

# Greentown Management (9979 HK)

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## Initial Coverage

### BUY

**Close price:** HK\$2.79

**Target Price:** HK\$4.50 (+61.3%)

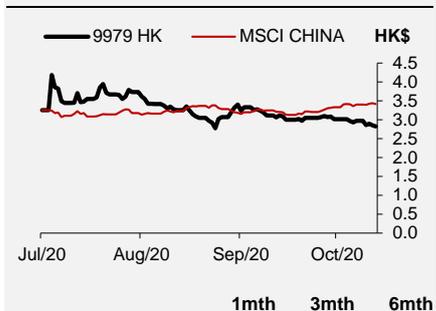
**Prior TP:** N/A

#### Key Data

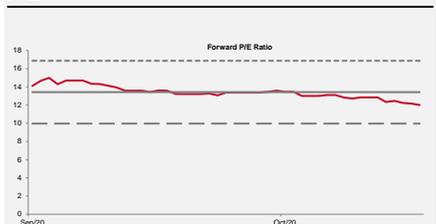
HKEx code	9979
12 Months High (HK\$)	4.40
12 Month Low (HK\$)	2.60
3M Avg Dail Vol. (mn)	7.19
Issue Share (mn)	1,957.98
Market Cap (HK\$mn)	5,462.75
Fiscal Year	12/2019
Major shareholder (s)	Greentown China(73.1%)

Source: Company data, Bloomberg, OP Research  
 Closing price are as of 09/01/2020

#### Price Chart



#### PE



#### Company Profile

Greentown Management provides a full range of consultation and management services during the property development process. According to China Index Academy, it is the largest project management company in the PRC real estate market in 2019.

## New treasures in the property market

- Shining outlook for project management with CAGR of 23.5% 2019-2024
- Greentown Management as the leader in the market with proven growth record
- Initiate BUY with TP of HK\$4.50 based on 19.3x/16.9x FY20E/21E PER

**Rising trend of construction outsourcing.** We see more small and medium-sized developers will choose to use project management services under intensifying competitions and increased demand for quality housing. China Index Academy expects the market to grow at 23.5% CAGR from 2019 to 2024.

**Strong competitive edge with visible earnings outlook.** Greentown Management is the no.1 player in the market thanks to the reputation of "Greentown". At the moment, the value of commercial project management contracts not yet book as revenue is more than RMB 9bn, equivalent to ~4.5 times of total revenue in FY19, pinpointing visible earnings outlook.

**Proven growth record, financial services as the next earnings driver.** Greentown Management adopts asset-light model, allowing it to grow fast without much capital commitment. In terms of GFA under management, it achieved 37% CAGR between Dec 17 and Dec 19. Financing services will be another growth driver as it serves the financial needs of smaller property developers in a deleverage environment. We also argue the Company will begin paying dividends in FY21E on the back of strong free cash flow.

**Initiate with BUY.** We initiate BUY with target price at HK\$4.50 which represents 19.3x/16.9x PER FY20E/21E. Greentown Management's current valuation is undemanding at only 8.7x P/FCF for FY21E, with high likelihood of paying dividend. We are convinced that Greentown Management will be major beneficiary in this fast growing sub-segment given strong brand recognition and solid project management experience. In addition, we foresee there will be more property developers proposing to spin-off their project management business which may trigger re-rating of the Company.

**Risks:** (1) Worsened China property market environment, (2) Hampered reputation, (3) Margin erosion due to reliance on business partners and market competition

#### Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY18	FY19	FY20E	FY21E	FY22E
Revenue	1,481	1,994	2,316	2,941	3,618
Growth (%)	45.8	34.6	16.2	27.0	23.0
Adjusted Net Profit	333	355	342	450	554
Growth (%)	n.a.	6.9	(3.9)	31.6	23.2
Diluted EPS (HK\$)	0.276	0.280	0.234	0.266	0.328
EPS growth (%)	37.8	1.5	(16.7)	14.0	23.2
ROE (%)	46.3	26.3	13.0	13.8	15.0
P/E (x)	10.1	10.0	11.9	10.5	8.5
P/B (x)	4.0	2.2	1.4	1.4	1.2
Yield (%)	0.0	0.0	0.0	2.9	3.5
DPS (HK\$)	0.000	0.000	0.000	0.080	0.098

Source: Bloomberg, OP Research

## Hitting pain points in property development

Being an emerging China property sub segment with expected CAGR of 23.5% between 2019-2024<sup>1</sup>, property project management aims to raise profitability and efficiency while minimize risk for developers.

Project management is particularly helpful to smaller-sized property developers for survival in face of industry consolidation. It is also welcomed by inexperienced property developers, SOEs, financial institutions and local governments as they need industry expert to raise efficiency and quality for the housing and infrastructure projects.

### Exhibit 2: Typical Customers who want to cooperate with project management companies

Customers	What they have	What they want
Small to medium private property developers, or private companies	- Land resources	- Better return with lower risk, - Better sources of capital(to lower financial cost)
SOEs	- Land resources - May have lower financing costs	- Quality product - Industry expertise in project management
Financial institutions	- Land and/or financial resources	- Industry expertise - Project sourcing
Local Governments	- Project pipelines (like the public housing development, urban renewal, and community reconstruction)	- Quality product(which meet their standard) - Construction management

Source: Company

### Exhibit 3: Typical pain points in developing property and benefit of using project management services

Pain points	Services that project management companies can provide	Benefits
Lack of expertise	- Comprehensive professional services from land acquisition to property sales	- Better cost control, quality and operating efficiency - Speed up of project cycle - Better risk management especially in times of industry downturn
Lack of brand reputation	- Authorization of brand that the project management company represents	- Higher ASP - Better brand awareness and competitiveness
Tight cash flow and financial resources	- Financial collaboration services( introduce investors/capitals to property owners) - Direct capital contribution to the project	- Better financial facilities

Source: Company

<sup>1</sup> Forecast by China Index Academic

## Clear leadership with visible earnings outlook

Greentown Management is an expertise to provide all-rounded project management services covering the entire life span of property development. In 2019, Greentown Management was the no.1 player in terms of contracted GFA, and was far ahead of competitors.

Greentown adopts asset-light model which does not require much capital for rapid expansion. It achieved rapid growth in recent years thanks to its solid reputation and increasing cooperation with business partners. From Dec 17 to Dec 19, the number of project on hand doubled to 260 from 129 while GFA under management grew at a CAGR of 37%.

Exhibit 4: Greentown Management's market share and business scales



Source: China Index Academy, Company

We believe the existing projects under management can be converted into highly visible sales growth going forward.

For commercial project management, we estimate that the total value of contracted sales of projects it involved to exceed RMB 400bn based on the ASP of contracted sales (RMB 15,100) and GFA under management (44.3mn sqm) in 1H2020.

We understand from Greentown Management that **the value of commercial project management contracts not yet book as revenue is more than RMB 9bn**, which is equivalent to ~4.5 times of FY19 revenue.

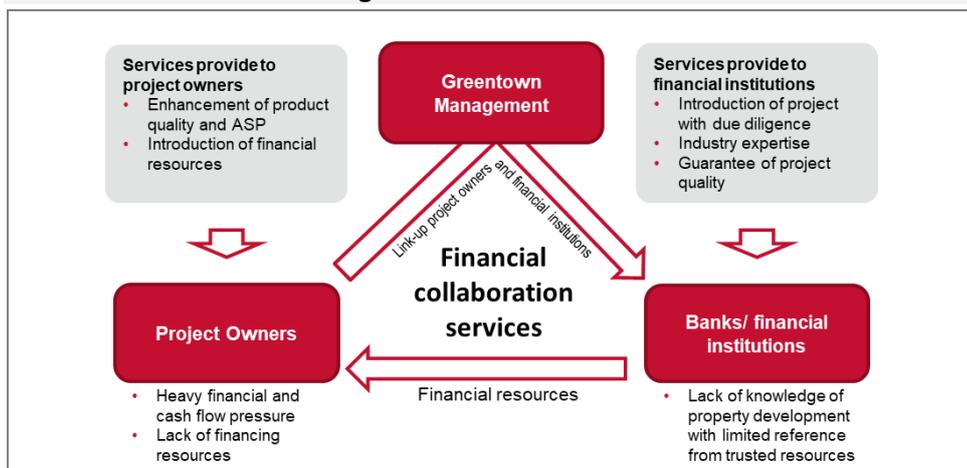
Addressing to the concern about customers' financial risk, we argue it is well manageable to Greentown in the sense that: (i) it receives service fee based on percentage of completed (mainly staff costs) for each project, resulting in minimal receivable risk, and (ii) it does not own the project. Moreover, most of its business partners had worked in Greentown before and they have good understanding of the Greentown's corporate culture, which will smooth the alignment of the service quality in partnered projects.

### Financial services as the new earnings driver

Greentown Management provides financial services as a supplement to the project management services. It recently launched financial collaboration services which the Company links projects owners and financial institutions, thereby facilitating project owners to seek capital from financial institutions. Also, it plans to provide capital contribution solutions to project owners in form of liquidity support, debt financing and equity investment.

The above services are especially attractive for small and medium-sized developers under tight credit condition. We see the Company could leverage on its healthy balance sheet to promote financial services, thereby soliciting more customers and adding onto earnings growth for the Company in near term.

**Exhibit 5: Greentown Management’s financial collaboration services**



Source: Company

## Earnings Forecast

### 17%/20%/18% growth in GFA under management

Greentown Management reported 6.9% yoy growth in total GFA of contracted projects as in Jun 2020, as dragged by temporary business disruption due to Covid-19. Even so, we believe business activities in 2H20E will resume and the full year FY20E GFA of contracted projects will increase 17% yoy, followed by 20%/18% growth in 21E/22E.

We noted that the proportion of self-operated project (which has higher GPM) to overall commercial projects increased to 40.9% in Jun 20 from 38.3% in Dec 19 and we expect the trend will continue. The Company targets self-operated commercial projects to be 50% of the total commercial project in long term.

Exhibit 6: Forecast of GFA under management



Source: Company

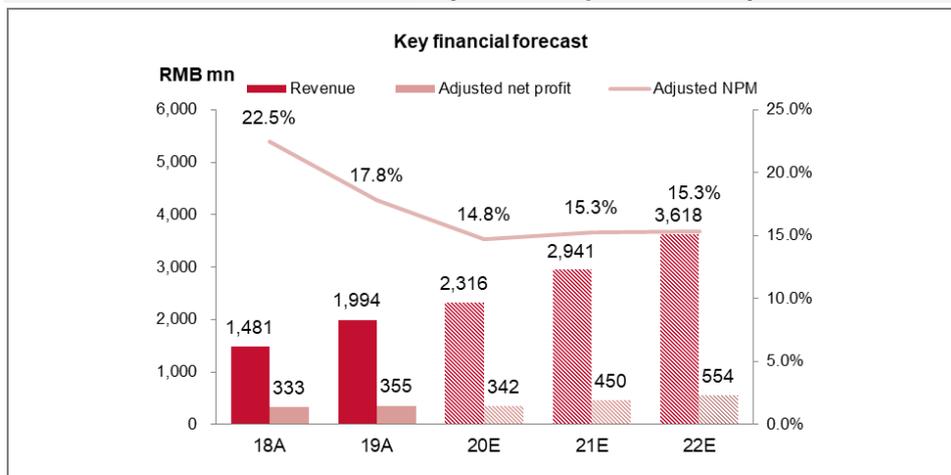
### Net profit CAGR of 27.4% from FY20E to FY22E

We forecast 27.4% CAGR in adjusted net profit to shareholders (excluding listing fees, discontinued businesses) between FY20E to FY22E, on the back of 25.0% CAGR in revenue.

We expect the Company adjusted net profit in FY20E to be RMB342mn. This is mainly due to the delay of construction and sales progress by 1-2 months during the Covid-19 pandemic in 1H20. After that, we expect the increase in GFA under management will be main earnings driver that the earnings growth will accelerate to 32%/23% in FY21E/FY22E.

Also, we see improved portfolio mix of more commercial projects will help stabilize profit margins. We expect the adjusted net profit will bottom at 14.8% in FY20E, and then stabilize at 15.3% in FY21E and FY22E.

Exhibit 7: Forecast of Revenue, adjusted net profit and adjusted NPM



Source: OP research

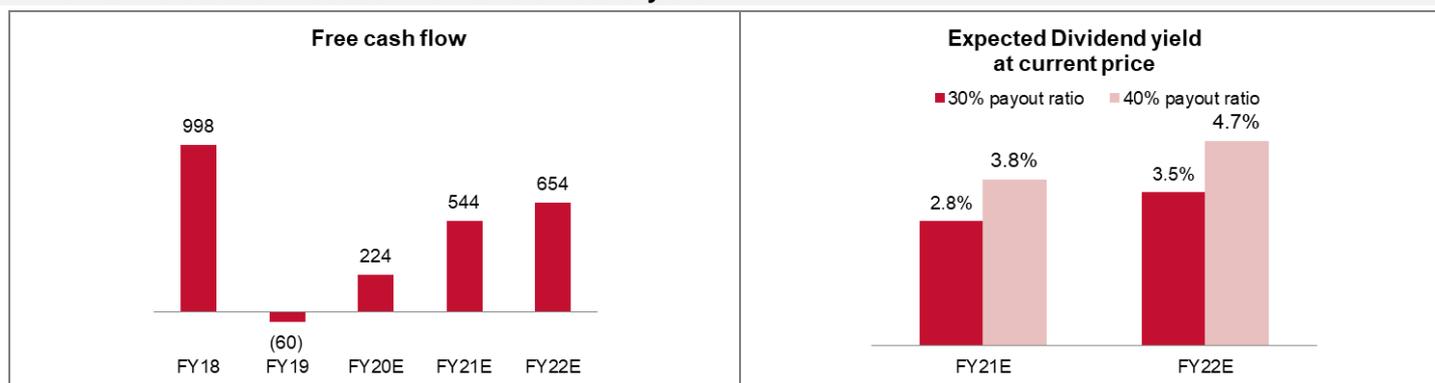
## 2.8% FY21E dividend yield on robust free cash flow

We believe Greentown Management will commence paying dividend soon: (1) the net cash status, (2) low capital commitment for expansion, and (3) the strong free cash flow (RMB 544mn/RMB654mn in FY21E/FY22E).

We expect the Company's dividend payout ratio will be 30% at first, taking reference of its sister company Greentown Service (2869 HK)'s around 30-40% since listing.

Based on 30% payout ratio, we project the dividend yield in FY21E/FY22E to reach 2.8%/3.5%, with room for further increase in payout ratio.

**Exhibit 8: Forecast of free cash flow and dividend yield**



Source: OP research

## First of the many in project management spin off

We see project management will follow the footsteps of property management as a popular spin off theme among Chinese property developers. In particular, they have to realize value of subsidiaries to bolster balance sheet.

We believe Greentown Management will set a benchmark for the subsequent spin-off in this sub-segment, particularly in the aspects of visible growth and strong free cash flow. More investors' recognition on this sub-segment can help lift sector valuation.

**Exhibit 9: Hong Kong listed property developers that may spin-off their project management business**

Company	Descriptions on the project management segment	Recent spin-off of sub-segment business
Central China(832.HK)	<ul style="list-style-type: none"> <li>- Operates in name of CCRE Zhongyuan(中原建業)</li> <li>- As at 15 Aug 2020, CCRE Zhongyuan has 214 asset-light projects with GFA under management of 29.6mn sqm</li> </ul>	- CC New Life(9983.HK)[May2020]
Agile(3383.HK)	<ul style="list-style-type: none"> <li>- Established in 2019, achieving profit within the year of its establishment</li> <li>- In Jul 2020, Agile disclosed that it signed 29 projects located in 24 cities with sellable contract sales value exceeding RMB100bn since the establishment of property management</li> </ul>	- A-living(3319.HK)[Feb 2018]

Source: Company

## Initiate at BUY with TP HK\$4.50

We initiate Buy with DCF based target price at HK\$4.50 based on 9.0% discount rate, 3% growth in second stage (FY23E-25E) and 1% terminal growth. Our target price also represents 19.3x/16.9x/13.7x FY20E/21E/22E PER.

Greentown Management's current valuation is undemanding at only 8.7x P/FCF for FY21E which reflects strong dividend potential. We are convinced that Greentown Management will ride on this fast-growing sub-segment thanks to its strong and diversified project pipeline and brand franchise of "Greentown". We also think profit margins will improve as optimizing portfolio mix can partly outweigh margin pressure from increasing competition.

We expect there will be more property companies to spin-off their project management business, which is likely to trigger further re-rating for the Company.

### Exhibit 10: DCF Valuation

(RMB mn)	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E
EBITDA	498	711	871				
Chg in working cap	(82)	85	92				
Tax	(139)	(184)	(226)				
Others	4	6	8				
Capex	(58)	(74)	(90)				
FCF	224	544	654	674	694	715	736
YoY		143%	20%	3%	3%	3%	3%
WACC		9.0%					
Growth(2nd stage)		3.0%					
Growth(Terminal)		1.0%					
PV(1st &2nd stage)		2,527					
PV (Terminal value)		5,072					
Fully diluted no. of shares (m)		1,958					
Exchange rate (CNYHKD)		1.159					
FV/share (HK\$)		4.50					

Sensitivity analysis		WACC				
Terminal growth		8.0%	8.5%	9.0%	9.5%	10.0%
	0.0%	4.75	4.44	4.16	3.92	3.70
	0.5%	4.97	4.62	4.32	4.05	3.82
	1.0%	5.21	4.83	4.50	4.21	3.95
	1.5%	5.49	5.07	4.70	4.38	4.10
	2.0%	5.83	5.34	4.93	4.57	4.26

Source: OP Research

## Investment risks

### **Worsened China property market environment**

We understand Greentown Management's revenue from commercial project management projects typically is based on the 4-5% of the contracted sales of the property project. Therefore, slowdown in China property market which lead to decline in property's ASP and the slowdown of property sales may have material impact on the Company's revenue.

Many of the Greentown Management's customers are small and medium-size property developers, which are typically more vulnerable to property market downturn. The decline of property price and/or tightened credit environment are likely to affect the investment plan of commercial project owners, therefore it could have a material and adverse impact on the Company's cash flows, and financial status.

Also, Greentown Management's financial services, especially the capital contribution business, face regulatory risks if the Government tightens the grip on industry funding.

### **Hampered reputation**

The Company adopts asset light model and cooperates with business partners to expand fast in the market. Any change in relation with its business partner, insufficient knowledge when entering new markets, lower than expected service standards which it outsources to third parties will have adverse impact on the Company's reputation, hence weakened the Company's competitive edge.

### **Margin erosion due to reliance on business partners and market competition**

Greentown Management's rapid earnings growth in recent years is mainly driven by increasing cooperation with business partners which have a much lower GPM as compared to the self-operated projects. The heavy reliance on cooperation with business partners will put pressure on overall profitability in future. Also, more leading property developers entering into the project management market will result in intensifying market competitions and hence margin pressure.

## Financial Summary

Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
<b>Income Statement (RMB mn)</b>					
Project - Commercial	1,146	1,471	1,825	2,360	2,928
Project - Government	203	358	424	495	585
Other services	133	165	67	86	105
<b>Turnover</b>	<b>1,481</b>	<b>1,994</b>	<b>2,316</b>	<b>2,941</b>	<b>3,618</b>
YoY%	45.8	34.6	16.2	27.0	23.0
COGS	(737)	(1,112)	(1,353)	(1,704)	(2,084)
<b>Gross profit</b>	<b>744</b>	<b>882</b>	<b>963</b>	<b>1,237</b>	<b>1,534</b>
Gross margin	50.2%	44.2%	41.6%	42.1%	42.4%
Other gain/losses	11	(16)	(7)	(20)	(21)
Selling expenses	(35)	(22)	(23)	(44)	(72)
Admin expenses	(248)	(318)	(471)	(521)	(643)
R&D expenses	0	0	0	0	0
<b>Total opex</b>	<b>(283)</b>	<b>(340)</b>	<b>(494)</b>	<b>(565)</b>	<b>(715)</b>
<b>Operating profit (EBIT)</b>	<b>472</b>	<b>525</b>	<b>461</b>	<b>652</b>	<b>798</b>
Operating margin	31.8%	26.3%	19.9%	22.2%	22.1%
Interest Income	9	17	33	32	42
Finance costs	(2)	(2)	(1)	(1)	(1)
Profit after financing costs	441	560	501	703	860
Associated companies & JVs	(29)	(22)	(22)	(22)	(22)
Pre-tax profit	412	538	479	681	838
Tax	(49)	(149)	(139)	(184)	(226)
Minority interests	(30)	(49)	(33)	(47)	(58)
<b>Net profit</b>	<b>333</b>	<b>340</b>	<b>308</b>	<b>450</b>	<b>554</b>
Net margin	22.5%	17.0%	13.3%	15.3%	15.3%
<b>Adj. net profit</b>	<b>333</b>	<b>355</b>	<b>342</b>	<b>450</b>	<b>554</b>
Adj. net margin	22.5%	17.8%	14.8%	15.3%	15.3%
YoY%	N.A.	7%	-3.9%	31.6%	23.2%
<b>EBITDA</b>	<b>465</b>	<b>568</b>	<b>498</b>	<b>711</b>	<b>871</b>
EBITDA margin	31.4%	28.5%	21.5%	24.2%	24.1%
<b>Adj. EPS (HK\$)</b>	<b>0.276</b>	<b>0.280</b>	<b>0.234</b>	<b>0.266</b>	<b>0.328</b>
YoY%	38%	1%	-16.7%	14.0%	23.2%
DPS (HK\$)	0.000	0.000	0.000	0.080	0.098

Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
<b>Cash Flow (RMB mn)</b>					
EBITDA	465	568	498	711	871
Chg in working cap	357	(5)	(82)	85	92
Others	(234)	(355)	4	6	8
<b>Operating cash</b>	<b>588</b>	<b>209</b>	<b>420</b>	<b>802</b>	<b>971</b>
Tax	(57)	(87)	(139)	(184)	(226)
<b>Net cash from operations</b>	<b>531</b>	<b>121</b>	<b>282</b>	<b>618</b>	<b>745</b>
Capex	(69)	(49)	(58)	(74)	(90)
Other investment	(1)	(4)	0	0	0
Net loans to related parties	529	(99)	0	0	0
Div from assoc	(1)	(43)	0	0	0
Interests received	9	16	33	32	42
Others	4	8	0	0	0
<b>Investing cash</b>	<b>468</b>	<b>(181)</b>	<b>(25)</b>	<b>(42)</b>	<b>(48)</b>
<b>FCF</b>	<b>990</b>	<b>(76)</b>	<b>224</b>	<b>544</b>	<b>654</b>
Issue of shares	0	0	1,046	0	0
Proceeds from convertible	0	0	0	0	0
Minority interests	0	0	0	0	0
Dividends paid	(10)	(5)	0	0	(156)
Interest paid	(3)	(4)	0	0	0
Net change in bank loans	0	(10)	0	0	0
Others	(809)	747	(828)	(28)	(31)
<b>Financing cash</b>	<b>(821)</b>	<b>727</b>	<b>219</b>	<b>(28)</b>	<b>(187)</b>
<b>Net change in cash</b>	<b>177</b>	<b>668</b>	<b>476</b>	<b>548</b>	<b>509</b>
Exchange rate or other Adj	0	(12)	0	0	0
Opening cash	294	472	1,127	1,602	2,150
<b>Closing cash</b>	<b>472</b>	<b>1,127</b>	<b>1,602</b>	<b>2,150</b>	<b>2,659</b>
<b>CFPS (HK\$)</b>	<b>0.147</b>	<b>0.527</b>	<b>0.302</b>	<b>0.306</b>	<b>0.277</b>

Source: Company, OP Research

Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
<b>Ratios</b>					
Gross margin (%) - blended	50.2	44.2	41.6	42.1	42.4
Operating margin (%)	31.8	26.3	19.9	22.2	22.1
Net margin (%)	22.5	17.0	13.3	15.3	15.3
Net adj. margin (%)	22.5	17.8	14.8	15.3	15.3
Selling exp/sales (%)	2.3	1.1	1.0	1.5	2.0
Admin exp/sales (%)	16.8	15.2	17.6	16.4	16.4
R&D exp/Sales (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	30.0	30.0
Effective tax (%)	11.8	27.0	27.0	27.0	27.0
Total debt/equity (%)	0	3.7	2.1	1.8	2.0
Net debt/equity (%)	Net cash				
Current ratio (x)	0.9	1.2	2.3	2.3	2.3
Quick ratio (x)	0.9	1.2	2.3	2.3	2.3
Inventory T/O (days)	0	0	0	0	0
AR T/O (days)	44	57	75	75	75
AP T/O (days)	350	273	250	250	250
Cash conversion cycle (days)	(307)	(215)	(175)	(175)	(175)
Asset turnover (x)	0.6	0.6	0.6	0.6	0.6
Financial leverage (x)	3.3	2.4	1.7	1.5	1.5
EBIT margin (%)	30.4	27.4	20.2	22.8	22.6
Interest burden (x)	0.9	1.0	1.0	1.0	1.0
Tax burden (x)	0.8	0.6	0.6	0.7	0.7
<b>Return on equity (%)</b>	<b>46.3</b>	<b>26.3</b>	<b>13.0</b>	<b>13.8</b>	<b>15.0</b>

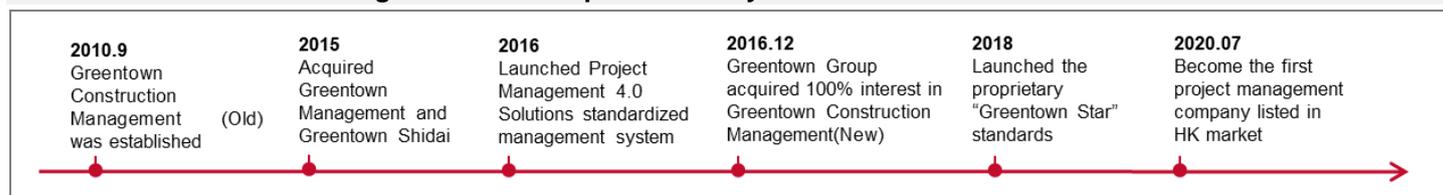
Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
<b>Balance Sheet (RMB mn)</b>					
Net PPE	126	107	136	170	209
Investment property	10	29	29	29	29
Goodwills	769	769	769	769	769
Deferred tax	37	16	16	16	16
Other non-current assets	189	317	317	317	317
<b>Non-current assets</b>	<b>1,131</b>	<b>1,239</b>	<b>1,268</b>	<b>1,302</b>	<b>1,341</b>
Inventories	5	0	0	0	0
AR	178	313	476	604	743
Contract assets	244	312	347	441	543
Other current assets	362	769	769	769	769
Cash	472	1,127	1,569	2,085	2,552
<b>Current assets</b>	<b>1,260</b>	<b>2,521</b>	<b>3,162</b>	<b>3,900</b>	<b>4,608</b>
AP	708	830	927	1,167	1,427
Accruals & other payables	291	240	260	327	400
Tax	53	114	114	114	114
Bank loans & leases	10	0	0	0	0
Leased liabilities	7	6	6	6	6
Other current liabilities	374	864	63	63	63
<b>Current liabilities</b>	<b>1,445</b>	<b>2,054</b>	<b>1,370</b>	<b>1,677</b>	<b>2,010</b>
Bank loans	0	0	0	0	0
Leased liabilities	33	9	9	9	9
Deferred tax & others	12	15	15	15	15
<b>Non-current liabilities</b>	<b>45</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Total net assets</b>	<b>902</b>	<b>1,681</b>	<b>3,035</b>	<b>3,500</b>	<b>3,914</b>
<b>Total Equity</b>	<b>902</b>	<b>1,681</b>	<b>3,068</b>	<b>3,565</b>	<b>4,021</b>
<b>Shareholder's equity</b>	<b>841</b>	<b>1,595</b>	<b>2,949</b>	<b>3,399</b>	<b>3,796</b>
Share capital	12	12	1,058	1,058	1,058
Reserves	829	1,583	1,891	2,341	2,738
NCI	61	86	119	167	225
<b>BVPS (HK\$)</b>	<b>0.70</b>	<b>1.26</b>	<b>2.02</b>	<b>2.01</b>	<b>2.25</b>

Year to Dec	FY18	FY19	FY20E	FY21E	FY22E
<b>Key assumptions</b>					
Number of projects	213	260	290	342	397
Net change	84	47	30	52	55
GFA managed(Mn sqm)	54	68	79	95	112
YoY(%)	52	24	17	20	18

## Appendix I –Greentown Management’s profile

Greentown Management, found in 2010, is the largest project management Company in China property market. The Company differentiates itself from peers by the “Greentown” brand, experienced employees, network of quality contractors and suppliers, and ability to provide customize services. As of Jun 2020, the Company had 268 project management projects with total GFA of 73.3 mn.

### Exhibit 11: Greentown Management’s development history



Source: Company

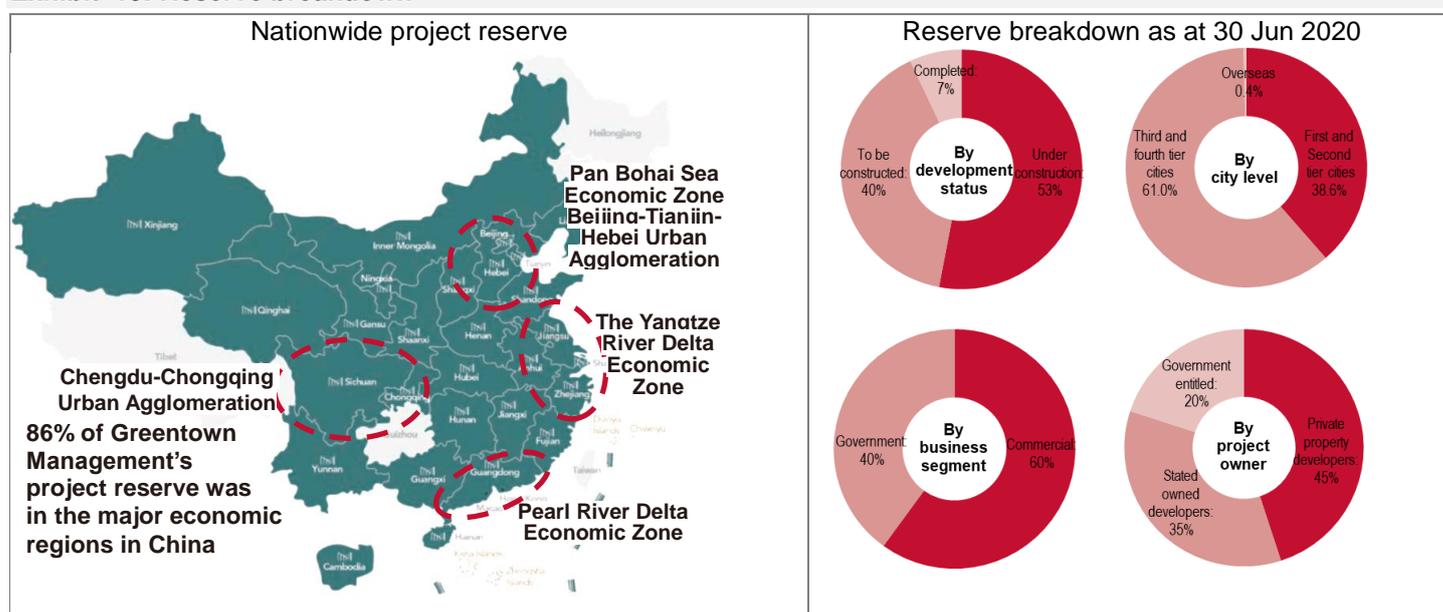
Greentown management generates most of the revenue from (i) Commercial project management and (ii) Government project management.

### Exhibit 12: Introduction of Greentown Management’s segmental business

Segment	Projects undertakes	Services	Revenue recognition
Commercial	Mainly residential property project	(1) preliminary management, (2) planning and design, (3) construction management, (4) cost control, (5) marketing, (6) sales services, (7) delivery management and (8) after-sales services	(i) basic fees for personnel, (ii) consultation and management fees and (iii) discretionary incentive bonus based on performance  we understand the management fee is based on a <u>percentage of the total contracted sales</u> of the project
Government	Mainly public housing property development, some infrastructures	(1) planning and design, (2) project schedule management, (3) construction management, (4) cost control, (5) completion acceptance and (6) delivery management	a fixed percentage of the total investment amount of the project

Source: Company

### Exhibit 13: Reserve breakdown



Source: Company

**Industry recognitions**

Greentown management has a strong say in this market. China Index Academy viewed the “Greentown Star” standards as “the industry leading initiatives aimed to streamline and rationalize the complex project management process which also profound influence in the China project management market guiding the market participant”.

**Exhibit 14: Honors earned by Greentown Management**

Greentown Management consecutively earned the accolade of a Leading Enterprise in Real Estate Project Management Operation in 2017-2020



Greentown Management earned “The first of Top 10 Project Management Enterprises of China’s Real estate Market Excel in Administration” in 2020

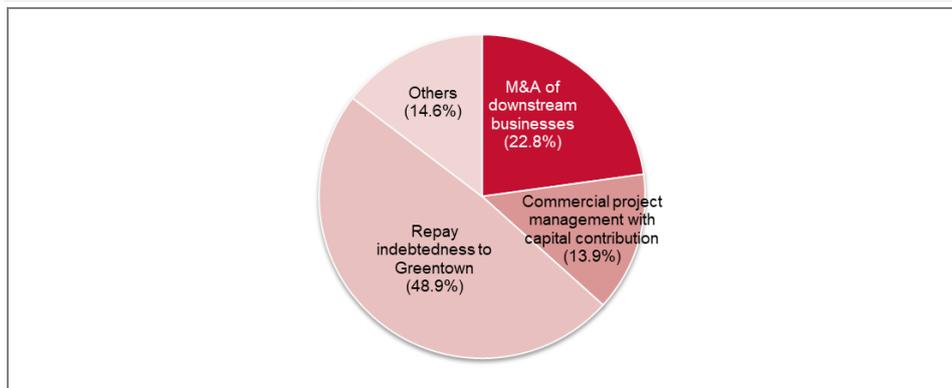


Source: China Index Academy, Guandian Index Research Institute

**Use of proceeds from IPO**

Greentown Management listed in HK stock market in Jul 2020. The net proceeds raised from the IPO were around HKD1,213.1mn which is for the following purposes:

**Exhibit 15: Use of the net proceeds from the IPO**



Source: Company

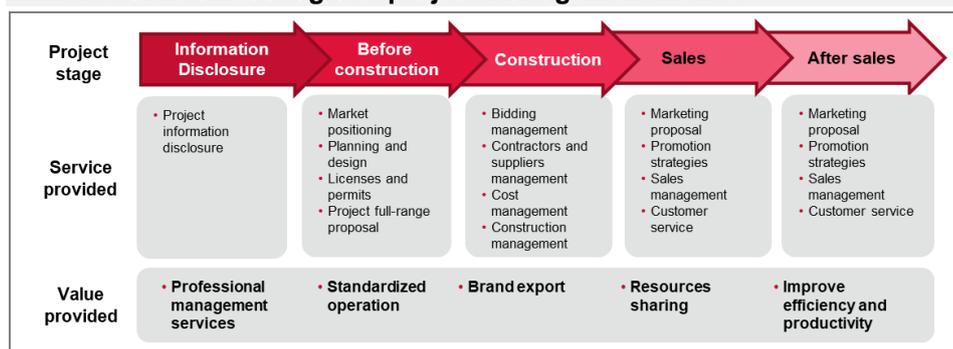
On 10 July 2020, the Company used the net proceeds from the offering to repay the amounts due to Greentown China amounting to HKD607.6mn.

## Appendix II – Project Management: new solution to enhance the value of property

Property project management is an emerging segment in China property market. It aims at enhancing the value of property projects while minimizing risk through outsourcing project management to expertise.

Project management creates value through professional management services, Co-brand mechanism and etc. Some project management companies also provide financial collaboration services to help project owners source funding for development.

**Exhibit 16: Business logic of project management market**

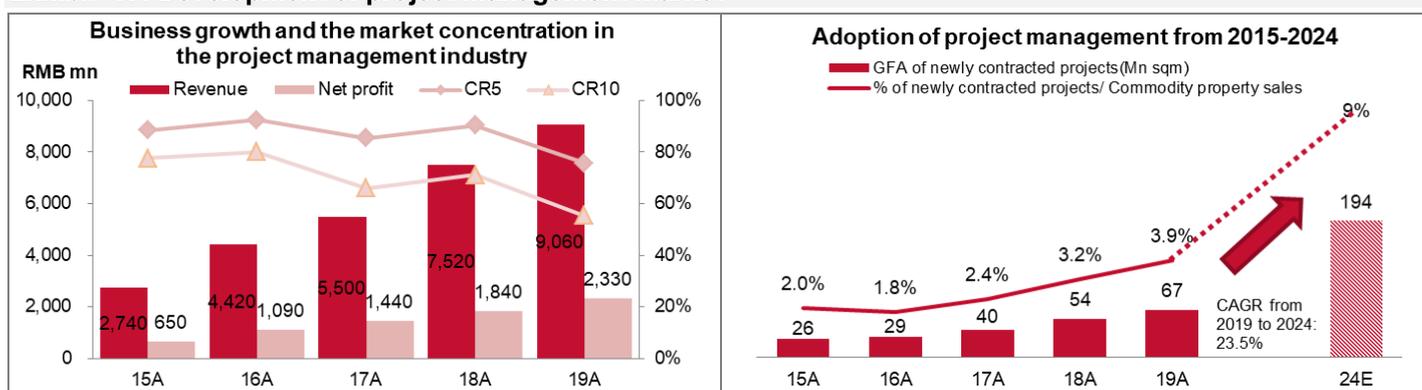


Source: Company

In recent years, there have been more real estate developers participating in project management. We see the expansion of project management scale and more projects on hand will drive rapid earning growth for the industry.

Market players who are back by strong property brand, customized and comprehensive services and strong design capability, are likely to be the winner in the race.

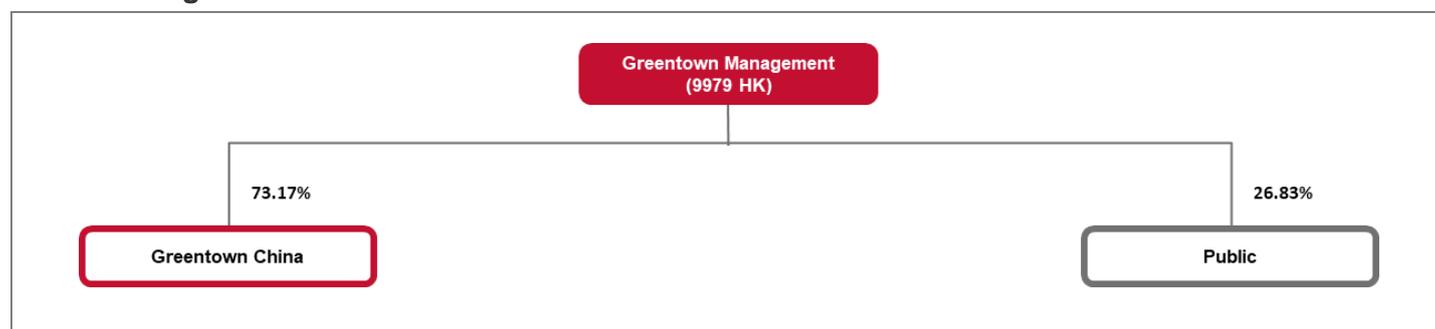
**Exhibit 17: Development of project management market**



Source: China Index Academic, Statistic Bureau of China, Company

## Appendix III – Shareholding and management

### Shareholding structure



Source: Company, OP Research

### Management profile

Name	Age	Position	Description
Mr. Guo Jiafeng (郭佳峰)	55	Non-executive Director, Chairman	Appointed as NED since Jan 2020. Responsible for the overall formulation, supervision and guidance of business strategies, planning and development of the Group. He is also an ED and executive president of Greentown China since Jul 2019.
Mr. Li Jun (李軍)	43	Executive Director, CEO	Appointed as ED since Dec 2016. Responsible for the operation, management, and the implementation of asset-light project management business model to the Group. He received the China Real Estate Style Award – 2019 Most Influential Business Leader in China Real Estate Industry from Boao Real Estate Forum. Holds master's degree in construction management from Zhejiang University.
Mr. Lin Sanjiu (林三九)	56	Executive Director,	Appointed as ED since Jan 2020. Responsible for operations management and supervision of the product R&D center and the establishment of marketing service center systems.
Mr. Yu Cheeric James (余致力)	45	Company Secretary CFO	Joined the Group as CFO since Jun 2017 and appointed as the Company Secretary since Jan 2020. Responsible for financial management, company secretarial matters, investor relations and corporate governance of the Group. Have 20 years experiences in auditing, advisory business services and finance management. Holds AICPA, and BBA from the California State University in the US.

Source: Company, OP Research

**Exhibit 18: Peer Group Comparison**

Company	Ticker	Price	3-mth			PER			EPS		EPS		EV/			Net			Gross		Net	
			Mkt cap	avg t/o	PER	PER	PER	FY1	FY2	3-Yr EPS	PEG	P/B Hist	P/B FY1	Revenue	EV/Revenue	gearing	margin	margin	ROE	ROE	Sh px	Sh px
			(US\$m)	(US\$m)	Hist (x)	FY1 (x)	FY2 (x)	YoY%	YoY%	Cagr (%)	(x)	(x)	(x)	Hist	Cur Yr	Hist (%)	Hist (%)	Hist (%)	Hist (%)	FY1 (%)	1-mth %	3-mth %
<b>Greentown Manage</b>	<b>9979 HK</b>	<b>2.82</b>	<b>712</b>	<b>3.3</b>	<b>10.1</b>	<b>12.0</b>	<b>10.3</b>	<b>(3.9)</b>	<b>35.0</b>	<b>18.2</b>	<b>0.66</b>	<b>2.24</b>	<b>1.40</b>	<b>1.9</b>	<b>1.4</b>	<b>Net cash</b>	<b>44.2</b>	<b>17.0</b>	<b>2.2</b>	<b>1.4</b>	<b>(9.3)</b>	<b>(18.5)</b>
HSI		24,786.13			13.2	13.0	10.8	1.4	20.4	11.9	1.09	1.07	1.05						8.1	8.0	4.5	(1.1)
HSCEI		10,085.18			9.6	9.7	8.5	(1.1)	13.6	8.2	1.19	1.11	1.05						11.6	10.8	5.3	(1.5)
CSI300		4,777.98			18.6	16.4	13.9	13.3	17.7			2.15	1.98						11.6	12.1	3.1	1.3
<b>Domestic peers</b>																						
Adjusted sector avg*					8.3	8.3	7.1	13.8	17.6	19.2	0.4	1.3	1.3	1.0	1.0	36.5	22.5	8.2	17.9	16.5	(3.8)	2.7
Landsea Green Pr	106 HK	0.64	390	0.0	2.2	N/A	N/A	N/A	N/A	N/A	N/A	0.5	N/A	0.8	N/A	41.3	28.3	13.7	22.1	N/A	(4.5)	(7.2)
Central China	832 HK	4.19	1,529	1.5	4.9	4.1	3.4	18.0	21.1	20.7	0.2	1.1	0.9	0.8	0.6	73.4	26.0	6.5	22.3	20.0	8.0	4.5
China State Cons	3311 HK	5.17	3,368	8.1	4.8	4.3	3.7	13.2	14.2	13.8	0.3	0.6	0.5	1.1	1.0	49.8	15.0	9.2	12.5	13.6	(0.6)	6.6
Pultegroup Inc	PHM US	45.24	12,132	122.1	12.3	10.2	8.7	20.3	18.4	20.9	0.5	2.1	1.9	1.3	1.3	36.0	23.5	10.0	21.1	20.1	(1.4)	14.7
Dr Horton Inc	DHI US	73.11	26,590	236.5	16.8	12.5	10.6	35.2	17.4	21.4	0.6	2.4	2.3	1.6	1.5	18.5	22.3	9.2	19.8	19.9	(3.2)	12.8
Sekisui House	1928 JT	1,773.50	11,612	39.7	8.6	10.5	8.9	(17.5)	16.8	0.2	45.1	0.9	0.9	0.5	0.5	0.2	19.8	5.8	9.9	8.9	(9.6)	(15.3)

\* Outliners and "N/A" entries are excl. from the calculation of averages

Source: Bloomberg, OP Research

## Our recent reports

Date	Company / Sector	Ticker	Title	Rating	Analyst
21/10/2020	Li-Ning	2331	Resumed store openings bodes full recovery	BUY	Megan Jin
19/10/2020	Xtep Intl	1368	Recovery speeded up	BUY	Megan Jin
16/10/2020	Anta Sports	2020	More visible outlook of full revival	HOLD	Megan Jin
16/10/2020	Kerry Logistics	636	Grabbing opportunities in spite of COVID headwind	NR	Kevin Tam
15/10/2020	Edvantage Group	382	Room of more earnings surprise	BUY	Megan Jin
08/10/2020	Innovent	1801	PD-1 front runner setting off	BUY	Kevin Tam
01/09/2020	Yeahka	9923	1H20 soft patch, but still encouraging growth in technology services	HOLD	Kevin Tam
31/08/2020	Xtep Intl	1368	More confident on new brands and 2H20E recovery	BUY	Megan Jin
28/08/2020	HKTV	1137	Management vision beyond domestic e commerce	BUY	Kevin Tam
27/08/2020	CG Services	6098	Leader aims higher	BUY	Megan Jin
26/08/2020	Anta Sports	2020	Less foreseeable catalysts	HOLD	Megan Jin
24/08/2020	GT Services	2869	1H20 steady on track	HOLD	Megan Jin
21/08/2020	A-Living	3319	Undervalued acquisition synergies	BUY	Megan Jin
20/08/2020	Sunny Optical	2382	Less convincing earnings outlook	HOLD	Kevin Tam
17/08/2020	Ausnutria Dairy	1717	2Q20 fluctuations to be under control by 4Q20	BUY	Megan Jin
17/08/2020	Li-Ning	2331	Well positioned to capture consumption recovery	BUY	Megan Jin
12/08/2020	China Youzan	8083	Robust momentum kept up	BUY	Megan Jin
14/08/2020	S-Enjoy Service	1755	3rd party expansion speeding up	BUY	Megan Jin
30/07/2020	Viva Biotech	1873	Biotech PE model to reap more long term return	NR	Kevin Tam
22/07/2020	Xtep Intl	1368	Uncertainties on new brands remain but worst is seen	BUY	Megan Jin
21/07/2020	361 Degrees Intl	1361	Slow recovery in 2Q20 retail sales	BUY	Megan Jin
16/07/2020	Anta Sports	2020	More visible outlook of full revival	BUY	Megan Jin
10/07/2020	Digital China	861	Thrive on data servicing capabilities	NR	Kevin Tam
02/07/2020	S-Enjoy Service	1755	New share incentives with strong commitment	BUY	Megan Jin
02/07/2020	TCL Electronics	1070	Inject smartphone business at start of 5G replacement cycle	BUY	Dallas Cai
30/06/2020	Yeahka	9923	From payment to Fintech	BUY	Kevin Tam
19/06/2020	Powerlong CM	9909	Moving into the fast lane	NR	Dallas Cai

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