



Central China New Life Limited

建業新生活有限公司

(9983.HK)

Business Overview

Central China New Life Limited (“The Company”) is the largest property management service provider in central China region (being a geographical region that covers the central area of China, including the provinces of Henan, Hubei, Hunan, Jiangxi, Shanxi and Anhui) by total GFA under management as of December 31, 2018 and total revenue for the year ended December 31, 2018, according to CIA. As of December 31, 2019, The Company covered all 18 prefecture-level cities (and also 81 of the 104 county-level cities) in Henan as well as one city in Hainan, namely Haikou, and it served more than one million property owners and residents in 312 properties. The Company manages a diversified portfolio of properties, including residential properties, shopping malls, cultural tourism complexes, commercial apartments, office buildings, schools and properties of governmental agencies. The Company ranked 16th, 15th and 13th among the Top 100 Property Management Companies in China in 2017, 2018 and 2019, respectively, according to CIA.

The Company covers three business segments, namely property management and related value-added services, lifestyle services and commercial property management and consultation services.

For Property management services and value-added services, The Company provided traditional property management services such as security, cleaning and greening services since 1994 and over the years, it expanded service offerings to include value-added services aimed at elevating the living quality of the residents in the properties. As of December 31, 2019, property management and value-added services covered all 18 prefecture-level cities (and also 81 of the 104 county-level cities) in Henan as well as one city in Hainan, namely Haikou, and it served more than one million property owners and residents in 312 properties. The Company manages a diversified portfolio of properties, including residential properties,

Basic Information

Offer Price

HK\$5.6-HK\$7.2

Offer Size

300,000,000 Shares, comprise of Public Offer 30,000,000 Shares and International Offer 270,000,000 Shares (subject to reallocation and Over-allotment Option)

Market Capitalization

\$6.72b-\$8.64b

Application Period

5 May 2020 – 08 May 2020, Noon

Listing Date

15 May 2020

Board Lot

1000 shares

Major Shareholders

Enjoy Start	70.62%
Hillhouse Capital Advisors, Ltd	9.61%

Sole Sponsors

BNP Paribas

Joint Global Coordinators

BNP Paribas, Morgan Stanley, DBS

Joint Lead Managers

ABC International, CCB International, Everbright Sun Hung Kai, CMB International, CRIC Securities Co. Ltd, ICBC

shopping malls, cultural tourism complexes, commercial apartments, office buildings, schools and properties of governmental agencies.

For Lifestyle services, it is an O2O one-stop service platform which integrates internal and external, online and offline resources in order to provide customers with convenient and more affordable goods and services. The Jianye + (建業+) platform provides three main online services: (i) membership benefits; (ii) concierge services; and (iii) goods and services from One Family Community (一家公社). As of December 31, 2019, it was cooperating with over 340 suppliers, some of which were well-known brands that were listed on NASDAQ or the Stock Exchange. It also offers a wide range of benefits including exclusive offers with hotels, malls and restaurants in Henan.

For Commercial property management and consultation services, it focuses on enhancing the value of property by streamlining operations of a property to reduce costs and attracting business to increase income. It comprises (i) hotel management, (ii) commercial asset management and (iii) cultural tourism complex management. For hotels, it manages overall hotel operations, supervise hotel operations performed by an existing operator and provide consultancy services. For other commercial assets, it provides pre-opening consultation and post-opening management services. For commercial asset management, it manages shopping malls by providing two main categories of services: (i) pre-opening consultation, which includes services such as market research on vendor and clientele demographics, financial analysis, vendor solicitation and management and strategic planning; and (ii) post-opening management services, which includes services such as vendor management, sales and operation management, and training management.

Revenue and Gross Profit Margin of each Business Segment									
	2017			2018			2019		
	Revenue	% of Revenue	Gross profit margin %	Revenue	% of Revenue	Gross profit margin %	Revenue	% of Revenue	Gross profit margin %
RMB'000									
Property management and value-added services	421,397	91.5%	21.3%	620,712	89.4%	24.0%	1,341,092	76.4%	30.3%
Lifestyle services	23,877	5.2%	10.6%	62,179	9.0%	8.9%	308,575	17.6%	32.8%
Commercial property management and consultation services	15,258	3.3%	85.3%	11,097	1.6%	57.3%	104,735	6.0%	66.0%
	460,532	100.0%	22.9%	693,988	100.0%	23.2%	1,754,402	100.0%	32.8%

Financial Highlights

Consolidated Statement of Comprehensive Income			
	2017	2018	2019
	RMB'000		
Revenue	460,532	693,988	1,754,402
COGS	(355,268)	(533,306)	(1,178,118)
Gross Profit	105,264	160,682	576,284
Selling and marketing expenses	(5,172)	(11,748)	(46,494)
Administrative expenses	(63,681)	(86,360)	(230,311)
Net impairment losses on financial assets	(574)	(1,539)	(182)
Other income	56,809	49,405	20,463
Other gains-net	8,055	4,730	4,096
Operating profit	100,701	115,170	323,856
Finance income	202	223	933
Finance cost	(49,312)	(43,020)	(17,219)
Finance cost-net	(49,110)	(42,797)	(16,286)
Share of loss/profit of an associate accounted for using equity method	1,310	(506)	(29)
Profit before income tax	52,901	71,867	307,541
Income tax expenses	(13,775)	(19,897)	(74,702)
Profit from continuing operations	39,126	51,970	232,839
Loss from discontinued operation	(42,602)	(69,737)	(5,054)
Profit/loss for the year	(3,476)	(17,767)	227,785

Reallocation of Shares Offered

Times of HK Offer Shares Subscription	15X - 50X	50X - 100X	Over 100X
% of total shares reallocated to HK Offer	30%	40%	50%

Use of Proceed

The company estimates that they will receive net proceeds of approximately HK\$1,785 million after deducting the underwriting fees and expenses payable by them in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK\$6.40 per Offer Share,

- approximately 60% or HK\$1,071 million allocated to strategic investments, cooperation and acquisition as follows:
 - (i) approximately 40.0%, or HK\$714 million, will be used to acquiring property management service providers.
 - (ii) approximately 10.0%, or HK\$178.5 million, will be used to acquiring companies that will expand portfolio.

- (iii) Approximately 10.0%, or HK\$178.5 million, will be used to acquiring other companies that can bring synergies to business.
- approximately 15.0%, or HK\$267.8 million allocated to enhancement of Jianye+ platform to optimize user experience:
 - (i) approximately 5.0%, or HK\$89.3 million, to developing and optimizing software and cloud system.
 - (ii) approximately 4.0%, or HK\$71.4 million, to improving and expanding facilities and equipment.
 - (iii) approximately 4.0%, or HK\$71.4 million, to expansion of scale and diversity of membership resources .
 - (iv) approximately 2.0%, or HK\$35.7 million, to expansion of user base.
- approximately 15.0%, or HK\$267.8 million, to be used to investing in advanced information Technogym system.
 - (i) approximately 7.0%, or HK\$125 million, to building intelligence communities and upgrading facilities.
 - (ii) approximately 2.5.%, or HK\$44.6 million, to developing financial sharing system.
 - (iii) approximately 4.%, or HK\$71.4 million, to developing a process control and KPI integration system.
 - (iv) approximately 1.5%, or HK\$26.8 million, to achieving digitalized documentation.
- approximately 10.0%, or HK\$178.5 million, to be used to general working capital.

Cornerstone Placing

The Company has entered into the Cornerstone Investment Agreement with two cornerstone investors (**Gaoling Fund, L.P.** and **YHG Investment, L.P.**, pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) at the Offer Price which may be purchased with an aggregate amount of US\$75.0 million (or approximately HK\$581.3 million), excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investors are required to pay in respect of the Shares.

Offer Price	No. of share to be subscribed for	Approx. % of the international offer	Approx. % following completion of the Global Offering
HK\$5.04	115,336,000	42.70%	9.60%
HK\$5.60	103,802,000	38.40%	8.70%
HK\$6.40	90,827,000	33.60%	7.60%
HK\$7.20	80,735,000	29.90%	6.70%
*assuming over-allotment option is not exercised			

Risks Factors

Risks Relating to Business and Industries

- Future growth of The Company may not materialize as planned, and any failure to manage future growth effectively may have a material adverse effect on our business, financial condition and results of operations.
- A substantial portion of revenue is generated from services it provides to the CCRE Group and its associates or joint ventures
- The Company has a limited operating history in certain new businesses.
- Jianye + (建業+) platform may not grow as planned.

- The Company is subject to risks beyond our control relating to epidemics, acts of terrorism, wars or other natural or man-made calamities in China and globally.
- Termination or non-renewal of property management services, commercial property management and consultation services for a significant number of properties could have a material adverse effect on business, financial position and results of operations.
- The Company may fail to effectively anticipate or control costs in providing property management services.
- The Company may experience fluctuations in our labor and subcontracting costs.
- The Company is susceptible to adverse regulatory and economic developments in the central China region, particularly Henan province.
- The Company is in a highly competitive business with numerous competitors and if The Company does not compete successfully against existing and new competitors, its business, financial position, results of operations and prospects may be materially and adversely affected.
- The Company may fail to obtain or renew required permits, licenses, certificates or other relevant PRC governmental approvals or fail to submit governmental filings necessary for business operations.

Risks Relating to Conducting Business in the PRC

- The Company is vulnerable to adverse changes in economic, political and social conditions and government policies in the PRC.
- Restrictions on currency exchange under PRC laws and regulations may limit ability to satisfy obligations denominated in foreign currencies.
- PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for The Company to pursue growth through acquisitions in China.

Risks Relating to Global Offering

- Possible setting of the Offer Price after making a Downward Offer Price Adjustment
- Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.
- Future or perceived sales of substantial amounts of our Shares could affect their market price.
- The Company may not declare dividends on our Shares in the future.
- Investors may experience difficulties in enforcing their Shareholder rights because the Company is incorporated in the Cayman Islands, and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

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