

IPO FACT SHEET
Xinchengyue Holdings Ltd (1755 HK)
ISSUE STATISTICS

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|--------------------------------------|---|
| Offer Size: | HK\$580m – HK\$780m |
| Placement Tranche: | 200m |
| Price: | HK\$2.90 – HK\$3.90 |
| Board lot: | 1000 |
| Entry fee: | HK\$3,939.31 |
| Historical PE | 20.27x - 27.26x |
| Net tangible asset per share: | HK\$0.93 – HK\$1.17 |
| Market Cap (post-IPO): | HK\$2.32b – HK\$3.12b |
| Open: | 24 Oct 2018 |
| Close: | 12.00 noon on 30 Oct 2018 |
| Trading: | 6 Nov 2018 |
| Sponsor: | Huatai Financial Holdings (Hong Kong) Limited |

| Year ended 31 Dec | (RMB'000) | yoy % chg |
|-----------------------------------|------------------|------------------|
| Revenue | | |
| 2016 | 573,372 | 43.3% |
| 2017 | 866,370 | 51.1% |
| Profit for the year/period | | |
| 2016 | 52,180 | 126.4% |
| 2017 | 91,742 | 75.8% |

BACKGROUND

- They are a fast growing property management service provider in the PRC. They have been providing property management services in the PRC for more than 22 years.
- According to China Index Academy, they were ranked No. 7 in terms of growth among the 2018 China Top 100 Property Management Companies in the PRC, which marked our fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and they were ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total GFA under management in the Yangtze River Delta Region.
- They were ranked No.16 in 2018, rising from No. 34 in 2010 among the China Top 100 Property Management Companies, as published by CIA. As of April 30, 2018, our contracted property management services spanned across 53 cities in 21 provinces, municipalities and autonomous regions with a total contracted GFA of 73.3 million sq.m. and a total GFA under management of 37.0 million sq.m.

BUSINESS STRATEGY AND FUTURE PLANS

- To increase our business scale for our property management services and expand our portfolio of properties under management by selectively pursuing strategic investment, cooperation and acquisition opportunities.
- Endeavor to build a network of business partners to provide their residents with an even more diverse array of services.
- Attract, retain and motivate talented personnel through training programs and career development opportunities.
- Utilizing advanced technology to optimize their business model to control costs and improve their overall profit margins.

COMPETITIVE STRENGTHS

- Being a fast growing property management service provider in the PRC in terms of new project acquisitions, market expansion, size of property management portfolio, geographic coverage and financial performance.
- Strong and long-standing relationship with Future Land Group.
- Their diverse range of services increases their customer's satisfaction.
- Orange APP that provides their residents with a one-stop information service platform.

- Their advanced data and internal management systems and their emphasis on employee training programs.
- Their experienced and professional management team with a proven track record.

KEY RISKS

- A significant portion of their revenue is derived from property management services for properties developed by Future Land Affiliates Group, and there is no assurance they will continue to be engaged by Future Land Affiliates Group to manage projects developed by them, or that they will be able to supplement any shortfall with projects from independent third-party property developers on terms acceptable to them, or at all.
- A significant portion of their operations are concentrated in the Yangtze River Delta Region, which exposes them to concentration risks.
- They may be subject to losses and their profit margins may decrease if they fail to control their costs in performing their property management services on a lump sum basis.
- Their ability to maintain or improve their current level of profitability depends on their ability to control operating costs, and in particular, labor costs and sub-contracting costs, and their profit margins and results of operations may be materially and adversely affected by any increase in labor or other operating costs.
- They rely on third-party sub-contractors to perform certain property management services and may be held responsible for their substandard services to their customers.

DIVIDEND POLICY

- Plans to pay annual dividends of approximately 30% of their annual distributable profit attributable to equity holders of the Company, commencing with respect to the year ending December 31, 2018.

USE OF PROCEEDS

| | HK mn | As a percentage of gross proceeds from the Invitation (%) |
|---|---------------|---|
| Will be used for the expansion of their property management services to enlarge their business scale and bolster their geographic presence across the PRC. | 300.60 | 48.0% |
| Will be used to acquire/obtain a diverse range of projects in various geographical areas. | 75.10 | 12.0% |
| Will be used for the expansion of their value-added services business line | 93.90 | 15.0% |
| Will be used to invest in advanced technology and their employees to create more efficient services for their residents, enhance the overall efficiency of their internal information management systems and standardize their service quality. | 93.90 | 15.0% |
| Will be used for working capital and general corporate purpose. | 62.70 | 10.0% |
| Total: | 626.20 | 100.00% |

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