F	2022F	2023F
Revenue (RMB m)	1,029	1,152	1,395	1,803	2,242
YoY (%)	52.1	12.0	21.1	29.3	24.3
Net profit (RMB m)	641	681	825	1,082	1,339
YoY (%)	58.7	6.3	21.1	31.1	23.7
Fully diluted EPS (RMB)	0.20	0.21	0.25	0.33	0.41
YoY (%)	58.7	6.3	21.1	31.1	23.7
P/E (x)	9.6	9.0	7.5	5.7	4.6
DPS (RMB)	-	-	0.2	0.2	0.2
Dividend yield (%)	-	-	8.0	10.5	13.0
P/B (x)	9.7	7.2	2.8	2.4	2.0
ROAE (%)	90.1	77.7	46.2	38.3	39.4
Net debt/equity (%)	-46.3	-38.2	-104.8	-100.1	-95.9

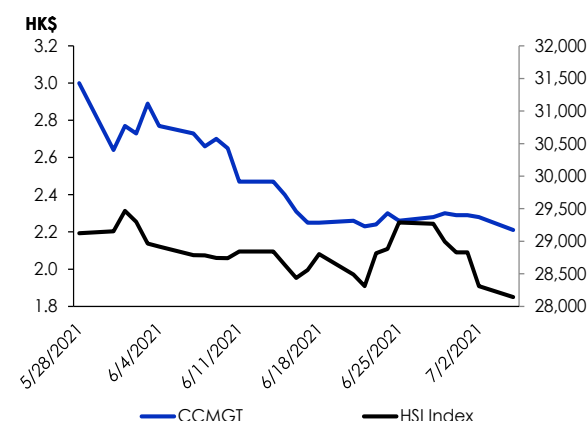
Source: Bloomberg, CCBIS estimates

Trading data

52-week range	HK\$2.15 - 2.95
Market capital (ordinary)(m)	US\$ 959
Shares outstanding (m)	3,295
Free float (%)	36
Expected 12-month return (%)	113

Source: Bloomberg, CCBIS estimates

Share price vs HSI



Source: Bloomberg

Stock performance

Performance over	1M	3M	12M
Absolute	-24	N/A	N/A
Relative (%) to HSI	-22	N/A	N/A

Source: Bloomberg

A HENAN-BASED PROJECT MANAGEMENT LEADER

CCMGT is a leading and rapidly growing project management company in China in terms of aggregate GFA sold in 2020 and CAGR for total contract sales amount for projects under management in 2017-2020, according to CIA. As a project management services provider, it manages property development projects on behalf of project owners throughout the property development process. It operates according to an asset-light business model that obviates the bearing of land acquisition and construction costs. In 2020, CCMGT's projects under management recorded aggregate GFA sold of c.5.7m sqm. CAGR of total contract sales amount from 2017 to 2020 was 71.5%, both metrics the highest among peers in China. In addition, its newly contracted GFA in 2020 achieved 8.6m sq.m, the second-highest level for project management firms in China, according to CIA. The company is well positioned to benefit from China's rapidly growing project management industry, driven by urbanization in the PRC, growing demand for quality property development and the development of the PRC real estate market. CCMGT experienced rapid growth that saw the number of projects and GFA managed increase from 67 and 11.5m sq.m as at 1 Jan 2018 to 206 and 25.5m sq.m as at 31 Dec 2020.

CCMGT's strategic focus is Henan, the largest province in China in terms of registered population in 2019. According to CIA, the size of Henan's commercial project management market will increase from c.29.7m sq.m in 2020 to approximately 62.8m sq.m in 2025, for a CAGR of 16.1%. As at 31 Dec 2020, of 206 projects under management, 193 were in Henan, for an aggregate GFA of c.24.2m sq.m covering the majority of cities in Henan at the county-level or above. CCMGT's newly contracted GFA in the province reached 7.7m sq.m by 2020 while aggregate GFA sold in Henan reached 5.5m sq.m with contracted sales amount reaching RMB33.1b in 2020, all top levels for the province in 2020, according to CIA. Leveraging its well-established platform, CCMGT is also expanding its operations in Hebei, Shanxi, Shaanxi, Xinjiang and Hainan provinces and autonomous regions.

CCMGT operates under an asset-light business model, with project owners responsible for covering land acquisition costs and providing the funds needed for project development and construction. This arrangement minimizes CCMGT's capital requirements. CCMGT allows project owners to use the Jianye brand to promote and market the properties of the development projects managed by the firm. Leveraging its well-recognized Jianye brand, the real estate properties under projects managed by CCMGT generally have a higher standard of quality and enjoy premium selling prices. Project owners are entitled to the proceeds received from their investments in relevant projects.

All projects under management are directly managed by CCMGT, which ensures a consistent high quality of service and operating efficiency. The company does not delegate its projects to third-party project management service providers. The management team of the project companies primarily comprises personnel its second to the project companies that serves key functions of the project company covering design, construction, finance, sales, and procurement. CCMGT is highly involved in contractor/vendor selection and procurement, and may recommend quality third-party contractors, design firms, and suppliers in its network to project owners who will then enter into construction agreements, service agreements or supply agreements directly with the third-party vendors. By focusing on commercial project management, cost efficiency has been achieved through economies of scale, geographic proximity, pricing power, and standardized and transparent fee rates. As a result, over the years CCMGT's profit margin has widened considerably.

CCMGT experienced significant growth in 2018-2020. Revenue rose from RMB676.4m in 2018 to RMB1,029.0m in 2019 and further to RMB1,152.1m in 2020. Net profit increased from RMB403.9m in 2018 to RMB641.1m in 2019 and further to RMB681.5m in 2020. CCMGT's net profit margin was 59.7% in 2018, 62.3% in 2019, and 59.2% in 2020.

Core competency

A leading project management company in China with a strategic focus on Henan

CCMGT is China's leading and one of its fastest-growing project management companies in terms of aggregate GFA sold in 2019 and CAGR for total contract sales amount for projects under management from 2017 to 2019, according to China Index Academy. In 2020, CCMGT's projects under management recorded an aggregate GFA sold of approximately 5.7m sq.m, with a CAGR for total contract sales amount from 2017 to 2020 of 71.5%, both metrics the highest among peers in China. In addition, CCMGT's newly contracted GFA in 2020 amounted to 8.6m sq.m, the second-highest among all project management companies in China according to CIA. As the market leader, CCMGT is well positioned to benefit from China's rapidly growing project management, which is being driven by urbanization, the demand for quality property development and the evolution of China's real estate market. As at 31 Dec 2020, CCMGT had 206 projects with a total GFA under management of 25.5m sq.m in 107 cities across seven provinces and autonomous region in China.

CCMGT strategically focused on Henan, the largest province in China in terms of registered population in 2019. According to China Index Academy, the potential size of the commercial project management market in Henan is expected to increase from approximately 29.7m sq.m in 2020 to approximately 62.8m sq.m in 2025, representing a CAGR of 16.1%. As of 31 Dec, 2020, out of 206 projects under management, 193 were located in Henan for an aggregate GFA of approximately 24.2m sq.m, covering the vast majority of cities in Henan at the county-level or above. CCMGT is still focused on penetrating further into Henan given the strong demand there for quality property development and trustworthy project management service providers. By 2020, CCMGT's newly contracted GFA in Henan province had reached 7.7m sq.m while aggregate GFA sold for its project owners in Henan had reached 5.5m sq.m with contracted sales amount of RMB33.1b, the highest level among peers for each of these categories in Henan province, according to China Index Academy.

Leveraging its well established platform, CCMGT has extended its operations into the provinces of Hebei, Shanxi, Shaanxi, Xinjiang and Hainan, as well as autonomous regions. We believe CCMGT's early entry and established presence in the industry provide it with a unique advantage and insights which are hard to replicate by CCMGT's competition. CCMGT's leading market position and its successful track record, in particular in Henan province, have further strengthened its competitiveness and created a high entry barriers for new competitors in China's project management market.

Well-recognized Jianye brand to create greater value for project owners

From project research and approval, project design and planning, construction and cost management, promotion and sales management to delivery of the final property to the ultimate homebuyer, CCMGT is positioned to provide professional services to its project owners to ensure that the quality of every stage of a project satisfies its established quality control system. CCMGT's comprehensive services offering covers the entire development cycle of its projects, with an emphasis on quality. This commitment to quality has resulted in wide recognition of the Jianye brand by project owners and homebuyers. In addition, CCMGT has established a network of qualified contractors and suppliers across the real estate development value chain, including construction companies, design firms, contractors and other vendors. CCMGT's close relationship with these qualified contractors and suppliers not only ensures and enhances the quality of projects managed by the firm, but it reinforces Jianye as a premium brand.

CCMGT allows project owners to use the Jianye brand for promoting and marketing the projects it manages once it has been engaged to provide project management services. The Jianye brand is well-recognized and was ranked first among the "2020 Top-10 Real Estate Enterprise Brand Value in Central China", according to research conducted by the China Real Estate Top-10 Research Group. CCMGT has established its proprietary "Jianye Standards", a set of standardized management and quality standards for the projects it manages. The Jianye Standards have become the backbone of CCMGT's project management operations, as they complement and enhance the company's project management agreements with the project owners by setting out clear metrics to evaluate whether or not contractual obligations have been fulfilled and by providing a clear understanding of the performance expectations for project owners. CCMGT's project owners have leveraged the Jianye brand to achieve strong sales performance. Jianye branded projects generally enjoy premium selling prices relative to similar products in adjacent areas, according to China Index Academy. For example, the Zhumadian Jianye City ("駐馬店建業城") project in Zhumadian, Henan for which CCMGT was engaged to provide project management services enjoyed a price premium of 17.7% over the average selling price of residential properties in the surrounding area. Similarly, the Nanyang Jianye Polis No.2 ("南陽建業貳號城邦") project in Nanyang, Henan for which CCMGT was engaged to provide project management services enjoyed a price premium of 12.9% over the average selling price of residential properties in the surrounding area.

By leveraging the renowned Jianye brand, professional project management services, and an established network of quality contractors and suppliers, we believe CCMGT is well positioned to grab new project management opportunities and enter new markets and regions. The company has been busy deepening its cooperation with existing project owners while attracting new quality project owners.

Unique asset-light business model driving growth and profitability with reduced risk

CCMGT is one of the first few project management companies in China, according to China Index Academy. The company directly manages all of its projects. CCMGT does not delegate its projects to third-party project management service providers, which ensures a consistent high quality of its services and high operating efficiency. CCMGT typically does not invest or hold equity interests in project companies. Its low capital requirement allows it to maintain rapid growth in revenue and profit while continuing to expand.

CCMGT's asset-light business model allows it to maintain minimum capital requirement as opposed to traditional property developers requiring large amounts of capital for land acquisition. By leveraging the well-recognized Jianye brand, comprehensive services offerings, strong execution and project management capabilities and an established network of quality contractors and suppliers, CCMGT has been able to expand its scale of operations with low capital requirements. CCMGT's projects under management and GFA under management increased from 67 and 11.5m sq.m as of 1 Jan 2018 to 206 and 25.5m sq.m as at 31 Dec 2020 with CAGRs of 45.4% and 30.5%, respectively. CCMGT did not have any interest-bearing borrowings as of 31 Dec 2020.

According to China Index Academy, in 2019, average net profit margin for project management companies in the PRC was generally higher than that of traditional real estate developers. Furthermore, CCMGT's direct-management business model means it does not have to share fee income with sub-contractors or partners. Meanwhile, its focus on commercial project management, its cost efficiency resulting from economies of scale and geographic proximity, and its pricing power supported by standardized and transparent fees have enabled it to achieve high net profit margin.

Part of CCMGT's project management services are provided through employees seconded to relevant projects. Pursuant to CCMGT's project management agreements with project owners, the project owners bear personnel costs which are paid by the project owners directly to CCMGT seconded employees, thereby leading to higher net profit margin. As a result of its unique asset-light business model, CCMGT's net profit for 2018, 2019 and 2020 was RMB403.9m, RMB641.1m and RMB681.5m, respectively. CCMGT's net profit margin for 2018, 2019 and 2020 was 59.7%, 62.3% and 59.2%, respectively.

Standardized products and operations to ensure strong execution capabilities and enhance operating efficiency

CCMGT is devoted to delivering premium real estate properties with specifications designed for and driven by its project owners and ultimate homebuyers' evolving needs. Based on its deep knowledge of market insight, CCMGT has developed a set of standardized residential products, which shares similar design concepts and adopt similar facades and unit layouts, to address different market segments, target audience and price levels. These standardized product series are carefully designed by CCMGT's management team with an aim to enable it to rapidly scale up and replicate its successful experience in new cities/provinces where CCMGT does not have operations at present. As of 31 Dec 2020, over 85% of the residential projects managed by CCMGT adopted its standardized products, which significantly enhanced its operating efficiency. Besides its standardized and modularized products, CCMGT is able to leverage on the experience and expertise of its in-house product design team to offer customized projects to better fulfil project owners' specific needs. In addition to residential properties, CCMGT also offers project management services for commercial properties or office buildings to diversify its services.

We believe that the ability to maintain consistent high quality of projects managed by CCMGT is crucial to the company's long-term success. CCMGT has developed a set of standardized operations – from project research, conceptual design, project design & planning, contractor/supplier management, construction management, cost management, promotion planning, sales management, completion inspection and delivery management. In addition, CCMGT has streamlined the management functions of its project companies, which not only enables it to replicate its success with subsequent projects but provides it with a constant source of talent for future expansion, thereby allowing it to expand and scale up its operations quickly. CCMGT's standardized operations enable it to quickly assemble experienced task forces whenever it comes time to begin a new project. CCMGT's dedicated sales team follows developed standardized operations, which can commence and extend sales and marketing quickly. The result has been a sell-through rate in excess of 70% upon initial launch. CCMGT believes its strong execution capabilities and standardized operations allow it to achieve greater operating efficiency, thereby attracting more project owners while driving up profitability.

Visionary and experienced management team supported by a dedicated talent pool

CCMGT is led by Mr. Wu Po Sum, its chairman, and Mr. Hu Bing and Mr. Ma Xiaoteng, its executive directors. Mr. Wu Po Sum founded CCRE in 1992, and Mr. Hu Bing and Mr. Ma Xiaoteng joined CCRE in 2004 and 2001, respectively, and have extensive experience in the PRC real estate industry and expertise in project management services. Under Mr. Wu Po Sum's visionary leadership together with the experienced management of Mr. Hu Bing and Mr. Ma Xiaoteng, CCMGT has become the leading project management company in China and have been widely recognized by its project owners and end customers. In addition, CCMGT's senior management team has been with it and/or CCRE for more than 10 years on average and has an average of 22 years of experience in the PRC real estate and project management industries. Members of its senior management team possess diverse expertise and extensive industry knowledge, and have significantly contributed to its rapid growth and expansion. In addition, CCMGT's management team is supported by a highly experienced talent pool with strong execution capabilities. As of 31 Dec 2020, CCMGT had 1,088 employees in its operating subsidiaries and project companies. In order to develop and train its talents, CCMGT provides continuous training programs to its employees through both its online and offline in-house training system as well as offering external training programs. To support CCMGT's continued and sustainable expansion, it emphasizes on building, developing and identifying future leaders within its organization. CCMGT focuses on its home grown execution team consisting of selected, young and promising talent, which enables it to form a cohesive, vibrant and stable mid-level management team. Through these initiatives, we believe CCMGT's visionary and experienced management team and dedicated talent pool have set the foundation for its long-term success.

Business strategies

Maintain leadership position in Henan and expand into adjacent provinces

CCMGT's asset-light business model enables it to expand its operations rapidly. As at 31 Dec 2020, projects managed by CCMGT covered a vast majority of cities in Henan of the county-level or above. It currently has the highest market share in the project management industry in Henan, according to China Index Academy, and it plans to further penetrate into other cities within Henan to maintain the leadership position. CCMGT's anticipated goal for the near term is to have operations cover all cities in Henan that are at county level or above, and to further increase market share in Henan.

Leveraging the successful experience and the convenient transportation system in Henan, CCMGT intends to further expand into the "Greater Central China" region, a vast area that it defines as within a radius of approximately 500 kilometers from Zhengzhou covering eight provinces, Henan, Hubei, Shaanxi, Shanxi, Hebei, Anhui, Jiangsu and Shandong, and six national-level urban agglomerations. As of 31 Dec 2019, c.30% of China's total resident population were in provinces covered by the "Greater Central China" region, which demonstrated a high growth potential for project management business.

As of 31 Dec 2020, CCMGT has already commenced operations in Shaanxi, Shanxi, Hebei and Anhui in addition to Henan, and it also plans to expand the operations into Shandong, Hubei and Jiangsu provinces with large population, high resident density and/or relatively low level of urbanization. CCMGT believes small to medium-sized real estate developers in these provinces have a strong demand for quality project management service providers with renowned brand reputation. CCMGT plans to set up local subsidiaries or branches in these provinces to coordinate and be in charge of relevant business development activities. Leveraging the Jianye brand and through collaboration of local project owners, CCMGT can gradually establish presence in such provinces and expect revenue contribution from provinces outside Henan to gradually increase.

As of 31 Dec 2020, projects managed by CCMGT covered a vast majority of cities in Henan of the county-level or above. CCMGT currently has the highest market share in the project management industry in Henan, according to China Index Academy, and CCMGT plans to further penetrate into other cities within Henan to maintain its leadership position. CCMGT's anticipated goal for the near term is to have its operations cover all cities in Henan that are at county level or above, and to further increase its market share in Henan.

Expand services offerings to become a comprehensive project management platform

CCMGT's business currently focuses on commercial project management related services to project owners, and all of revenue was derived from such business. While CCMGT will continue to strengthen its expertise in commercial project management in order to maintain its leading position, with the increasing demand from local governments for more cost and time efficient project management service, CCMGT plans to expand project management services to cover government project management. On the other hand, along with its continued growth, CCMGT may consider offering advisory services, including project evaluating services, design consultation services or construction management services or any combination of such services on a stand-alone basis, to other project management service providers, or, on an ad hoc basis, to project owners instead of providing full-service project management solutions. In Nov 2020, CCMGT entered into one project where it provided project management advisory services to a project owner who does not use the Jianye brand as the project owner is a state-owned enterprise and elected to use their own brand name for the project, and does not have finance staff seconded to the project company for supervising the project. The aggregate contract amount for this project was approximately RMB9.5m, and the total GFA for this project is about 27,000 sq.m, representing a unit fee rate of RMB350 per sq.m. The fee rate for this project is slightly higher than CCMGT's average fee rate because this particular project is located in Xi'an, being the capital of Shaanxi Province, while other projects are mostly located in counties or prefecture-level cities. Besides, the project is smaller in terms of total GFA but CCMGT usually requires the contract sum of projects to reach a certain level and therefore, the project owner agreed to a relatively higher per sq.m fee rate for this project after commercial negotiation.

Improve product quality to meet evolving market needs

CCMGT's future success will be supported by its ability to offer innovative products with good quality to the customers. Therefore, CCMGT intends to apply new technologies and to upgrade the products to meet evolving market needs and further enhance competitiveness. For instance, CCMGT will continue to develop smart community in future projects, which is expected to adopt technologies like face recognition security system, smart parking lot, smart home system and prefabricated building more widely. CCMGT works closely with technology companies that manufacture smart appliances to use their products in the projects manage by it. In addition, during the design phase of projects manage, CCMGT also take into account using environmentally-friendly construction materials with an aim to achieve the PRC national standards for green buildings. In addition, CCMGT intends to design green buildings with environmentally friendly infrastructure in its future projects. CCMGT may also consider expanding project management services to cover other property types including integrated complexes and industrial parks in order to increase revenue contribution from residential properties.

While CCMGT maintain a set of standardized and delicate management operations throughout the entire development process of projects under management, CCMGT need to constantly monitor industry trends and the ultimate property buyers' preferences to achieve higher operating efficiency. CCMGT periodically review products and standard operation procedures against such trends and development to ensure that it will remain compatible with such trends and development. CCMGT will continue to improve and adapt higher standards as it observes new industry trends and development to ensure that its standard will remain up-to-date. CCMGT believes this customer-oriented approach would not only optimize operating efficiency but will further enhance overall competitiveness and consolidate leading position in the industry.

Strengthen market recognition of Jianye brand

The Jianye brand is well-recognized. CCMGT intends to leverage such strong brand image to attract more project owners in its targeted provinces/locations and further deepen its cooperation with existing project owners. Through the word-of-mouth referrals by existing project owners, CCMGT's professional business development team plans to reach out to a broader group of prospective project owners and implement additional marketing efforts by better understanding their business needs. CCMGT is confident that the prior cooperation will allow it to provide even better services to such project owners and meet their needs and expectations. CCMGT also plans to strengthen its marketing efforts through various online and offline channels to further enhance the market recognition of the Jianye brand in particular in provinces outside Henan where it plans to expand its operations. This will in turn enhance CCMGT's business prospect, provide it with additional brand premium and growth potential.

Continue to attract, train and retain talents to support long-term and sustainable growth

CCMGT believes its well-trained employees with abundant industry experience are crucial to its ability to provide high quality services to project owners. To maintain its high service quality and industry leading expertise, and to continuously meet its customers' evolving demands, CCMGT will continue to adopt various measures to recruit, train, promote and retain the most talented individuals in the industry. In addition, CCMGT will continue to nurture future management talents within the company through various training programs and initiatives. With its core value, well-established platform and competitive compensation package, CCMGT believes it will effectively attract suitable talents and achieve sustainable growth for long-term success. CCMGT's well-trained employees with abundant industry experience are crucial to its ability to provide high quality services to project owners. To maintain its high service quality and industry leading expertise, and to continuously meet its customers' evolving demands, CCMGT will continue to adopt various measures to recruit, train, promote and retain the most talented individuals in its industry. In addition, CCMGT will continue to nurture future management talents within the company through various training programs and initiatives. With its core value, well-established platform and competitive compensation package, CCMGT will effectively attract suitable talents and achieve sustainable growth for its long-term success.

Business model

CCMGT enters into project management agreements with the project owners, pursuant to which it provides comprehensive and professional solutions to manage and optimize the entire property development and operation process for the project owners. It creates value for its project owners by managing the development of high quality properties in a cost-effective manner. More importantly, CCMGT allows its project owners to use the Jianye brand for promoting and marketing projects manage after it is engage to provide project management services. Leveraging the well-recognized Jianye brand, the real estate properties under projects manage by CCMGT generally enjoy a premium on selling price, and its project owners are entitled to the proceeds received from their investments in relevant projects. During the Track Record Period and as of the Latest Practicable Date, CCMGT provided its project management services solely to commercial project management projects.

CCMGT receives management fees from the project owners according to pre-agreed terms, which typically include, (a) base management fees based on the type, location, size and price level of the properties; and (b) incentive fees based on the sales performance. Its management fees are typically paid by project owners in installments with reference to the pre-agreed milestones and/or the sales proceeds payment arrangement of the respective projects. Salaries, travel and accommodation expenses, benefits and bonuses for personnel it second to the project companies are generally paid by the project owners to its seconded personnel directly pursuant to the arrangement between the project owners and us. According to China Index Academy, such arrangement is a common industry practice, and CCMGT's PRC Legal Advisors are of the view that such arrangement does not violate applicable PRC laws and regulations. CCMGT does not recognize such expenses as the personnel cost, nor do they form part of its management fees or revenue.

CCMGT operates under an asset-light business model. When entering into project management agreements, CCMGT's project owners have already received, or are in the process of applying for, land use rights grants. In addition, CCMGT's project owners are responsible for raising funds needed for the entire project development and construction. The project owners have the right to be informed of all information and updates related to a given project, and has the right to inspect and make suggestions. The project owners also have the final authority to decide on major matters, such as budget, framework development plan, product positioning, major change in design, procurement plan, property price, and sales and marketing strategies. The project owners are entitled to the proceeds received from the investment and bear the investment risks, if any. As of the Latest Practicable Date, CCMGT only held minority interest in one project.

As the project management service provider engage by the project owners, CCMGT is in charge of the overall project management and have the right to make suggestions and participate in the decision making process on some pre-agreed matters, such as determination of the third party contractors, design firms and suppliers. However, such third party vendors would enter into construction or supply agreements directly with the project owners, rather than with the project management companies, and the project management companies are not required to bear relevant costs of construction. As a result, the costs to be borne by the project management companies primarily consist of staff costs, office lease expenses, marketing expenses and administrative expenses, and staff costs in connection with employees (excluding salaries, travel and accommodation expenses, benefits and bonuses for personnel seconded to the project companies) are the core component which contribute to approximately 80% of the total costs.

All projects under management are directly manage by CCMGT, which ensures the consistent high quality of services and enhances the operating efficiency. CCMGT does not delegate projects to third party project management service providers, and it also relies on its own sales and marketing task force to promote the real estate properties developed by projects.

CCMGT's project management business overview

Since CCMGT commenced project management business, it has experienced a rapid growth. As of 31 Dec 2020, CCMGT had entered into an aggregate of 246 projects with a total GFA of 33.1m sq.m, among which 40 were completed and an aggregate of 206 projects located in 107 cities across seven provinces and autonomous region in China remained under management. As of the same date, its projects under management had a total GFA under management of c.25.5m sq.m, of which 21.8m sq.m were classified as to be under construction and 3.7m sq.m was to be constructed.

As of Dec 31, 2018, 2019 and 2020, CCMGT has 105, 147 and 206 projects under management, respectively. It began to shift to the asset-light business model and focus on project management business mainly since 2017. In line with the industry norm as confirmed by CIA where the life cycle of a project management project typically ranges from three years to five years, CCMGT only completed a limited number of projects during the Track Record Period. In particular, its projects usually comprise multiple phases (representing multiple communities in a real estate development). CCMGT considers a project to be completed only after all phases of such project are completed, which also led to a lower number of completed projects during the Track Record Period.

In the years ended Dec 31, 2018, 2019 and 2020, CCMGT's newly contracted GFA achieved 4.6m sq.m, 8.3m sq.m and 8.6m sq.m, respectively. Its newly contracted GFA in 2019 ranked No. 2 amongst all project management companies in China, according to China Index Academy. CCMGT recorded a higher growth of newly contracted projects under management and newly contracted GFA in 2019 primarily due to strong demand for project management services in its target markets, the increased recognition of the "Jianye (建業)" brand, and the word-of-mouth recommendations of its existing customers on high quality services.

Breakdown of GFA under management

GFA under management (sqm)	At the beginning of the period	Newly contracted	Completed	At the end of the period	Under construction	To be constructed
2018	11,493	4,588	984	15,097	9,838	5,259
2019	15,097	8,349	2,312	21,134	16,152	4,982
2020	21,134	8,581	4,172	25,543	21,839	3,704

Notes:

(1) The number of GFA under management as disclosed in the preceding table are calculated based on the GFA set forth in the respective project management agreements.

(2) The GFA of projects under construction as disclosed in the preceding table only included those projects for which the respective project owner had received the construction permit.

Source: Company

For all practical purposes, all of the projects that CCMGT manages are residential properties. In addition to residential properties, CCMGT also offers project management services for non-residential properties, such as city complexes, shopping malls or office buildings. As of 31 Dec 2020, CCMGT had a total of four projects in connection with the development of commercial properties with an aggregate GFA of c.307,800 sq.m.

Breakdown of revenue by property type

RMB m	2018	2019	2020
Residential property projects	676	1,021	1,137
Commercial property projects	0	8	15
Total revenue	676	1,029	1,152

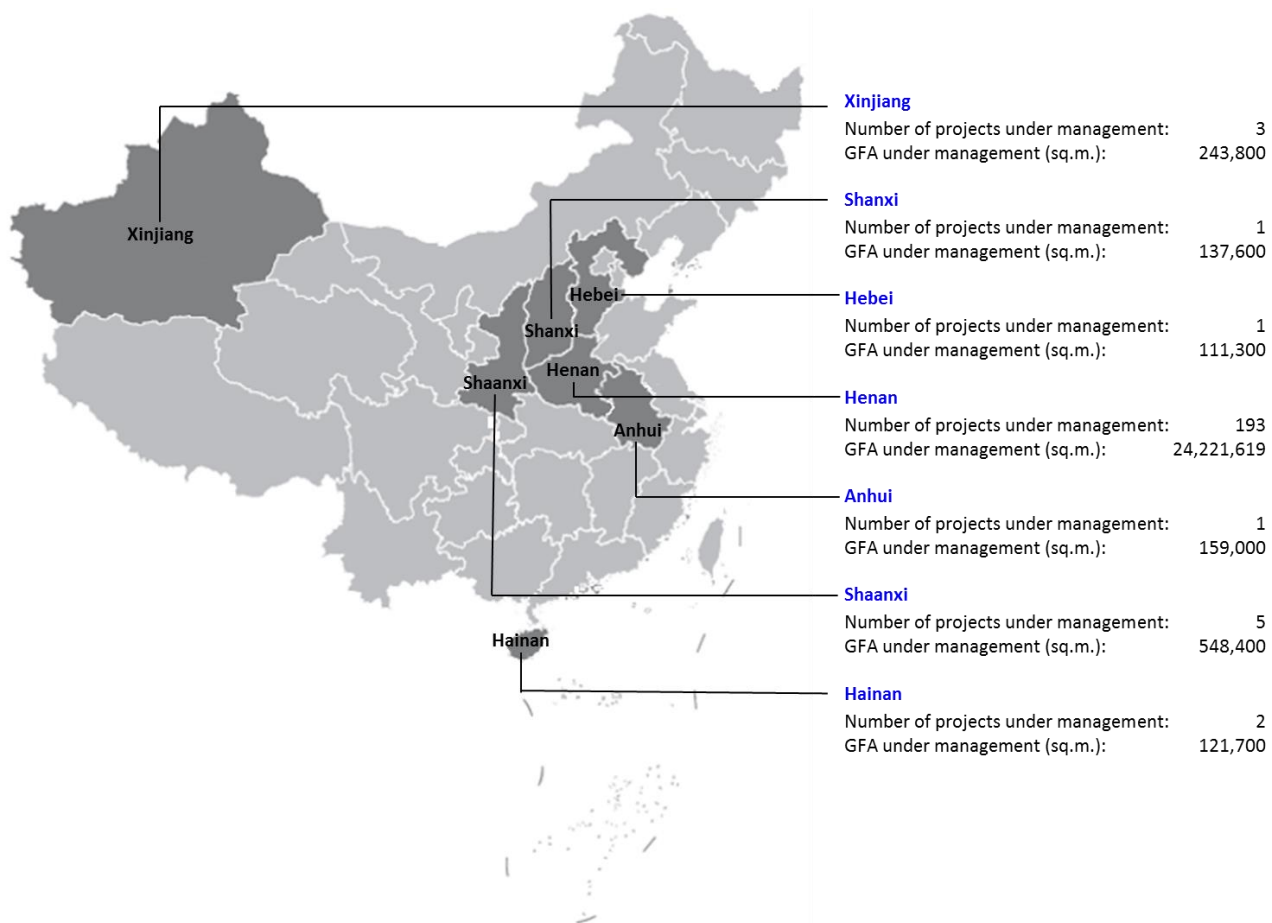
Source: Company

CCMGT's geographic coverage

CCMGT strategically focused on Henan, the largest province in China in terms of registered population in 2019. As of 31 Dec 2020, CCMGT had an aggregate of 193 commercial projects under management in Henan with an aggregate GFA of c.24.2m sq.m, which covered a vast majority of cities in Henan of the county-level or above. CCMGT devotes itself to penetrating into cities in Henan with strong demand for quality property development and trustworthy project management services providers. Deeply rooted in Henan, CCMGT's newly contracted GFA in Henan reached 7.7m sq.m and the aggregate GFA sold for its project owners in Henan reached 5.5m with the contracted sales amount reached RMB33.1b in 2020, each ranked No.1 in Henan in 2020, according to China Index Academy. The Jianye brand is well-recognized and ranked No. 1 among the "2020 Top-10 Real Estate Enterprise Brand Value in Central China", according to a research conducted by the China Real Estate Top-10 Research Group.

Leveraging the well-established platform and successful experience in Henan, CCMGT has expanded its operations into Hebei, Shanxi, Shaanxi, Xinjiang, Anhui and Hainan provinces to pursue greater growth potential. As of 31 Dec 2020, a total of 13 projects were managed by CCMGT in these six provinces and autonomous region with an aggregate contracted GFA of c.1,321,800 sq.m.

Geographical exposure of CCMGT's property development projects under management



Source: Company

Breakdown of projects under management by locations

	No. of projects manage	GFA under management (sq.m)
Henan Province	193	24,221
Prefecture-level Cities or above	47	5,947
Counties and County-level Cities	146	18,274
Other provinces	13	1,322
Total	206	25,543

Note: The number of the projects and their respective GFA manage by CCMGT only included those projects remained under management as of the date indicated. The number of respective GFA manage by CCMGT are calculated based on the GFA set forth in the respective project management agreements.

Source: Company

CCMGT's management fee

For CCMGT's projects under management, a project owner pays CCMGT management fees and other compensation according to pre-agreed terms, which generally include the following:

- Base management fees are typically based on (1) the size of the GFA of the project CCMGT manages multiplied by the pre-agreed per sq.m fee rate or, in fewer cases, (2) pre-agreed percentage of the sales value of the real properties manage and sold by itself for project owners;

Base management fee rate of a project in different locations and property types

RMB/sqm	Residential	Commercial
County-level cities (縣級)	85-285	135-485
Prefecture-level cities (地市級城市)	135-350	185-485

Source: Company

- Incentive fees based on the sales performance (typically a percentage of sales proceeds exceeding certain pre-agreed thresholds, which is negotiated on a case-by-case basis).

Upon entering into a project management agreement, the project owner is generally required to pay CCMGT the first installment of the management fees within the pre-agreed period. The project owner is also required to prepay the progress payment of management fees with reference to the development status, pre-agreed milestones and/or the sales proceeds payment arrangement of the project.

In 2018, 2019 and 2020, base management fees contributed to RMB571.9m, RMB881.1m and RMB1,089.1m (or 84.5%, 85.6% and 94.5%) of total revenue, respectively, while incentive fees contributed to RMB104.5m, RMB147.9m and RMB63.0m (or 15.5%, 14.4% and 5.5%) of revenue during the same periods, respectively. In 2018, 2019 and 2020, average base management fees per sq.m was RMB216.3, RMB215.8 and RMB214.1, respectively, and the fee rate of based management fee ranged from RMB85 per sq.m to RMB485 per sq.m during the track record period. In addition, CCMGT's management fees contributed by Independent Third Party customers and its related parties accounted for 85.3% and 14.7% in 2018, 87.0% and 13.0% in 2019 and 89.2% and 10.8% in 2020, respectively. In addition, in 2018, 2019 and 2020, CCMGT's average incentive fees per sq.m was RMB26.8, RMB33.4 and RMB29.2, respectively, and the fee rate of the incentive fees ranged from RMB14 per sq.m to RMB142 per sq.m, which is primarily determined by the sales performance of relevant projects.

Breakdown of revenue and profit margins by projects under management

Projects owned by	2018		2019		2020	
	Revenue (RMB m)	Profit margin (%)	Revenue (RMB m)	Profit margin (%)	Revenue (RMB m)	Profit margin (%)
Independent third parties	577	60.8	895	62.8	1,028	59.7
CCRE and its subsidiaries, joint ventures and associates	100	61.4	134	61.7	121	61.1
Group's associate	0	-	0	61.7	3	58.3
Total	676	59.7	1,029	62.3	1,152	59.2

Source: Company

Breakdown of revenue from project management services and average management fee rate

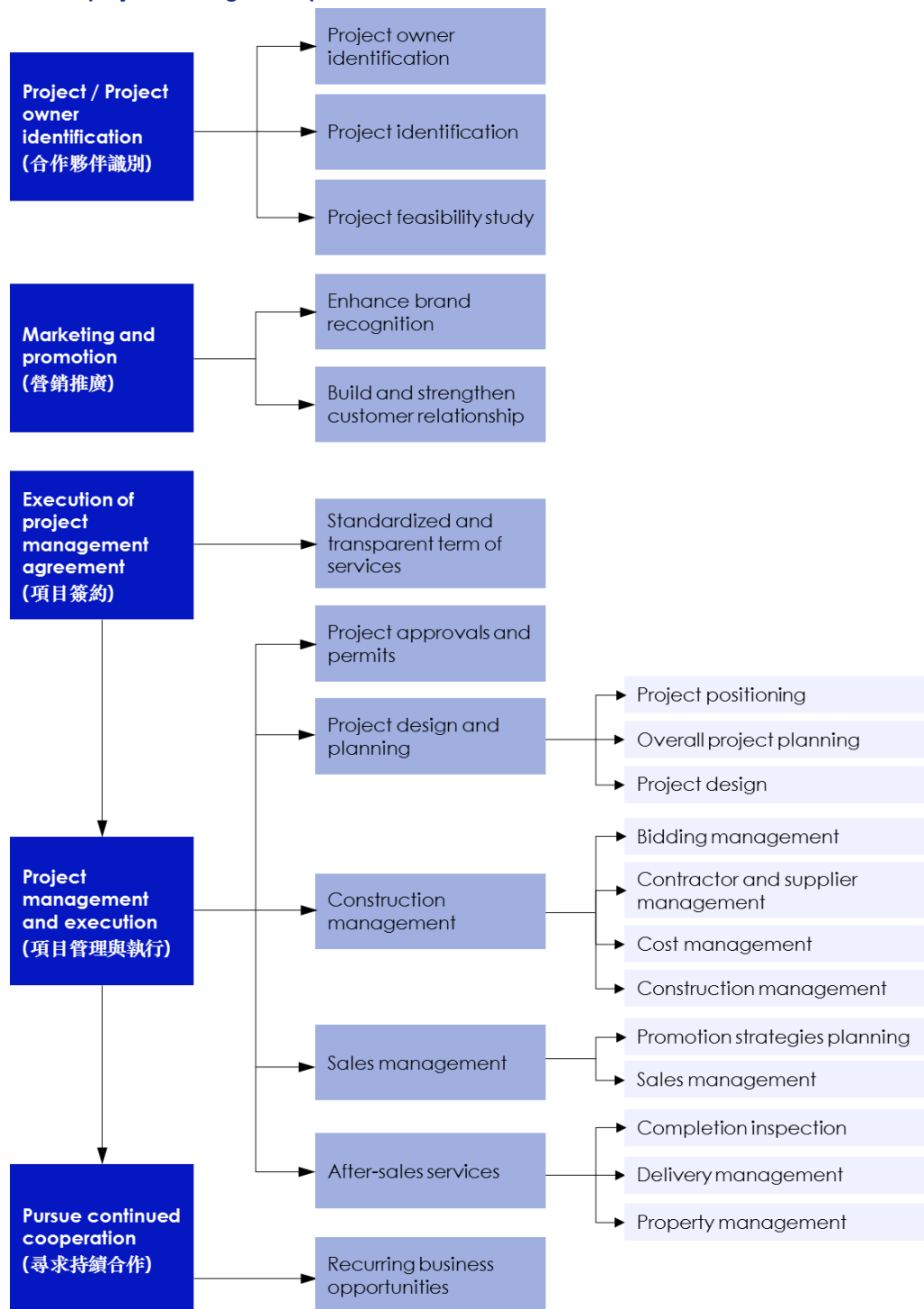
Revenue source	2018			2019			2020		
	Revenue (RMB m)	Avg mgmt fee (RMB m)	Avg fee rate (RMB/sqm)	Rev (RMB m)	Avg mgmt fee (RMB m)	Avg fee rate (RMB/sqm)	Rev (RMB m)	Avg mgmt fee (RMB m)	Avg fee rate (RMB/sqm)
Management fee from independent third parties	577	7.7	218.8	895	8.1	218.0	1,028	6.3	216.0
Management fees from the related parties	100	8.3	204.2	134	8.9	201.6	124	8.6	195.7
Total revenue	676			1,029			1,152		

Source: Company

CCMGT's project management process

CCMGT's project management services are provided through its employees in its headquarters and regional branch offices, as well as its employees seconded to relevant project companies. The level of involvement and respective services provided vary in accordance with the different development stages of a given project. The entire process of project management services typically begins with identification of a project and a project owner, followed by marketing and promotion, execution of project management agreement, project management and execution covering each stage of the real estate development process, and ends up with its pursuit of continued cooperation with the project owner for potential new projects. The duration of CCMGT projects typically range from three-to-five years, which is in line with the industry norm, according to China Index Academy.

CCMG's project management process



Source: Company

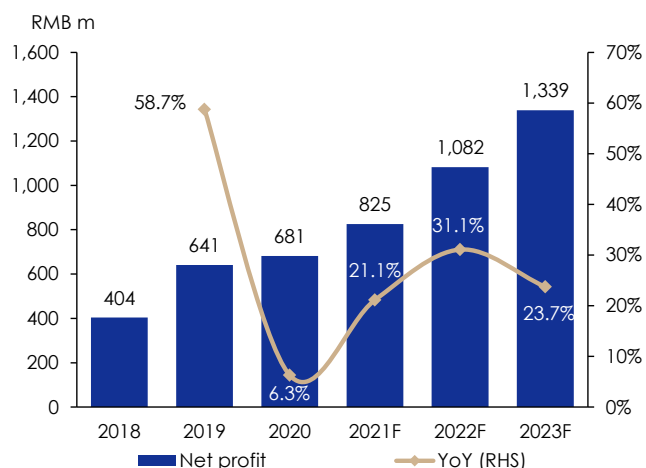
A MARKET LEADER IN A RISING INDUSTRY

CCMGT achieved 30% net profit CAGR in 2018-2020, driven by revenue growth and decent cost control. We expect its attributable net profit will deliver 25% CAGR growth in 2020-2023F, backed by 25% revenue CAGR and stable net profit margin. As of Dec 2020, CCMGT had GFA under management of 25.5m sq.m. Aggregate amount of the transaction price allocated to the remaining performance obligations under existing contracts (backlog) was RMB1,576/1,974/2,790m in 2018/2019/2020, underpinning strong earnings visibility, in our view.

Contracted sales CAGR of 25% CAGR in 2020-2023F

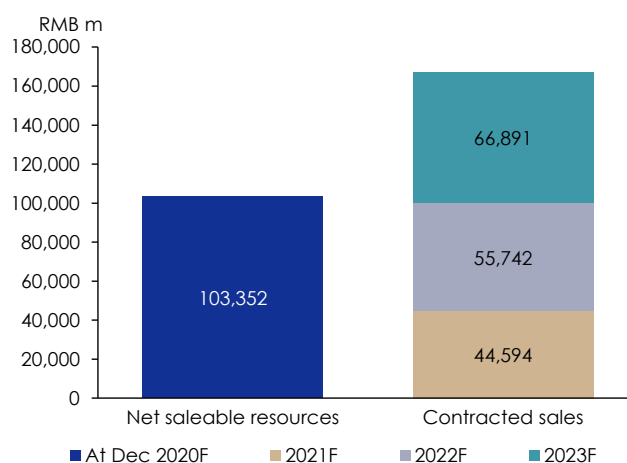
CCMGT saw contracted sales CAGR of 35%, from RMB18,691m in 2018 to RMB34,303m in 2020. Together with the asset heavy contracted sales recorded by CCRE, contracted sales under the Jianye brand reached RMB103b in 2020, accounting for 11% market share in Henan. CCMGT continues to expand in Henan and into neighboring areas. We forecast contracted sales CAGR of 25% in 2020-2023F. At Dec 2020, CCMGT had GFA under management of 25.5m sq.m, excluding presold GFA of c.8m sq.m and assuming ASP at RMB6,000/sq.m, we estimate net saleable resources of RMB103b, enough to cover two years of future contracted sales.

Contracted sales CAGR of 25% in 2021-2023F



Source: Company, CCBIS estimate

Net saleable resources cover 2 years contracted sales



Source: Company, CCBIS estimate for net saleable resources and contracted sales

Revenue CAGR of 25% in 2020-2023F

CCMGT derived its revenue from management fees from the provision of project management services. Revenue CAGR for 2018-2020 was 31%, from RMB676m to RMB1,152m, mainly attributable to the increased number of projects and total contracted GFA under management.

CCMGT's revenue was primarily contributed by projects managed by CCMGT in Henan, representing 100.0%, 99.4% and 96.6% of its revenue in 2018, 2019 and 2020. CCMGT's customer base is diversified and except for CCRE and its subsidiaries, joint ventures, and associates, no single customer contributed 10% or more of its revenue in 2018-2020.

Revenue and margin breakdown by projects under management owned by different parties

Projects owned by	2018		2019		2020	
	Revenue RMB m	Profit margin %	Revenue RMB m	Profit margin %	Revenue RMB m	Profit margin %
Independent third parties	577	60.8	895	62.8	1,028	59.7
CCRE and its subsidiaries, joint ventures and associates	100	61.4	134	61.7	121	61.1
Group's associate	0	-	0	61.7	3	58.3
Total	676	59.7	1,029	62.3	1,152	59.2

Source: Company

Projects breakdown by locations as at 31 Dec 2020

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Henan Province		
Prefecture-level Cities or above	47	5,947
Countries and County-level Cities	146	18,274
Other provinces	13	1,322
Total	206	25,543

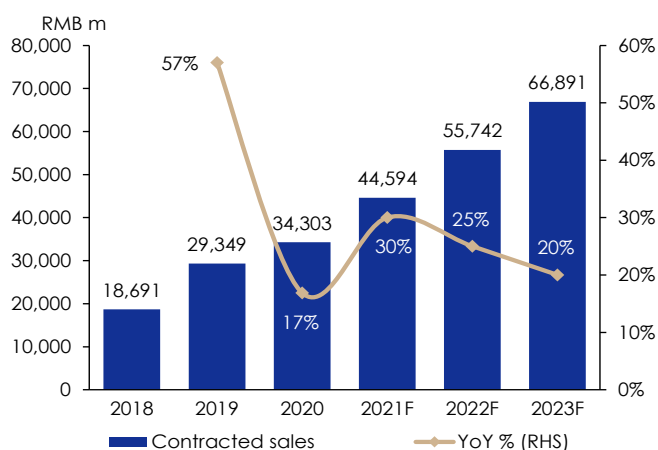
Source: Company, CCBS

CCMGT's aggregated amount of the transaction price allocated to the remaining performance obligations under existing contracts (backlog) was RMB1,576/1,974/2,790m in 2018/2019/2020. This amount represents revenue expected to be recognized in the future from the project management service contracts entered into between the project owners and CCMGT. CCMGT will recognize the expected revenue in the future when or as the control is transferred or by measuring the progress towards complete satisfaction of the performance obligation, which is expected to occur over the next 12 to 48 months. Such amount does not include any amounts of incentive fees that CCMGT may earn in the future by meeting the conditions set out in its project management agreements with project owners, unless at the reporting date it is highly probable that CCMGT will satisfy the conditions for earning those bonuses.

In 2018-2020, base management fees contributed to RMB572/881/1,089m (or 84.5%/ 85.6%/ 94.5%) of CCMGT's revenue, while its incentive fees contributed to RMB105/148/63m (or 15.5%/14.4%/5.5%).

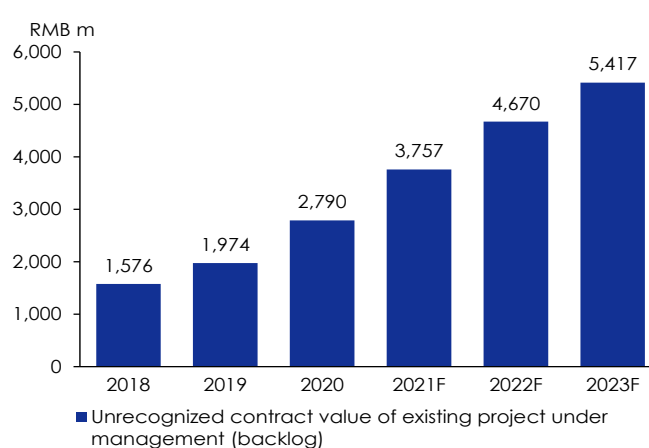
We expect CCMGT's revenue to achieve 25% CAGR, growing from RMB1,152m in 2020 to RMB2,242m in 2023F, based on the backlog of RMB2,790m at Dec 2020, 15-20% growth on additions to backlog and c.48-50% revenue recognized from the backlog of previous years.

Revenue CAGR of 26% CAGR in 2020-2023F



Source: Company, CCBS estimate

Backlog amounted to RMB2,790m at Dec 2020



Source: Company

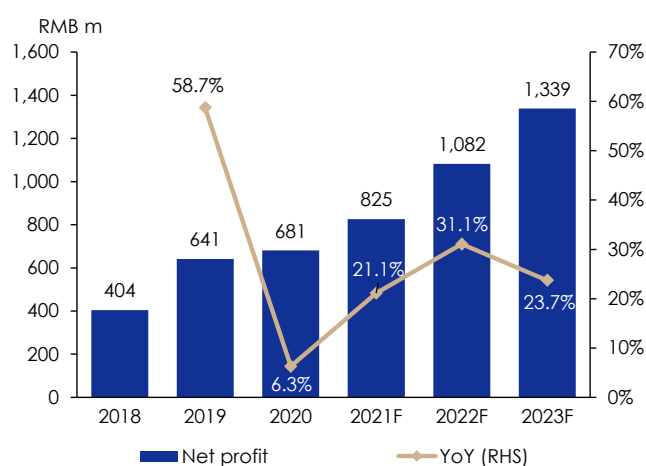
Personnel cost to grow at similar rate at revenue

Personnel cost is CCMGT's largest cost item which primarily comprises base salary and bonus, social insurance and other benefits and equity settled shared-based payment by the Parent paid to CCMGT's employees. Such cost does not include salary, bonus, social insurance and housing funds, and other benefits and fees paid to CCMGT's employees who are seconded to relevant project companies in connection with real property development projects manage by CCMGT, which are borne by respective project owners and paid by the project owners to the seconded personnel directly. According to China Index Academy, such arrangement is a common industry practice, and CCMGT's PRC Legal Advisors are of the view that such arrangement does not violate applicable PRC laws and regulations. CCMGT does not recognize such expenses relating to seconded employees as its management fees or revenue, nor does it book them as its personnel cost. In 2018, 2019 and 2020, CCMGT's personnel cost amounted to RMB69.7m, RMB134.2m and RMB168.5m, respectively, representing 10.3%, 13.0% and 14.6% of its revenue for the respective periods. We expect CCMGT's personnel cost as a percentage of revenue will maintain stable at c.15% in 2021-2023F, reflecting CCMGT's effort in expanding out of Henan, despite greater economies of scale.

25% net profit CAGR in 2020-2023F

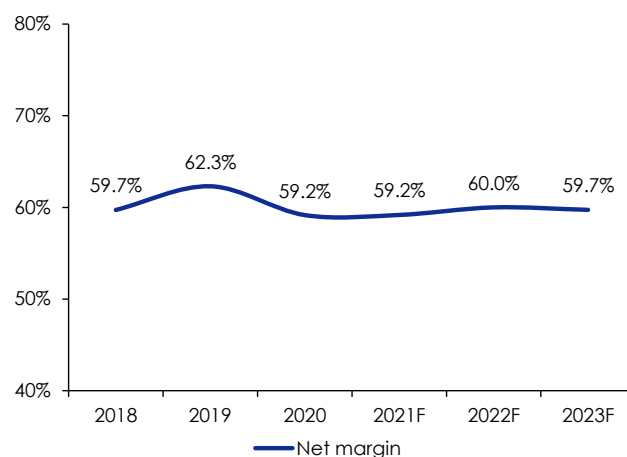
CCMGT's net profit grew substantially from RMB404m in 2018 to RMB681m in 2020, implying 30% CAGR, largely in line with strong revenue CAGR of 31%. We forecast 25% net profit CAGR in 2020-2023F, again, driven by 25% revenue CAGR. As a result, we expect net profit margin at CCMGT to maintain at a high level of c.60% in 2021-2023F.

Net profit to grow at 26% CAGR in 2020-2023F



Source: Company, CCBIS estimates

Net margin to stay at a high level of c.60% in 2021-2023F



Source: Company, CCBIS estimates

PEER COMPARISON AND VALUATION

We believe Greentown Management (9979 HK, GTM) is the closest peer to CCMGT as they both belong to the same project management sector. We compare the two companies against their associated developer and property management companies to anchor our project management sector valuation with the property development sector and property management sector.

Peer comparison

In terms of business model, both CCMGT and GTM are project management companies running asset-light business models.

Henan leader vs national leader

CCMGT is deeply rooted in Henan and aims to expand across central China. The Jianye brand has a strong brand image in Henan and CCMGT has a leading position in the project management sector in Henan. Meanwhile, GTM is deeply rooted in Zhejiang province and has wider exposure in the Yangtze River Delta. In addition, from a nationwide point of view, the "Greentown" brand is well-recognized across the country. According to CIA, GTM ranked first in terms of newly contracted GFA and revenue in 2019.

Concentrated vs diversified portfolio

As at Dec 2020, CCMGT had 206 projects under management in 107 cities in seven provinces and autonomous regions in China, primarily in Henan. Average GFA under management per province stood at 3.65m sqm, in which 24.2m sqm in Henan. Meanwhile, Greentown Management had 296 projects under management in 89 cities in 28 provinces in China, implying average GFA under management per province of merely 272k sqm. While CCMGT may be less recognized than GTM in a nationwide context, we believe that CCMGT's more concentrated portfolio could allow for higher operating efficiency with a smaller management radius and more localized knowledge to better serve the needs of project owners and homebuyers. That being said, the much higher market share in a regional market may also imply limited room for growth.

Commercial project management vs government project management

CCMGT currently focuses only on commercial project management, in contrast to GTM's two pronged strategy in commercial project management as well as government project management, which accounted for 72% and 17% of its 2020 revenue respectively. We believe this has partly been the reason for CCMGT's higher profitability, as commercial project management is generally more profitable than government project management i.e. better payment terms and bonus management fees linked with sales and profitability of commercial projects. Having said that, government project management can also yield decent margins (GTM's government project management gross profit margin was 45% in 2020) and the market potential is huge given the central government's policy to support the initiatives of old town reconstruction and urban renovation, which will become an important pillar of public housing development industry in China in the future. That said, we believe CCMGT is also well-positioned to enter the government project management sub-segment, given its deeply-rooted strategy in Henan.

High margin vs extremely high margin

Thanks to an asset-light business model, economies of scale and brand premium, profit margins of project management firms generally stand at high levels. GTM's gross profit margin/net profit margin stood at 48%/26% in 2020. After adjusting for GTM's direct staff cost from both its revenue and cost of sales, just like CCMGT's treatment for its personnel, GTM's net profit margin stood at c.30% in 2020. Meanwhile, CCMGT's net profit margin ranged even higher level at 59.2-62.3% in 2018-2020. We believe this is attributable to (1) CCMGT's pure focus on commercial project management, (2) CCMGT does not have profit-sharing with any business partners like GTM, and (3) higher operational efficiency underpinned by CCMGT's smaller management radius and deep roots in Henan.

Growth prospects

In terms of growth prospects, we believe geographical exposure, product offerings, product positioning and management incentives are the key determinants. On geographical exposure, CCMGT focuses on Henan and Greater Central China in offering project management services to project owners, where there may be stronger demand as the penetration of top-tier developers and project management are still relatively low. In comparison, GTM has wider geographical exposure but they are focused on top-tier cities. On product offerings, GTM offers both commercial project management and government project management, which cover more potential customers, versus CCMG which currently only deals with commercial project management. That said, CCMG may also enter into the government project management segment in the future, given its deeply rooted strategy in Henan. On product positioning, CCMGT's mass-end products are likely to serve more potential project owners and potential homebuyers, as well as more replicable across different projects, considering the mass-end homebuyers' demand are usually homogeneous i.e. unlike high-end homebuyers looking for tailor-made products. Meanwhile, GTM offers mainly high end products which may not be applicable to different projects and its potential homebuyers usually would have more specific demands which are less replicable. Last but not least, the management of CCMGT and GTM have different mandates for growth. The privately owned background of CCMGT may imply higher demand for growth, in our view. All in all, we expect CCMGT will deliver high earnings growth of c.25% in 2020-2023F as compared with GTM of c.21%.

Management style imprinted from company background

CCMGT is a privately owned company while GTM is a quasi-SOE, as its largest shareholder is China Communications Construction Company (CCCC). While the market generally regards SOEs to have better credibility given government support, we argue that this might be a relatively weak competitive edge among project management companies as the sector's capital needs are generally low and less crucial. On the other hand, privately owned companies usually have less hierarchy which may imply more flexible growth strategies and faster decision making, while their management incentives are more competitive in most cases, all of which can make a key difference in the long-term development trajectory of a company.

Key operational and financial figures of CCMGT and peers

Company	CCMGT	GTM
Associated developer	CCRE	Greentown China
Geographical focus	Henan	Nationwide, majority in Zhejiang
Operations		
No. of projects	206	296
No. of cities	107	89
No. of provinces (including autonomous regions)	7	28
GFA under management – Dec 20 (m sq.m)	25.5	76.1
Under construction – Dec 20 (m sq.m)	21.8	40.5
GFA under management per province (k sq.m)	3,650 (Henan: 24.2m sq.m)	272
Contracted sales – 2020 (RMB m)	34,303	74,500
GFA sold – 2020 (m sq.m)	5.7	5.6
ASP – 2020 (RMB/sq.m)	6,016	13,304
Newly contracted project management fee – 2020 (RMB m) (A)	1,968	5,810
Newly contracted GFA – 2020 (m sq.m) (B)	8.6	18.7
Avg project management fee – 2020 new contracts (RMB/sq.m) (A/B)	229	311
Financials		
Gross revenue – 2020 (RMB m)	N/A	1,813
Commercial project management	N/A	1,312
Government project management	N/A	310
Net revenue – 2020 (RMB m)	1,152	1,460
Gross profit margin – 2020 (%)	N/A	47.8
SG&A, personnel and other expenses ratio – 2020 (%)	18.0	21.1
Net profit margin – 2020 (%)	59.2	25.9
Dividend payout – 2020 (%)	N/A	65.0
Net profit – 2018 (RMB m)	404	333
Net profit – 2019 (RMB m)	641	340
Net profit – 2020 (RMB m)	681	429
Net profit – 2021F (RMB m)	825	536
Net profit – 2022F (RMB m)	1,082	642
Net profit – 2023F (RMB m)	1,339	761
2018-2020 CAGR (%)	30	13
2020-2023F CAGR (%)	25	21
2021F P/E (x)	7.5	15.8
2022F P/E (x)	5.7	13.2

Source: Company, CCBS estimates

Sector comparison

The project management sector, property development sector and property management sector are all linked to the property market despite having different business models, risk profiles, and policy backdrops. Property development has a long history with plenty of mature listed companies and experienced investors, resulting in reliable price discovery in the capital market. Property management is a relatively new sector. While the share prices of property management companies have been on a roller coaster since 2H20, it can be seen that the newly rising sector has a clear forward trajectory.

Comparison of project management, property management and property development sectors

	Property management	Project management	Property development
Competition landscape	Fierce competition in third-party expansion; crucial but inherent parent support; oversupply in financial market	High entry barriers, early stage of development	White hot competition in property, land, labor and financial market
Business model	Asset light, recurring in nature, highly replicable	Asset light, non-recurring, replicable in particular regions	Asset heavy, non-recurring, difficult to replicate
Financial needs	Mediocre for M&A	Low	Heavy
Growth prospects	Huge; parental support alleged to connected transaction	Mediocre	Limited; close to ceiling
Policy stance	Supportive	Neutral	Restrictive
Major risks	Valuation, overly aggressive M&A, relatively short track record	Overlooked by the market, property market cycle, lack of a track record	Policy, financial market, property market cycle
Sector valuation	Highest	Medium	Distressed
Company valuation	Highly diversified, demanding valuation for leaders, distressed for small/mid-caps	Generally undervalued	Generally defensive, premium valuation for good fundamentals
Market expectation	High	No	Low
Valuation range of market leaders	over 30x 2022F P/E	c.13x 2022F P/E	c.9x 2022F P/E

Source: CCBIS

Least competitive sector among the three

In terms of the competitive landscape, both the property development sector and property management sector are now highly competitive in different aspects. Property developers are competing on the most valuable land resources, experienced management and skilled workers, and financial resources etc. Similarly, property management companies are competing on third-party projects and M&A targets, as well as experienced management and skilled workers, and financial resources. Project management firms, on the other hand, face less competition given its high entry barrier which demands good brand recognition and entry at an early stage of development. Even from a financial market point of view, project management is a less crowded sector with GTM as the only listed project management company, compared with over 40 listed property management companies and even more property developers.

Asset-light, replicable but non-recurring

On business model, the project management sector and property management both run on an asset light business model, which require less capital investment in various stage of operations and imply lower financial risks. This allows for fast expansion without the curb of financial capital. However, project management fee income and property sales are non-recurring in nature, unlike the recurring nature of property management fee income. That said, project management fee income normally spans across a longer period of time throughout the construction cycle and is more predictable as it is primarily linked to the construction cycle, instead of property sales, which is more prone to the property market cycle. Regarding the ease of business expansion, both project management and property management are replicable across different projects as they are highly leverage on brand recognition, unlike property development which is location sensitive and is highly reliant on local execution and resources.

Growth prospects

On growth prospects, property management has the highest growth potential, thanks to the strong parental support from associated developers and the highly replicable business model which suits third-party expansion. Property management companies are generally aiming for c.40-50% growth in GFA under management and c.40-50% growth in net profit on an annual basis. The other extreme is property development, which is both capital intensive and labor intensive, highly competitive, and is facing tough policy controls on profitability, asset turnover, leverage etc. Key developers are generally targeting c.10% growth in contracted sales and high single-digit growth in net profit on an annual basis. Lying in between the two sectors is project management, which requires little capital investment, has a replicable business model and few policy controls. Project management companies generally aim for 15-20% growth in contracted sales and 20-30% in net profit on an annual basis, in our view.

Limited impact from policy

On the policy front, property development faces tough regulatory restrictions, including purchase restrictions, price controls, mortgage restrictions, three 'red lines' on developers' financial position, two 'red lines' on bank loans to the property sector and land supply policies from local governments. On the other extreme, property management has benefited from supportive policies promoting property management, and the sector has capitalized on this opportunity to offer more value-added services and enter into the public management space. Project management, as a relatively new sector, has aroused limited policy attention, but is indirectly affected by property market policies.

Limited exposure to market/policy/earnings risks; more concerns on counterparty and reputational risks

On a risk perspective, project management generally does not involve capital investment for stakes in the project, hence it is not directly exposed to the risks in the property market and land market. Its low capital needs also implies no debt financing, which implies lower default risks. Earnings risks are also limited given the long project cycle and indirect exposure to the property, land or financial markets. The key risks to project management are associated with its brand and counterparties. As the project management sector's value creation lies in its brand output, any negative publicity can affect its business continuity. Besides, as project market risks are generally borne by project owners instead of project management companies, the counterparty risks on project owners have to be well managed by project management companies.

Sector valuation in-between property management and property development; market leaders' valuation should be worth a premium

Last but not least, from sector valuation point of view, the project management sector's valuation is in-between the property management sector and property development sector, primarily reflecting the differences in (1) the business models, (2) growth prospects, (3) the policy stance, (4) financial risks, and (5) the expectations of the capital market. From a company valuation point of view, both the property management sector and property development sector have seen bipolar valuation with market leaders trading at decent valuations while small players are trading at distressed valuations. We believe this will also apply to the project management sector.

Initiate at Outperform, HK\$4.70 target price

CCMGT is a leading and rapidly growing project management company based in Henan. GTM, in our view the closest peer of CCMGT, is trading at 13x 2022F P/E. Considering CCMGT's larger scale, faster earnings growth, and higher profitability, we assign it a 12x FY22F P/E and deduce a HK\$4.70 target price as we initiate coverage on the shares with an Outperform rating.

Peer comparison of Chinese property management companies

Company	Stock code	Share price (HK\$) [†]	Market cap (HK\$ m)	P/E (x)			PEG (x)			Yield (%)			ROE (%)			Net gearing (%)	2020-2023F Net profit CAGR (%)	
				2020	2021F	2022F	2020	2021F	2022F	2020	2021F	2022F	2020	2021F	2022F			
Property development																		
Longfor	龙湖	960 HK	42.60	258,381	11.8	10.2	8.9	0.8	0.7	0.6	4.0	4.4	5.0	18.5	18.8	19.2	46.5	14.5
Greentown China	绿城	3900 HK	11.08	27,637	8.8	9.6	8.0	1.0	1.0	0.9	3.6	3.8	4.4	8.9	7.4	8.4	63.8	9.2
Property management																		
Country Garden Services	碧桂园服务	6098 HK	79.40	255,942	81.0	55.8	38.9	1.9	1.3	0.9	0.3	0.5	0.7	26.9	24.3	28.5	Net cash	43.1
Greentown Services	绿城服务	2869 HK	10.18	33,029	39.7	29.0	21.4	1.1	0.8	0.6	2.0	1.6	2.1	18.8	23.6	27.2	Net cash	35.4
CCNL	建業新生活	9983 HK	7.24	9,161	18.3	12.4	8.7	0.4	0.3	0.2	3.4	4.9	6.9	95.5	27.9	21.8	Net cash	43.2
Project management																		
Greentown Management	绿城管理	9979 HK	5.09	9,966	19.8	15.8	13.2	0.9	0.7	0.6	3.9	4.1	4.9	18.4	16.9	18.7	Net cash	21.1
CCMGT	中原建业	9982 HK	2.21	7,283	9.1	7.5	5.7	0.4	0.3	0.2	-	8.0	10.5	77.7	46.2	38.3	Net cash	25.2

[†] Price as at close on 5 Jul 2021

Source: Bloomberg; CCBIS estimates

KEY RISKS

Risks relating to business and industry

The growth and prospects of CCMGT's project management business are dependent on, and may be adversely affected by, the economic conditions in China and the performance of its real estate market, in particular in Henan.

The PRC real estate market has been affected by a slowdown in China's economic growth in recent years. There have been increasing concerns over the sustainability of the real estate market growth in China, as real GDP growth in China has decelerated in recent years from 7.7% in 2013 to 6.1% in 2019. Fixed-asset investment growth in China has also experienced a general downtrend, with a persistent decline from 19.6% in 2013 to 5.4% in 2019. In addition, GDP growth in Henan has decelerated in recent years, from 9.0% in 2013 to 7.0% in 2019, while fixed-asset investment growth in Henan saw a general downtrend, with a persistent decline from 23.2% in 2013 to 8.0% in 2019. Factors contributing to these changes include, among others, tightened regulatory measures on financing, which dampened housing demand, as well as a souring of investor confidence, which may have reduced demand and consumer spending for and on real estate. As a result, the real estate market may have an oversupply of property and slow moving or idle housing inventory. Any oversupply in property or decline in demand or prices for real estate properties in the cities where CCMGT has or plans to have operations may affect the investment plans of its existing or prospective project owners, which in turn could have a material and adverse impact on CCMGT's cash flow, financial condition, and results of operations.

Increasing competition of the project management market

The PRC project management market is still in an early stage of development. The project owners' selection of a project management company depends on a number of factors, including but not limited to the brand reputation, quality of services, the level of pricing, the operating scales and the operating history and track record of the project management company in the real estate industry. The project management market in the PRC, including Henan where substantially all of CCMGT's projects under management locate, is highly competitive and in recent years, an increasing number of property developers have undertaken project management services. According to China Index Academy, in 2019, there are 28 sizeable project management companies undertaking projects in the real estate industry in China with an aggregate contracted GFA of approximately 68.6m sq.m, 59.6% of which are managed by the top five companies in the project management industry. CCMGT's competitors may have greater financial, technical and other resources, better brand recognition and larger customer bases, and may be able to devote more resources to the development, promotion and sale of their services and solutions. CCMGT may not be able to procure new project management service contracts in the future as planned or at a desirable pace or price, or at all, as a result of the factors discussed above. If CCMGT cannot respond to changes in customer preferences more swiftly or more effectively than its competitors, or increased competition arising from new market participants, its business, results of operations and financial condition could be adversely affected.

Risks maintaining business growth and net margin

CCMGT experienced a rapid growth of its business during the Track Record Period, driven by the expansion of its project management business. CCMGT's asset-light business model is relatively new as compared with traditional business model adopted by property developers in the PRC and continues to evolve. This business model enables CCMGT to enjoy a high net margin when compared with traditional real estate developers. CCMGT may be unable to continue to grow its business at the same pace, or at all, because its business is affected by various factors, many of which are beyond its control, such as the macroeconomic condition of the PRC, the state of PRC property development, the demand for project management services and the competition from other project management companies in the PRC. Also, CCMGT may not maintain its net margin at the same level in the future. Its expansion is based on its assessment of market demand and

prospects, which may not be always accurate. In addition, CCMGT may not be able to recruit and train sufficient project managers and other employees in the same pace as its rapid expansion. When entering into new markets, CCMGT may not have sufficient knowledge of the conditions of local real estate markets, and may not have the same level of familiarity with contractors, suppliers, business practices and customs and customer tastes, behavior and preferences as compared with the cities where CCMGT has an established project management business. In addition, when CCMGT enters into new geographical areas, it may face intense competition from local or regional project management companies with an established presence and market share in those areas and may not be able to build its operations and reputation in such local markets within a relatively short period of time. Therefore, CCMGT may not execute its expansion plan or succeed in effectively integrating its expanding operations, and there is no guarantee that expanding operations will generate adequate returns on investments or positive operating cash flows. Furthermore, CCMGT's business expansion may place a substantial strain on its managerial and financial resources and any failure in effectively managing its expanding operations may materially and adversely affect its business, prospects, results of operations and financial condition.

Counterparty risks from project owners

Based on the project management agreements entered into between project owners and CCMGT, project owners are generally required to pay CCMGT fee in installments within the pre-agreed period based on the project milestones achieved. Delays in or failures to make payment by its project owners may negatively affect CCMGT's cash flow position and ability to meet working capital requirements. Any default in payments of receivables and progress payments by CCMGT's project owners may lead to a decrease in working capital available for its other operations. While CCMGT may file claims against project owners for any outstanding payment owed to it pursuant to its contracts, dispute resolutions may require significant time, financial and other resources, and the outcome is uncertain. Project owners may not make payments to CCMGT in full on a timely basis, or at all, and there is no guarantee that CCMGT will be able to efficiently manage the level of bad debt arising from late payments. In addition, project owners may be unable to perform their contractual obligations to CCMGT due to failure to obtain sufficient funding for project development, such capital resources may not be available on commercially reasonable terms, or due to general financial difficulties or other reasons. In particular, some project owners require bank financing for the real estate development projects. The ability project owners to obtain external financing in the future and the cost of such financing is subject to uncertainty, some of which are beyond CCMGT's control, including but not limited to, requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets; the future results of operations, financial condition and cash flows of the project owners; the condition of the international and domestic financial markets and financing availability; changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and changes in policies regarding regulation and control of the real estate market. The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector. These measures and other similar government actions and policy initiatives have limited the project owners' ability and flexibility in using bank loans to finance property projects. The availability and terms of financing in the market have a significant influence on the project owners' demand for CCMGT's services. If the project owners are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and CCMGT's financial performance and prospects may be materially and adversely affected.

Counterparty risks from third-party contractors and suppliers

As part of its project management process, CCMGT identifies and advises its project owners on the selection of third-party contractors and suppliers to provide various services, including design, construction, equipment installation, interior decoration, electromechanical, pipeline or other engineering. The ability of a third-party contractor or supplier to perform its functions in relation to a project effectively and efficiently will affect CCMGT's ability to meet the quality expectations, budget, timetable and milestones set out in its project development plan. CCMGT generally selects these third-party contractors and suppliers for the project owners through tender processes and taking into account factors including their demonstrated competence, market reputation, track records, its prior relationships with them, and adequate human resources assigned for projects under management. CCMGT also adopts and follows its own quality control procedures and routinely monitor works performed and materials provided by these third-party contractors and suppliers. However, third-party contractors and suppliers may not provide services and products pursuant to CCMGT's required standard of quality or fully comply with the applicable PRC laws and regulations. If the performance of any third-party contractor or supplier during the project management process is not satisfactory or does not comply with the applicable laws and regulations, CCMGT may need to assist the project owners to replace such contractor or supplier or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the project as a whole. In addition, as CCMGT plans to expand its business operations into other regional markets in China, and there may be a shortage of contractors and suppliers that meet its quality requirements in such local markets. Moreover, third-party contractors and suppliers may suffer liquidity constraints or financial distress or otherwise be negatively impacted by the credit market, which may prevent them from fulfilling their obligations under CCMGT's agreements and adversely affect the projects under management. If any such contractor or supplier is unable to perform their obligations to CCMGT, the company may be required to make alternate arrangements on less favorable terms with other contractors or suppliers to ensure adequate performance and delivery of services to it. Moreover, CCMGT may be subject to disputes brought by the project owners or contractors and suppliers that seek to avoid payment to it of costs exceeding forecasted expenditures or who deny their obligation to perform certain duties under their contracts with CCMGT. The occurrence of any of the above factors could have a material adverse effect on CCMGT's reputation, business, results of operations and financial condition.

Global and national economies may be adversely affected by Covid-19

On 30 Jan 2020, the World Health Organization declared that the outbreak of Covid-19 constitutes a Public Health Emergency of International Concern (PHEIC). In Feb and Mar 2020, an increasing number of additional cases were confirmed in many other countries and regions around the world. In Mar 2020, the World Health Organization declared Covid-19 as a global pandemic. Many foreign countries have also implemented a variety of measures, such as travel bans and closing of borders, to help contain the spread of the virus. The accelerated spread of the virus globally caused extreme volatility in the global financial market, including the repeated triggering of stock market "circuit breakers" in the U.S. and many other countries.

In China, the outbreak of Covid-19 has endangered the health of many people, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. In order to prevent and control the outbreak of Covid-19, the local governments of various provinces and cities in which it operates may introduce a series of continuous control measures, including but not limited to restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement schedules of construction in new and existing construction sites. Covid-19, or other adverse public health developments, could, among others, significantly disrupt CCMGT's businesses and cause temporary suspension and shortage of labor and raw materials of its projects under management that are under construction and to be constructed as well as delays in sales and delivery of its projects under management that are ready for sale and delivery.

In addition, if any of CCMGT's employees were suspected of contracting or contracted an epidemic disease, it could adversely affect or disrupt its operations, as it may be required to quarantine some or all of its employees, disinfect the buildings or sites or even close some or all of its business to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the business operations and financial performance of the relevant project owners, the contractors and suppliers and CCMGT's business partners in its projects under management, which could in turn adversely affect CCMGT's business, financial condition, results of operations and growth prospects. Moreover, although CCMGT's agreements with project owners and other contractual counterparties generally contain typical force majeure clauses which may excuse each party from performing its obligations, either entirely or partially, under the relevant agreements if it is unable to do so due to force majeure, there is no assurance that the outbreak of any severe communicable diseases constitutes a force majeure event under the governing laws of CCMGT's existing legal agreements, nor can CCMGT be exempted from its obligations thereunder pursuant to such clause or renegotiating terms and other arrangements with these counterparties at commercially acceptable terms or at all. CCMGT's failure to resolve any potential dispute with the counterparties in this regard may lead to litigations or legal proceedings which may therefore have a material adverse impact on its reputation, business, financial conditions and results of operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as a result of the government measures adopted for disease control purposes, which together with the disruption of business in major industries, may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth, recession or other negative developments in the social, political, economic or legal environment of the PRC, causing a decrease in real estate investments, fewer new property development projects, a decline in the purchasing power of potential purchasers and lower demand for CCMGT's services. Any contraction or slowdown in the economic growth of China and the world could adversely affect CCMGT's business, financial condition, results of operations and growth prospects.

Risks from deviations to planned development schedule

Any changes to the project development schedule or budget may affect the cash flows and results of operations of the project owners and CCMGT. CCMGT generally receives its management fees according to the project development milestones and the sales and cash collection progress, where the final payment may be receivable within a certain period of time after the projects are completed and delivered. The progress of the development of projects manage by CCMGT can be adversely affected by many factors, which may be beyond its control, including:

- changes in market conditions, an economic downturn, or a decline in consumer confidence;
- shortage of financing of the project owners to fund the project development;
- delays in obtaining necessary licenses, permits or approvals or the land use right certificates of the manage projects from governmental agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor in certain new markets that it plans to penetrate into;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems; labor disputes;
- construction accidents;
- natural disasters, acts of God or occurrence of epidemics; adverse weather conditions;
- changes in governmental practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances

Risks of any negative publicity of the Jianye brand

CCMGT has benefited significantly and expect to continue to benefit significantly from Jianye's strong brand recognition and brand image. Any negative incident or negative publicity concerning any of the Jianye related trademarks or the Jianye brand image could adversely affect the brand value and accordingly its reputation and business. Currently, various Jianye and related trademarks have been registered respectively under the name of CCRE for various classes and categories of services and products in accordance with PRC law. The projects manage by the company use the Jianye or related trademarks which are licensed by CCRE to CCMGT. CCRE also allows several of its related entities or other authorized third parties to use the Jianye trademark in their business operations. Such parties are engage in businesses such as property development, property management and interior decoration businesses. If such entities use such trademarks in ways that negatively affect the Jianye brand images, CCMGT's reputation could be damage, which in turn may have an adverse effect on its financial condition and results of operations.

In addition, the respective efforts (if any) of the owners or licensees to protect the Jianye-related trademark or brand name may not be adequate, and they or CCMGT may fail to identify any unauthorized use of the Jianye brand name or to take appropriate steps to enforce the rights on a timely basis, or at all, resulting in the Jianye brand's misappropriation or misuse. Any unauthorized use of Jianye related trademarks or infringement of the Jianye or related brand name may impair its value and in turn reduce the incentive for a project owner to mandate CCMGT to manage their property development projects. Any deterioration in the Jianye or related brand name may ultimately damage CCMGT's reputation and have a material adverse effect on its business, financial position and results of operations.

Risks of unable to retain its management team and qualified employees

The growth and success of CCMGT's business has depended significantly on certain members of CCMGT's directors and senior management. If CCMGT lose the services of any of its senior management for any reason, it may not be able to find suitable replacements for them in the short time. As competition in the PRC for senior management and key personnel with experience in project management industry is intense and the pool of qualified candidates is limited, CCMGT may not be able to retain the services of key personnel, or hire, train and retain high quality senior executives or other skilled employees in the future. Furthermore, as CCMGT's business continues to grow, it will need to recruit and train additional qualified persons. If CCMGT is unable to retain the services of its current key personnel and hire, train and retain senior executives and other skilled employees, its ability to develop and market its products could be harmed and its business and prospects could be adversely affected.

Policy risks on project management industry and real estate industry in the PRC

As a project management service provider, CCMGT's growth potential is, and is likely to continue to be, affected by developments in the project management industry and the real estate industry of the PRC. The PRC government promulgates new laws and regulations from time to time in relation to these industries. It has been known to reduce the land available for property development, implement tightening measures, including restrictive policies on the sale and loan of commodity housing to suppress rapidly rising property prices. It has imposed foreign exchange restrictions on cross-border investment and financing as well as on foreign investment and taxation. In general, these policies are designed to curb overheating or speculation in the domestic real estate industry and may reduce market demand for properties overall. In the event that they decelerate the overall growth of property development in the PRC, CCMGT may experience slower growth in the project management service market, which could in turn restrict its potential and efforts to expand its business. Furthermore, the PRC government implements macro-economic control measures from time to time to ensure the orderly development of the real estate market. The control measures implemented by the PRC government will affect the development of real estate projects, reducing the demand to hire project managers for their management of projects, and thus affecting the operation of its project management

business. Any adverse changes in the regulatory environment, economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of potential purchasers, resulting in lower demand for CCMGT's services and lower revenue. As such, CCMGT's business, financial condition and results of operations could be materially and adversely affected.

Failure to make adequate statutory social welfare payments for employees

PRC laws and regulations require CCMGT to pay several statutory social welfare benefits for its employees. During the Track Record Period, CCMGT did not pay in full the required contributions to the social insurance plans and the housing provident fund for a certain number of its employees in accordance with the relevant PRC laws and regulations. CCMGT's directors considered the total amount of such outstanding contributions was immaterial. As of the Latest Practicable Date, CCMGT had not received any notice from the local authorities or any claim or request from the relevant employees that require it to make payments for insufficient contributions.

Refinancing risk

Although CCMGT had net current assets as of 31 Dec 2020 and continued to record cash inflow from its operations, it may be able to maintain such position in the future. CCMGT may not have sufficient financial resources to meet its anticipated cash needs, including capital requirements, capital expenditure, repayment of its future indebtedness, if any, when it falls due and various contractual obligations. In the event that CCMGT is unable to maintain adequate cash inflows from its operating activities, or fails to obtain alternative bank and credit facilities, or fails to obtain them on reasonable terms, or at all, CCMGT's business, financial condition and results of operations may be materially and adversely affected.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Po Sum (胡葆森先生) (formerly known as Hua Jianming 滑建明), age 70, is the Chairman of CCMGT's Board, a non-executive director and Controlling Shareholder of the company. He was appointed as a director on 22 Oct 2020 and was re-designated as non-executive director and appointed as the Chairman of the Board on 6 Nov 2020. Mr. Wu is responsible for formulating the overall development and strategic planning of the group. Mr. Wu is one of the Controlling Shareholders. Mr. Wu is the father of Ms. Wu Wallis, a non-executive director of the company. Mr. Wu is also a director of several of CCMGT's subsidiaries, namely Start Ahead, CCM (HK) and Henan Start Ahead.

Mr. Hu Bing (胡冰先生), age 44, is an executive director of CCMGT. He was appointed as an executive director of the group on 6 Nov 2020. Mr. Hu is mainly responsible for overall daily operation and management of the group as well as strategic development. Mr. Hu is also a director of various subsidiaries, namely Zhongyuan Jianye and Henan Start Ahead.

Mr. Ma Xiaoteng (马晓腾先生), age 44, is an executive director of the company. He was appointed as an executive director of the group on 6 Nov 2020. Mr. Ma is mainly responsible for overall daily operation and management of the group as well as strategic development. Mr. Ma is also a director of Henan Start Ahead, CCMGT's subsidiary.

Ms. Wu Wallis (李桦女士) (alias: Li Hua), age 39, is a non-executive director of CCMGT. She was appointed as a non-executive director of the group on 6 Nov 2020. Ms. Wu is mainly responsible for supervising and reviewing the overall business development and strategic planning. Ms. Wu is the daughter of Mr. Wu Po Sum (CCMGT's Chairman, non-executive director and Controlling Shareholder).

Mr. Zhu Baoguo (朱保国先生), age 59, was appointed as an independent non-executive director of CCMGT. Mr. Zhu is primarily responsible for providing independent judgment on strategies, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Xu Ying (徐颖先生), age 38, was appointed as an independent non-executive director of CCMGT. Mr. Xu is primarily responsible for providing independent judgment on strategies, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Siu Chi Hung (萧志雄先生), age 50, was appointed as an independent non-executive director of CCMGT. Mr. Siu is primarily responsible for providing independent judgment on strategies, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Wang Jun (王军先生), age 34, is the vice president of CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for overall operation and management of CCMGT in project management business outside of Henan Province.

Mr. Ma Cheng (马成先生), age 32, is the chief financial officer of CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for overseeing the financial affairs.

Mr. Song Ziyu (宋紫宇先生), age 43, is the vice president and the general manager of the Nanyang division of CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for managing the operations of project management business in Nanyang.

Mr. Jin Feng (靳峰先生), age 41, is the vice president and the general manager of the Luoyang division of CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for managing the operations of the project management business in Luoyang.

Ms. Xue Wenling (薛文玲女士), age 44, is the general manager of the human resources and administration department and the operations management department of CCMGT. She was appointed to such position on 6 Nov 2020 and is primarily responsible for managing human resources, administration and operations departments.

Ms. He Jiaying (何佳颖女士), age 38, is the general manager of the brand management department at CCMGT. She was appointed on 6 Nov 2020 and is primarily responsible for company's brand maintenance, marketing and publicity, media and public relations.

Mr. Li Heping (李和平先生), age 63, is the general manager of the Xinjiang division and the deputy chief engineer CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for managing the operations of project management business in Xinjiang as well as guiding and supervising the design and engineering of projects.

Mr. Feng Fan (丰帆先生), age 36, is the general manager of the engineering department of CCMGT. He was appointed to such position on 6 Nov 2020 and is primarily responsible for managing engineering department.

Ms. Ho Wing Nga (何咏雅女士), is the company secretary of CCMGT. She was appointed to such position on 6 Nov 2020 and is primarily responsible for the company secretarial matters.

INDUSTRY OVERVIEW

Project management industry

Development of project management industry

According to the CIA Report, project management is a business model where a project owner with a need for real estate development delegates all or part of the design, development, construction, management or other functions of a real estate development project to a project management company with expertise in real estate development, and shares a portion of the proceeds from such real estate development project with the project management company.

Project management facilitated the separation of land acquisition and property development management, thereby improving the efficiency, quality and profitability of a given real property development project by delegating property development management to professional parties with relevant expertise.

Overview of project management industry

The project management industry in the PRC first started with government project management back in the 1990's. Along with the systematic reform of government project management and the marketization of the real estate industry in the PRC, the project management industry in the PRC has gradually developed as a separate industry from the property development industry. With the transformation of the PRC real estate industry from pursuing larger scale to pursuing higher quality and stronger capability, the project management industry gradually differentiates itself with its asset-light business model, high profitability and professional management capability. Driven by the market-oriented industry reform, these features and connotations of project management continue to evolve constantly from a narrowly defined project management focusing on the construction of real estates to a broadly defined service management with an aim to provide total solution to project owners.

In addition, certain real estate developers in the PRC also seek to enter into the project management market as part of their transformation and development in areas outside the traditional real estate development and sales businesses in order to create value with their own brands and professional development capacity. These new players in the market tend to take project management as a possible alternative to address the increasing challenges in the traditional real estate industry, such as high land acquisition costs, increasing competition, decreasing profit margin and intensifying regional differentiation.

Depending on the identity and nature of project owners, project management in the PRC is generally divided into three categories:

- **Government project management (房地產政府代建)**. Government project management is the origin of the PRC project management industry. The project owners of government project management projects are various government agencies. These government agencies initiate relevant projects but do not directly participate in the construction and management of the projects. Unlike privately invested projects whose ultimate goal is to pursue economic profit, the projects under the government project management category focus more on meeting social needs and serving political goals, such as affordable housing, museums, gymnasiums, city squares, schools or hospitals. Among the different types of projects under the government project management category, project management companies in the PRC primarily participated in the affordable, resettlement and relocation housing projects. Given the social welfare nature of these projects, the entire process from construction to distribution of relevant real properties are subject to the project owners' control, and the profit margins for government project management is generally lower than commercial project management.

- **Commercial project management (房地產商業代建).** Commercial project management has become the mainstream of the PRC project management industry in recent years. The project owners of commercial project management projects are persons or entities that are not a government agency nor a financial institution, which primarily consist of small to medium-sized real estate developers. Pursuant to the project managements entered into between the project owners and the project management companies, the project management companies take lead in the design, construction, management and sales of the projects to create value and generate proceeds for the project owners. The projects under the commercial project management category have a wide variety and cover residential properties, office buildings and commercial complex depending on the project owners' needs. Based on whether the project management companies hold equity interests in the project they manage, commercial project management can be further divided into pure service fee model and minority interest model. Under the pure service fee model, project management companies utilize their brand and provide services throughout the development process and receive management fees in accordance with the pre-agreed fee rate and milestone bonuses. Under the minority interest model, in addition to the pre-agreed management fees, project management companies hold a small portion of equity interest in the project companies, and shares the proceeds from such minority interest upon completion of relevant projects.
- **Capital Project Management (房地產資本代建).** At present, there is no clear definition of capital project management in the PRC project management industry. The key differences between capital project management and other categories of project management is that the project owners for capital project management (1) are mostly external capital and may not have actual operations in real property development and (2) may not have obtained the land use right of the subject land, and therefore the services provided by the project management companies may also include investment consultation, establishment of project company, pre-operating management and other aspects. The target project owner candidates under capital project management are mainly various financial institutions that focus on real estate investment, which have strong fund raising capability but they lack property development experience and do not have an execution team. Project management companies can provide an end-to-end total solution to help these financial institutions realize efficient investment.

Major differences between project management companies and traditional real estate property

In general, project management companies in the PRC differ from traditional real estate developers in the following aspects.

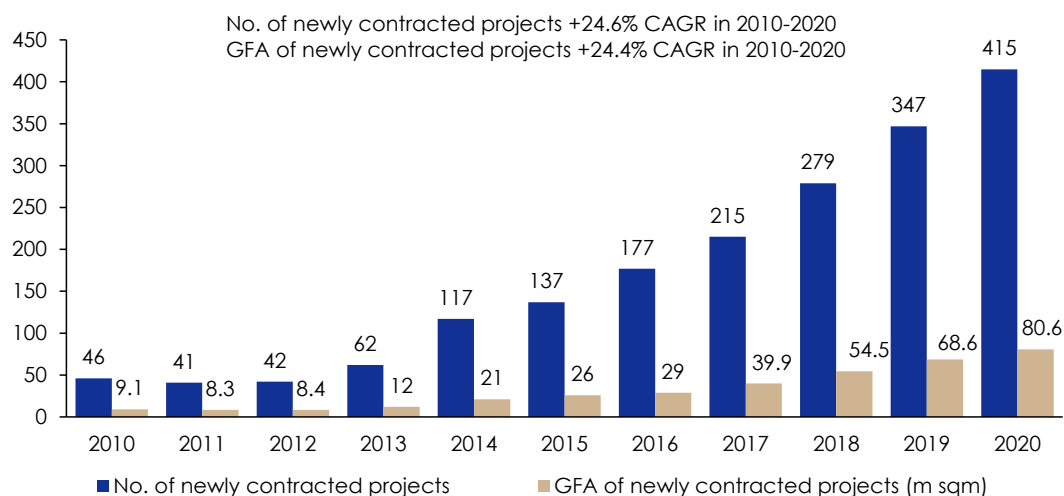
- **Asset-light operations.** Traditional real estate development is a capital-intensive business calling for both investment and property development. By contrast, project management companies are not driven by investment as they typically engage in offering project management services only and are not responsible for land acquisition. Therefore, project management companies are able to maintain a low leverage and are not dependent on external financing sources. Project management companies receive management fees or service fees in consideration for their project management services provided to the project owners based on the project owners' specific needs for different projects.
- **Resilient business model.** The business of traditional real estate developers is cyclical. By contrast, although the business of project management companies is generally more resilient and less impacted during the market downturn. For example, when the real estate market is booming, project management companies benefit from strong pipeline of projects and abundant client resources. When the real estate market is in a downward trend, the scale of project management businesses generally continues to expand as small and medium-sized real estate developers tend to leverage the brand and professional services of project management companies to withstand the cyclical risks, which enables project management companies to maintain their business at a steady level during the market downturn. The asset-light business model also allows project management companies to be more resilient during the market downturn.

- **Higher profitability.** According to the CIA Report, the net profit margin of project management business is much higher than that of traditional real estate development business, especially when the profit margin of the traditional real estate development business has been decreasing in recent years. In addition, project management can fully take advantage of the asset-light business model and brand authorization. The net profit margin of the project management industry increased steadily from 2015 to 2018, and decreased slightly in 2019 due to increased competition in the industry as a result of more project management companies entering into this market. Based on the development trend, the project management industry generally features high profitability and has a promising development potential in the future. The higher profit margin of the project management business is primarily attributable to the asset-light business model adopted by project management service providers. In addition, cost efficiency resulted from economies of scale enables project management companies to further enhance their profit margin. At present, project management companies in the PRC have generally established a system of standardized operations and built their reputation and presence in the project management industry through replicating standardized operations in different projects. At the same time, project management companies can also provide customized services by adjusting product design and specifications to better fulfil project owners' needs.
- **Free structure.** Project management companies generally charge their management fees for the services they provide under two models, which shall be specified in their respective project management agreements with project owners. Under pure management fee model, in which a project management company only receives the management fee for project management services it provides to the project owners; and under the minority interest model, project management companies hold a minority interest in their respective project companies (typically below 30%) and therefore are able to share the proceeds from sales of properties upon completion of the projects in addition to the management fees charged by them. Therefore, minority interest model is a combination of return on capital investment and project management fee, which enables project management companies to share potential upside and undertake development risks of a given project.
- **Cost sharing mechanism.** Project management companies generally operate under an asset-light business model. As such, project owners are responsible to raise funds needed for the entire project development and construction. As the project management service provider engage by the project owners, project management companies are in charge of the overall project management and have the right to make suggestions and participate in the decision making process on some pre-agreed matters, such as determination of the third party contractors, design firms and suppliers. However, such third party vendors would enter into construction or supply agreements directly with the project owners, rather than with the project management companies, and the project management companies are not required to bear relevant costs of construction. As a result, the costs to be borne by the project management companies primarily consist of staff costs, office lease expenses, marketing expenses and administrative expenses, and staff costs in connection with employees (excluding salaries, travel and accommodation expenses, benefits and bonuses for personnel seconded to the project companies) are the core component which contribute to approximately 80% of the total costs.

Development of PRC project management industry

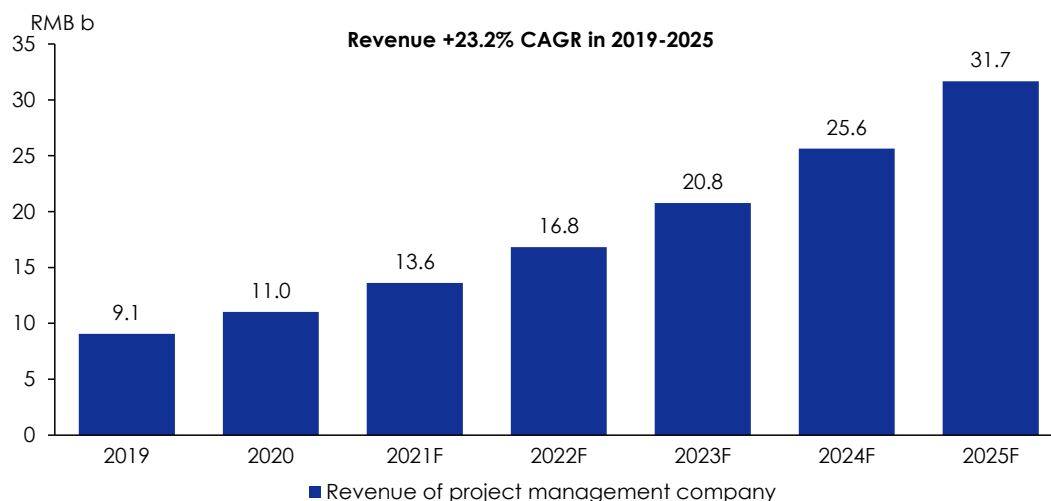
The PRC project management industry is growing rapidly. From 2010 to 2020, both the number and GFA of newly contracted projects in the PRC project management market increased at CAGRs of over 24.0%, respectively.

Number and GFA of newly contracted projects from 2010 to 2020



Source: China Index Academy

Revenue trend and forecast of the PRC project management market from 2019 to 2025



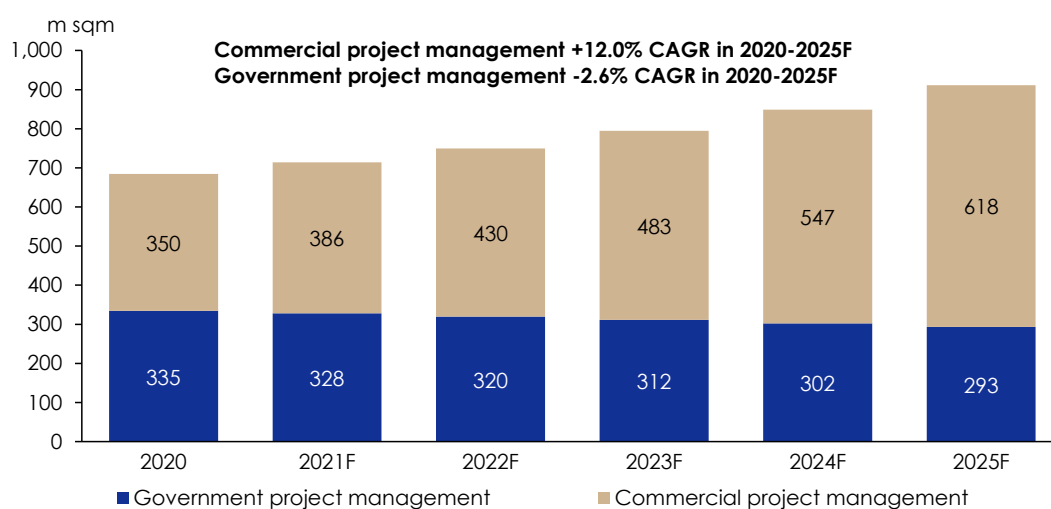
Source: China Index Academy

From 2015 to 2019, the total revenue of the project management industry increased rapidly from RMB2.7b to RMB9.1b, representing a CAGR of 34.8%, while the total net profit of the project management industry also increased rapidly from RMB0.7b to RMB2.3b, representing a CAGR of 37.6%. In spite of the rapid development, despite the overall scale of the project management industry is still relatively small, it has high growth potential. According to the CIA Report, the revenue of the PRC project management market is expected to grow from RMB9.1b in 2019 to RMB31.7b in 2025, representing a CAGR of 23.2%. The chart above sets forth the market size (in terms of revenue) of the PRC project management industry from 2019 to 2025.

Outlook and drivers of PRC project management industry

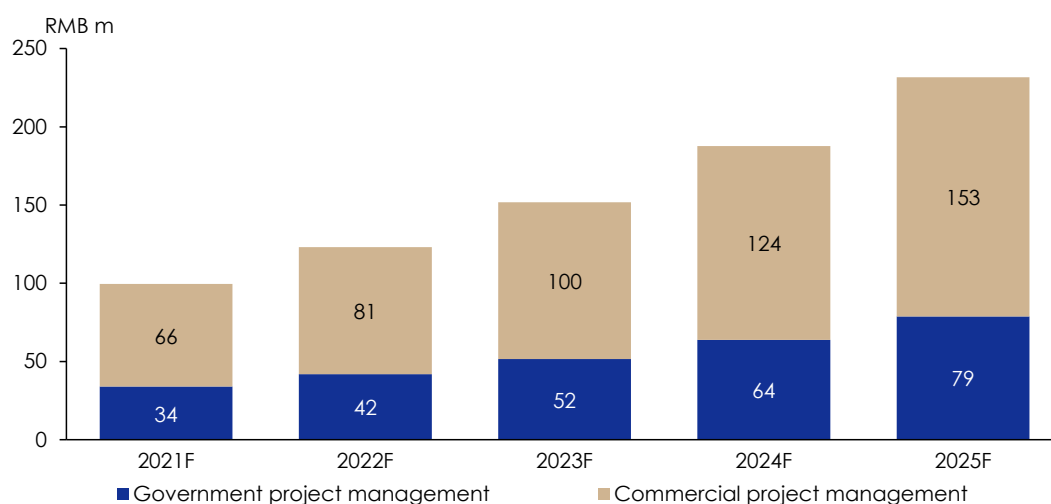
According to the CIA Report, the potential PRC project management market is expected to continue to grow from c. 684.4m sq.m in 2020 to c.911.1m sq.m in 2025. In 2020, the PRC commercial project management market was 349.m sq.m with 265.7m sq.m contributed by residential properties, which is expected to grow to 617.9m sq.m in 2025 with 486.9m sq.m contributed by residential properties. According to China Index Academy, the market forecast data were compiled based on (1) the potential demand for project management services from small/mid-sized real estate developers and financial institutions, (2) the data published by the PRC government in connection with resettlement housing and (3) the potential demand for project management services to develop idled land parcels with relevant assumptions.

Forecast of potential PRC project management market, 2020-2025



Source: China Index Academy

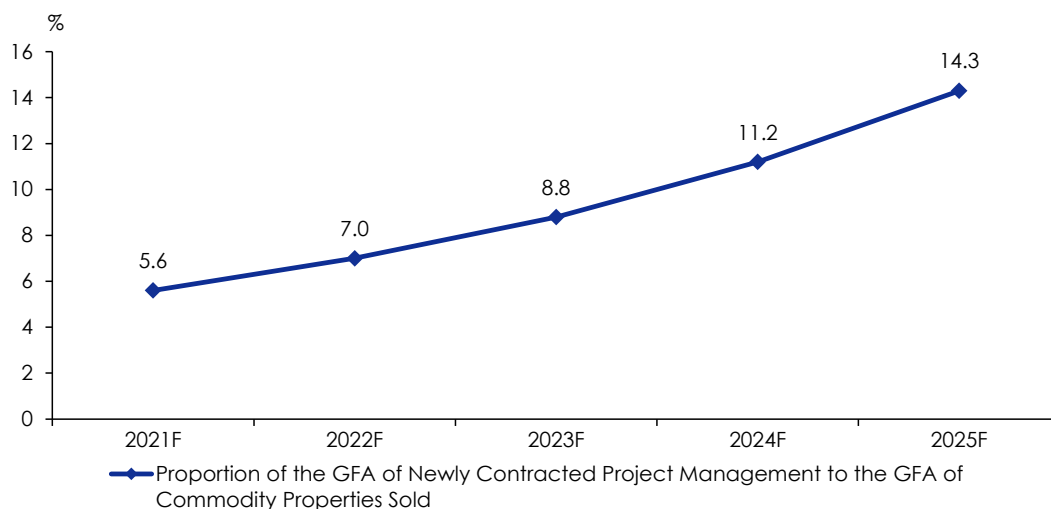
Forecast of newly-contracted GFA in the PRC project management market, 2021-2025



Source: China Index Academy

It is expected that the newly-contracted GFA in the PRC project management market will continue to grow. By 2025, it is expected that the newly-contracted GFA will reach 231.6m sq.m in 2025, among which approximately 66.0% were contributed by commercial project management. Currently, the market size of project management in terms of newly contracted GFA represents 3.0% to 5.0% of the GFA of commodity properties sold according to China Index Academy. By 2025, the project management market in terms of accumulated newly contracted GFA is expected to reach 790.0m sq.m under the optimistic estimate and 630.0m sq.m under the neutral estimate, respectively, representing 14.3% and 9.5% of the commodity properties sold in the PRC.

Proportion of the GFA of newly contracted project management to the GFA of commodity properties sold, 2021-2025



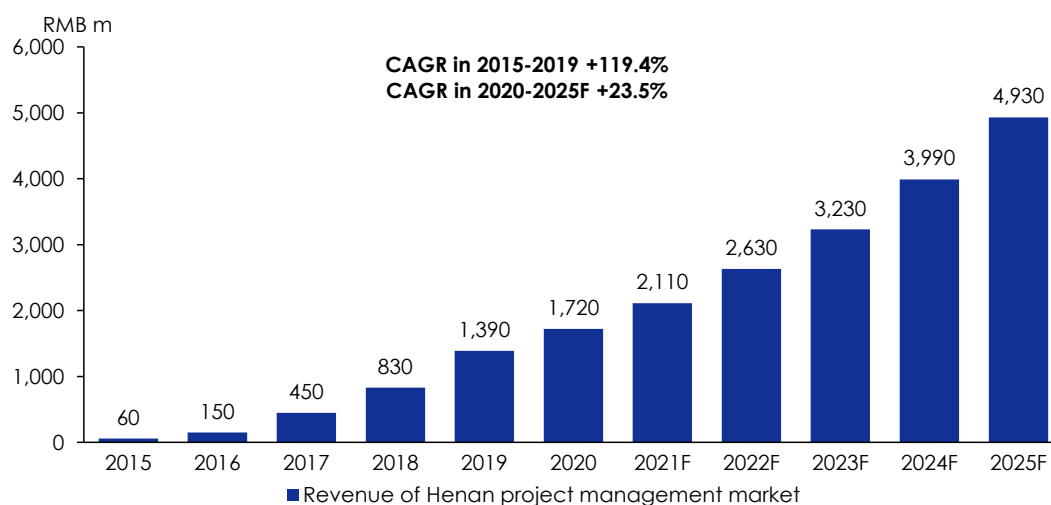
Source: China Index Academy

Outlook for the project management industry in Henan

Henan is located in the central China region, spanning across 122 cities at or above the county level. Henan had the largest registered population in the PRC in 2019. According to China Index Academy, the nominal GDP of Henan increased from c.RMB3,493.8b in 2014 to approximately RMB5,499.7b in 2020, representing a CAGR of 7.9%. In 2019, the urbanization rate in Henan is 53.2%, which is 7.4% lower than the national average, which implies a great potential of growth for the Henan real estate development and project management industries as the urbanization rate in Henan approaches the national average going forward.

According to the CIA Report, the total revenue of the project management industry in Henan increased rapidly from RMB60m in 2015 to RMB1.4b in 2019, representing a CAGR of 119.4% as the market was in an early stage of development with lower base, which is expected to further increase to RMB4.9b in 2025, representing a CAGR of 23.5%.

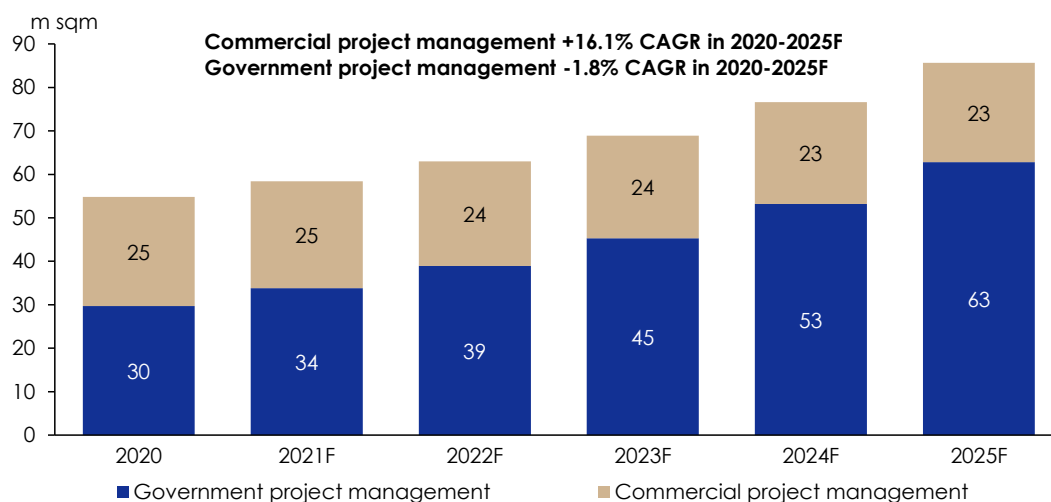
Revenue trend and forecast of Henan project management market, 2015-2025



Source: China Index Academy

According to CIA, the potential size of the project management market in Henan is expected to increase from c.54.8m sq.m in 2020 to c. 85.7m sq.m in 2025. In 2020, the commercial project management market in Henan was 29.7m sq.m with 24.1m sq.m contributed by residential properties, which is expected to grow to 62.8m sq.m in 2025 with 52.6m sq.m contributed by residential properties. In addition, commercial project management contributed to c.54% of the total potential project management market in Henan in 2020, which is expected to further increase to c. 73% of the total project management market in Henan in 2025, and the potential size of the commercial project management market in Henan is expected to grow from c.29.7m sq.m in 2020 to c.62.8m sq.m in 2025, according to CIA. According to China Index Academy, the market forecast data were compiled not merely based on newly contracted GFA, but were compiled based on (1) potential demand for project management services from small/mid-sized real estate developers and financial institutions, (2) the data published by the PRC government in connection with resettlement housing and (3) the potential demand for project management services to develop idled land parcels with relevant assumptions.

Forecast of potential project management market in Henan, 2020-2025



Source: China Index Academy

Future development of project management value chain

While the PRC project management industry was originated from government project management, commercial project management has become the mainstream and contributed to a majority of number and GFA of projects in recent years, according to the CIA Report. Going forward, it is expected that more financial institutions would participate in the industry along with the continued expansion of the PRC real estate market and increase in asset values, which will drive the emergence of capital project management.

In addition, project management companies are expanding their service scope gradually from residential properties to commercial and office properties. The expansion made through creating an industrial ecosystem of connecting the upstream and downstream of the real estate industry chain and providing and optimizing professional services will effectively improve the value of the project.

With the continued evolution of the project management market, project management companies gradually integrate all resources along the project management value chain to offer value-added services and further enhance operation efficiency. For instance, the Jianye standard developed by CCMGT is aimed to integrate all resources in the industry value chain through the established network of its contractors, suppliers, affiliated entities and business partners, project owners and ultimate property buyers in order to offer high quality products and services to ultimate property buyers and maximize the return for project owners. In the future, CCMGT will continue to cooperate with participants in the project management value chain and build a sustainable and healthy ecosystem.

Future growth drivers

Strong demand from small- to medium-sized real estate developers: Small to medium-sized real estate developers contributed to a substantial portion of the PRC real estate market. However, such small to medium-sized real estate developers generally encounter challenges such low brand awareness, weak product capability and high property development cost as the competition in the PRC real estate market continue to intensify. In addition, it has become increasingly difficult for property developers to obtain land appreciation premium from property development because of the decreasing profit margin of traditional property developers. As such, strong demand for project management by small and medium-sized property developers to react to these challenges has become an important driving force in the PRC project management market.

Demand from non-real estate developers: For companies that are not real estate developers but hold land parcels for development, either for residential, office or other commercial uses, may require professional support from project management companies that specialize in the construction of relevant properties and the operations of real estate companies. These companies lack the capabilities and experience in real estate development and project management, providing a potential market for project management companies with good reputation.

Pursuit for high quality residential properties: With the continued economic growth in China, property buyers in China are generally seeking to improve their living standard, which creates strong demand for high quality residential properties. However, local/regional real estate companies with limited capabilities may not be able to meet the evolving needs and preferences of property buyers in China. This drives such local/regional real estate companies to seek cooperation with project management companies with more experience and stronger product innovation capabilities to develop higher end real estate products.

Demand for public housing and urban renovation: During the period of the 13th Five Year Plan (2016–2020), the construction of public housing has become an important goal of China's housing policy, and it was planned to renovate 20m units of urban shantytowns. Since 2019, the PRC government further promulgated a series of administrative measures to support the initiatives of old town reconstruction and urban renovation, which will become an important pillar of the public housing development industry in the PRC in the future. According to CIA, old urban residential areas that need to be reconstructed in the PRC may involve millions of households, and the statistics published by the State Council in Jul 2020 indicated that 39,000 old urban communities, entailing approximately seven million households, had commenced renovation works in 2020. It is expected that the demand for public housing and urban renovation will continue to be a growth driver for the government project management in the PRC.

Participation by financial institutions: Based on the experience of real estate markets in developed countries, financial investors with capital resources are expected to become important participants in a mature real estate market. Financial institutions which invest in real estate development projects generally do not possess relevant property development experience. They are likely to seek project management service providers' assistance to manage the projects for them, thereby generating more business opportunities for project management companies. In addition, such financial institutions may also rely on leading project management companies' well-recognized brands to manage their projects and to market their real estate projects, which also helps drive growth of project management business. In addition to overseeing and managing the construction of a real estate development project, project management companies may also provide investment advice and other consulting services to financial investors, thereby further increasing the number of projects under management and enlarging the overall size of the project management market. In the future, project management companies' access to capital and financial resources is expected to become one of the key factors for their continued development and expansion.

The potential impact of Covid-19

Due to the outbreak of the Covid-19 pandemic, the PRC real estate market experienced a downward trend in the first half of 2020, with GFA of commodity properties sold in the same period falling 8.4%. According to the CIA Report, the PRC real estate market gradually started to recover since Mar 2020 and the pace of recovery in tier-1 and -2 cities are generally faster than that in other cities. For the PRC project management market, the outbreak of Covid-19 pandemic resulted in delays in the timetable for certain projects under management for a short period of time. As of Jun 30, 2020, except for projects located in certain areas in China where the risk level of Covid-19 pandemic is still marked as mid to high, projects located in other areas have generally resumed their construction and development. While China's real estate development investment completed decreased 16.3% in Jan and Feb 2020 when compared with the same period in 2019, the real estate development investment completed in the first half of 2020 increased 1.9% when compared with the same period last year.

According to CIA, the asset-light business model adopted by project management companies has lower working capital and cash flow requirements, and therefore the liquidity of project management companies in the PRC are generally less impacted by the Covid-19 pandemic. According to CIA, the project management industry in China is expected to have strong market demand even after taking into account the outbreak of Covid-19 pandemic primarily because it becomes a more attractive way to develop property, compared with traditional property development, in that it offers featured products and strong execution capabilities to small and medium-sized property developers and helps them improve the return rate of the projects. As a result, the proportion of project management out of the overall real estate development in China is expected to continue to increase, which is expected to partially offset the potential adverse impact brought by the Covid-19 pandemic.

Competitive landscape of the PRC project management industry

Competitive landscape in the PRC

Due to the transformation of PRC real estate developers to establish project management business which lead to more participants entering into this market in recent years, the accumulated contracted GFA of the project management industry from 2010 to 2020 increased rapidly. In particular, the accumulated contracted GFA from 2018 to 2020 reached 203.7m sq.m, representing 57.0% of the total accumulated contracted GFA of the project management industry from 2010 to 2020.

Market share of PRC project management industry by different metrics

In terms of aggregate GFA sold for project owners in 2020		In terms of revenue in 2019**		In terms of newly contracted GFA in 2020		In terms of 2018 to 2020 accumulate newly contracted GFA	
Top-five project management companies	Market share (%)	Top-five project management companies	Market share (%)	Top-five project management companies	Market share (%)	Top-five project management companies	Market share (%)
CCMGT	29.2	Company A	22.0	Company A*	23.1	Company A*	28.0
Company A	28.6	Company D	11.6	CCMGT	10.6	Company B*	10.3
Company B	12.0	CCMGT	11.4	Company E*	9.5	CCMGT	10.1
Company C	8.8	Company E	6.2	Company B*		Company E*	6.4
Company D	3.2	Company J	4.3	Company F*		Company F*	6.2

* Including (1) newly contracted GFA for government project management projects and (2) newly contracted GFA manage by third party business partners. **According to CIA, the 2020 revenue of certain project management companies are not yet available.
Source: China Index Academy

The key market players in the PRC project management industry are nationally or regionally brand project management companies and real estate developers according to the CIA Report. According to CIA, the top five project management companies in the PRC contributed 59.4% of newly contracted GFA in 2020, representing a high concentration of the market. In general, companies such as CCMGT which have made asset-light project management as their core development strategy have relatively higher market shares. Other players with relatively slower development and a smaller market share in real estate industry only conduct project management as a supplementary business and an additional source of income.

The regional layout of the project management companies is generally consistent with the national real estate policy and planning and business strategies of project management companies. It is expected that the five major metropolitan areas (Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Middle Reach of Yangtze River, Chengyu) and regions with large population and convenient transportation network, such as Shandong Peninsula and Central Plains Urban Agglomeration, will become key development areas of project management in China.

Competitive landscape in Henan

According to the CIA Report, land parcels for residential and commercial use in Henan that were acquired by real estate developers with a total sale amount over RMB10b only represented 19% of the total site area of land parcels in Henan for residential and commercial uses acquired by all real estate developers in 2019. As a result, small-sized real estate developers remain to be major players in the Henan real estate market. As the intensified competition in the local real estate market, it has become increasingly difficult for small-sized real estate developers to independently complete real estate development projects, and the demand for project management companies with strong brand recognition and execution capability continued to be high as these small-sized real estate developers seek to develop their land parcels in an efficient manner. CCMGT has a long operating history in Henan and is the dominant player in the market.

Market share of Henan project management industry by different metrics

(1) in terms of aggregate GFA sold for project owners in 2020		(2) in terms of newly contracted GFA in 2020		In terms of 2018 to 2020 accumulated newly contracted GFA	
Top three project management companies in Henan	Market share (%)	Top three project management companies in Henan	Market share (%)	Top three project management companies in Henan	Market share (%)
CCMGT	82.6	CCMGT	70.2	CCMGT	69.2
Company A	11.3	Company A	13.8	Company A	15.6
Company G	2.2	Company H	7.0	Company I	6.4

Source: China Index Academy

Industry barriers and CCMGT's competitive strengths

According to the CIA Report, the most critical entry barriers for new participants in the PRC project management industry are the company's brand value and its ability to penetrate into local markets. In addition to the well-recognized brand and ability to penetrate into local market, project management companies also compete against their abilities to offer comprehensive services, to coordinate resources for achieving higher efficiency and to provide quality project management services.

Significant brand value. The Jianye brand is well-recognized and ranked No. 1 among the "2020 Top-10 Real Estate Enterprise Brand Value in Central China", according to a research conducted by the China Real Estate Top-10 Research Group. In addition to its significant brand value, CCMGT maintain higher practice standards than the industry peers, which is beneficial for brand marketing, property sales and the further increase in the brand value. Benefiting from the renowned Jianye brand reputation and the quality products and services, CCMGT's project owners can achieve strong sales performance and their respective projects generally enjoy a premium on selling price when competing against similar products in adjacent areas, according to China Index Academy. For example, according to CIA, the Zhumadian Jianye Chang (駐馬店建業城) project in Henan that it were engage to provide project management services enjoyed a significant pricing premium, with the average selling prices being approximately 18% higher than those of comparable properties in adjacent areas in the same year.

Deep penetration within local province. The real estate and project management markets in different geographic areas may vary significantly. As such, familiarity and insights to local markets, in particular the project owners' specific needs and ultimate property buyers' evolving preferences, are crucial to the success of project management service providers. CCMGT strategically focused on Henan and as of 31 Dec 2020, it had a total of 193 commercial project management in Henan with an aggregate GFA of approximately 24.2m sq.m, which covered a vast majority of cities in Henan of the county-level or above. Deeply rooted in Henan, CCMGT's deep knowledge enabled it to become the dominant player in the Henan project management market.

Comprehensive services offering. Leveraging its abundant experience and know-how in project management, CCMGT offers comprehensive services to project owners from project research and approval, project design and planning, construction and cost management, promotion and sales management to delivery of the final property to the ultimate property buyers. The total solution CCMGT provide ensures that the quality of every stage of a project satisfies its established quality control system. CCMGT's comprehensive services offerings that cover the entire life span of property development and its emphasis on quality lead to a wide recognition of the Jianye brand by project owners and ultimate property buyers. As a result, CCMGT is able to adopt to the different markets ranging from capital cities to county-level cities, and to satisfy the varying need of the different target customers.

Established network to coordinate resources. For project management companies, the ability to coordinate resources in each stage of the project management process is crucial for achieving higher efficiency and profitability. Through long-term cooperation with quality contractors and suppliers in its established network, CCMGT has accumulated a large number of business partners that not only share market insights with it, but also enable it to expand into new markets and replicate its success in an efficient manner. CCMGT also benefit from its ability to coordinate resources in attracting project owners and winning new projects, which is key to its long-term success.

Quality property management services. Property management is an essential part for quality residential properties, and has become a core part of after-sales services provided by real estate developers to enhance customer satisfaction and brand recognition. Central China New Life, an affiliate of CCMGT and a professional property management enterprise with an excellent track record, provides property management services to all properties under CCMGT management. As such, CCMGT is able to ensure and maintain its high quality services after the properties under management are delivered to the ultimate property buyers.

Central China Management | 9982 HK – financial summary

Profit and loss

FYE 31 Dec (RMB m)	2019	2020	2021F	2022F	2023F
Revenue	1,029	1,152	1,395	1,803	2,242
Other income	2	6	7	8	9
Personnel cost	-134	-168	-209	-271	-336
Depreciation & amortization	-8	-13	-19	-29	-44
Listing expenses	-	-10	-19	-	-
Other operating expenses	-27	-39	-49	-63	-78
EBIT	861	927	1,105	1,448	1,792
Expected credit losses	-3	-14	-	-	-
Net financial income (exp.)	0	0	0	0	-1
JVs & associates	0	-1	-	-	-
Profit before tax	861	926	1,105	1,448	1,792
Tax	-217	-231	-279	-366	-453
Total profit	644	695	825	1,082	1,339
Net profit attributable to shareholders	641	681	825	1,082	1,339
Reported EPS (RMB)	0.20	0.21	0.25	0.33	0.41
Diluted EPS (RMB)	0.20	0.21	0.25	0.33	0.41
Core EPS (RMB)	0.20	0.21	0.25	0.33	0.41
Dividend (RMB)(m)	-	-	495	649	803
DPS (RMB)	-	-	0.15	0.20	0.24

Cash flow

FYE 31 Dec (RMB m)	2019	2020	2021F	2022F	2023F
Profit before tax	861	926	1,105	1,448	1,792
Depreciation & amortization	8	13	15	19	22
Non-cash items adjusted	-1	-17	-7	-8	-9
Change in working capital	21	-93	742	-123	-156
Tax paid	-218	-214	-279	-366	-453
Operating cash flow	672	615	1,577	970	1,196
Capex	-18	-4	-12	-17	-22
Investment	-4	-	-	-	-
Net interest received (paid)	1	5	-	-	-
Other	-23	-375	7	8	9
Investment cash flow	-43	-374	-5	-9	-13
Equity issues	-	-	957	-	-
Dividend paid	-320	-200	-223	-565	-719
Other	-49	-2	-	-	-
Financing cash flow	-369	-202	734	-565	-719
Change in cash flow	260	39	2,306	396	465
Cash & equivalents, begin	85	345	385	2,691	3,087
Cash & equivalents, end	345	385	2,691	3,087	3,552

Source: Company data, CCBIS estimates

Balance sheet

FYE 31 Dec (RMB m)	2019	2020	2021F	2022F	2023F
Cash & equivalents	345	385	2,691	3,087	3,552
Receivables	804	1,017	203	234	269
Contract assets	194	238	310	402	523
Total current assets	1,344	1,640	3,204	3,723	4,344
PPE/Investment property	24	24	19	15	13
Intangible assets	2	1	3	4	6
JV & associate	4	3	3	3	3
Other non-current assets	3	7	7	7	7
Total non-current assets	33	35	31	29	28
Total assets	1,377	1,675	3,235	3,752	4,372
Presale deposit	569	589	589	589	589
Other current liabilities	57	74	74	74	74
Total current liabilities	626	663	663	663	663
Other non-current liabilities	5	5	5	5	5
Total non-current liabilities	5	5	5	5	5
Total liabilities	631	668	668	668	668
Share capital	150	-	957	957	957
Reserves and retained profits	597	1,007	1,610	2,127	2,748
Shareholders' equity	747	1,007	2,567	3,085	3,705
Total equity	747	1,007	2,567	3,085	3,705
Total equity and liabilities	1,377	1,675	3,235	3,752	4,372

Ratios

FYE 31 Dec	2019	2020	2021F	2022F	2023F
Growth (%)					
Revenue	52.1	12.0	21.1	29.3	24.3
EBITDA	57.6	8.1	19.2	30.9	23.7
EBIT	56.6	7.7	19.1	31.1	23.7
Net profit	58.7	6.3	21.1	31.1	23.7
Core net profit	58.7	6.3	21.1	31.1	23.7
Profitability (%)					
EBITDA margin	84.5	81.6	80.3	81.3	80.9
EBIT margin	83.7	80.5	79.2	80.3	79.9
Net margin	62.3	59.2	59.2	60.0	59.7
Core net margin	62.3	59.2	59.2	60.0	59.7
Tax rate	25.2	24.9	25.3	25.3	25.3
Returns & leverage (%)					
ROAA	49.8	44.7	33.6	31.0	33.0
ROAE	90.1	77.7	46.2	38.3	39.4
Payout ratio	-	-	60.0	60.0	60.0
Liquidity (x)					
Current ratio	2.1	2.5	4.8	5.6	6.6
Quick ratio	1.8	2.1	4.4	5.0	5.8

Rating definitions:**Outperform (O) – expected return > 10% over the next twelve months****Neutral (N) – expected return between -10% and 10% over the next twelve months****Underperform (U) – expected return < -10% over the next twelve months****Analyst certification:**

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