

Main business stable, industrial investment paying off

Huatai Research

8 May 2022 | China (Mainland)

Quarterly Results Review

Park & Zone Development

Rating (Maintain): **BUY**Target price (RMB): **12.27**
 Analyst **CHEN Shen**
 SAC No. S0570519010002 chenshen@htsc.com
 SFC No. BIO834 +86021 38476038

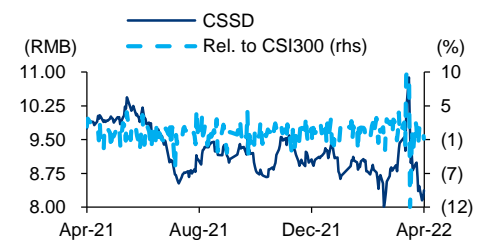
 Analyst **LIU Lu**
 SAC No. S0570519070001 liulu015507@htsc.com
 SFC No. BRD825 +86-21-28972218

 Analyst **LIN Zhengheng**
 SAC No. S0570520090003 linzhengheng@htsc.com
 SFC No. BRC046 +86-21-28972087

Key data

Target price (RMB)	12.27
Closing price (RMB as of 27 Apr)	8.37
Potential upside +/- (%)	47
Mkt cap (RMBmn)	12,546
6m avg daily val (RMBmn)	39.34
52wk price range (RMB)	8.01-10.88
BVPS (RMB)	8.52

Share performance



Source: Wind

Main business stable, industrial investment paying off

CSSD released its 1Q22 results on 27 April, reporting revenue of RMB1.49bn (+7.0% yoy), attributable net profit of RMB600mn (-9.2% yoy), and EPS of RMB0.04. We expect 2022/2023/2024 EPS to be RMB1.18/1.37/1.60. Given that the company has operational advantages in industrial park development and that its "two wings" businesses have entered a period of stable development, we see fair value for the stock as a 2022E PE of 10.4x, a premium to the Wind consensus-based average for peers of 9.6x. This implies a target price of RMB12.27 (previously RMB13.22, based on a 2022E PE of 11.2x). Maintain BUY.

Earnings fell yoy due to base effect

In 1Q22, the company's businesses grew steadily, driving revenue up 7.0% yoy. However, attributable net profit was down yoy as (1) GPM declined 6.4pp yoy to 68% from a high 74.4% in the same period last year following the settlement of some projects in Suzhou (although GPM was up 8pp versus 2021); (2) financial expenses were boosted by a rise in external investments; and (3) the share of minority interests increased 10.9pp yoy to 23.9% (but this was up only 0.1pp versus 2021, implying the yoy increase stemmed from the base-date settlement structure). For 1Q22, the company's income from changes in fair value was RMB40mn, due to an increased contribution from industrial investment.

Industrial investment segment paying off

In 1Q22, CSSD continued the venture capital efforts it started in 2021, investing in three new funds with a proposed combined investment of RMB330mn. As of 27 April 2022, it had invested a total of RMB3.1bn in 33 funds. The funds invest mainly in emerging industries in technology and medical care. At present, the company's industrial investment focuses on enterprises in its parks. CSSD aims to leverage its industrial investments to create a closed bid-and-tender loop that will have synergy with its park development and operation businesses.

Foray into photovoltaic industry; upgrade green public services

On 31 March, CSSD announced an investment of RMB1.25bn to establish the subsidiary China-Singapore Green Development, which will focus on the development of low-carbon industrial parks through investment in, and operation of, distributed photovoltaic power generation and other energy projects. In our view, the company has advantages in upstream and downstream resources for the photovoltaic business.

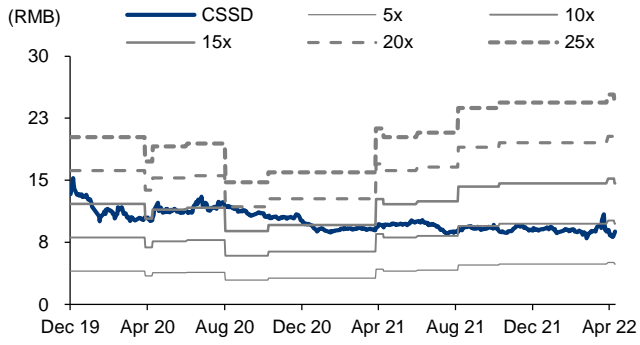
Risks: uncertainty with development due to the pandemic; economic slowdown in Yangtze River Delta region

Financials

YE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMBmn)	3,414	3,917	4,410	5,127	6,046
+/-%	(35.71)	14.74	12.57	16.26	17.92
Net profit (RMBmn)	1,307	1,522	1,767	2,056	2,401
+/-%	20.67	16.40	16.09	16.39	16.76
EPS (diluted, RMB)	0.87	1.02	1.18	1.37	1.60
ROE (%)	10.79	12.20	12.41	12.62	12.84
PE (x)	9.60	8.24	7.10	6.10	5.23
PB (x)	1.14	1.03	0.90	0.78	0.68
EV EBITDA (x)	8.01	7.95	5.87	4.79	4.08

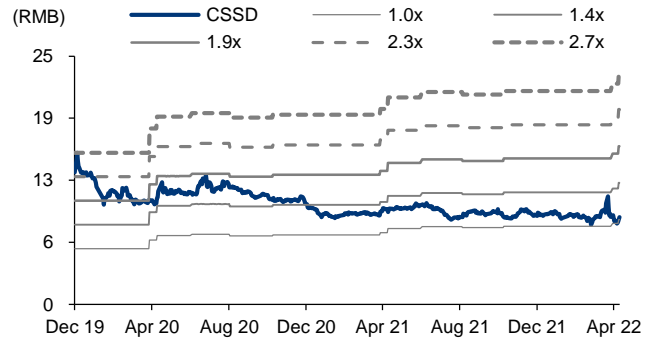
Source: Company announcements, Huatai Research estimates

Fig.1: CSSD PE-Bands



Source: Wind, Huatai Research

Fig.2: CSSD PB-Bands



Source: Wind, Huatai Research

Full financials

Balance sheet

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Current assets	14,398	15,756	20,991	27,429	36,302
Cash & equivalents	3,917	3,119	7,153	11,941	20,120
Account receivables	982.40	1,317	1,203	1,727	1,727
Other receivables	165.93	199.00	241.97	270.72	333.83
Prepayments	18.19	10.70	21.37	15.92	28.05
Inventories	8,722	10,669	11,736	12,910	13,297
Other current assets	592.36	441.38	636.50	564.70	796.28
Non-current assets	11,348	13,674	14,352	15,222	16,397
Long-term investment	2,880	2,990	3,447	3,973	4,583
Fixed investment	1,434	1,518	1,808	2,147	2,552
Intangible assets	173.27	195.63	177.60	158.40	146.57
Other non-curr. assets	6,861	8,970	8,918	8,943	9,115
Total assets	25,746	29,430	35,343	42,650	52,699
Current liabilities	6,793	7,793	9,779	11,991	14,883
Short-term borrowings	976.21	1,329	1,329	1,329	1,329
Account payables	1,762	1,922	2,045	2,675	3,078
Other current liabilities	4,054	4,542	6,404	7,987	10,476
Non-current liabilities	3,950	5,281	6,889	9,287	13,295
Long-term borrowings	3,714	5,028	6,629	9,020	13,021
Other non-curr. liabilities	235.31	252.85	259.79	266.93	274.28
Total liabilities	10,742	13,073	16,668	21,279	28,178
Minority interest	3,952	4,185	4,735	5,376	6,125
Share capital	1,499	1,499	1,499	1,499	1,499
Capital reserves	1,234	1,234	1,234	1,234	1,234
Retained profit	8,320	9,449	11,767	14,464	17,614
Shareholders' equity attr. to parent	11,052	12,172	13,939	15,995	18,396
Equity & liabilities	25,746	29,430	35,343	42,650	52,699

Cash flow statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Operating cash flow	(841.66)	373.73	1,143	1,627	2,916
Net profit	1,619	1,996	2,317	2,697	3,149
Depreciation/amortization	109.42	0.00	132.96	171.62	213.91
Financial costs	16.17	44.79	58.19	48.08	25.49
Investment losses	(234.20)	(330.83)	(397.00)	(476.40)	(571.68)
Chg in working capital	(2,800)	(1,769)	(638.65)	(423.58)	560.26
Other operating activ's	448.14	432.24	(330.07)	(389.77)	(461.22)
Investing cash flow	(1,240)	(1,860)	(103.93)	(199.71)	(384.85)
Capex	(811.77)	(927.47)	(344.76)	(502.69)	(762.42)
Long-term investment	(474.77)	(889.74)	(456.98)	(526.26)	(609.40)
Other investing activ's	46.52	(42.43)	697.81	829.24	986.97
Financing cash flow	339.09	775.43	2,995	3,361	5,648
Short-term borrowings	90.35	353.12	0.00	0.00	0.00
Long-term borrowings	1,199	1,314	1,602	2,391	4,000
Increase in common stock	0.00	0.00	0.00	0.00	0.00
Additional paid-in capital	0.00	0.00	0.00	0.00	0.00
Other financing activ's	(950.52)	(891.25)	1,393	969.62	1,648
Net change in cash	(1,743)	(710.86)	4,034	4,788	8,179

Income statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Revenue	3,414	3,917	4,410	5,127	6,046
Operating costs	1,223	1,572	1,745	2,077	2,531
Business taxes & surcharges	49.89	127.58	143.62	166.98	196.90
Operating expenses	6.90	9.62	10.83	12.60	14.85
Admin expenses	244.58	251.44	273.40	307.61	362.73
Financial costs	16.17	44.79	58.19	48.08	25.49
Asset impairment losses	(62.98)	(26.11)	(22.05)	(25.63)	(30.23)
P&L from fair value changes	3.83	220.30	264.36	317.23	380.67
Investment income	234.20	330.83	397.00	476.40	571.68
Operating profit	2,080	2,513	2,918	3,397	3,966
Non-operating income	5.62	4.17	4.32	4.70	4.40
Non-operating expenses	7.13	3.66	4.46	5.08	4.40
Total profit	2,078	2,514	2,918	3,396	3,966
Income tax expenses	459.40	517.48	600.76	699.21	816.41
Profit after tax	1,619	1,996	2,317	2,697	3,149
Minority interest	311.25	474.36	550.71	640.95	748.39
Net profit attr. to parent	1,307	1,522	1,767	2,056	2,401
EBITDA	2,205	2,558	3,392	4,001	4,266
EPS (RMB, basic)	0.87	1.02	1.18	1.37	1.60

Performance

YE 31 Dec	2020	2021	2022E	2023E	2024E
Growth (%)					
Revenue	(35.71)	14.74	12.57	16.26	17.92
Operating profit	9.44	20.85	16.12	16.39	16.75
Net profit attr. to parent	20.67	16.40	16.09	16.39	16.76
Profitability (%)					
Gross profit margin	64.19	59.87	60.42	59.49	58.13
Net profit margin	47.41	50.96	52.55	52.61	52.09
ROE	10.79	12.20	12.41	12.62	12.84
ROIC	35.15	25.85	31.61	36.47	42.21
Solvency					
Liabilities/assets (%)	41.73	44.42	47.16	49.89	53.47
Net gearing ratio (%)	7.99	22.20	14.19	5.95	(5.03)
Current ratio (x)	2.12	2.02	2.15	2.29	2.44
Quick ratio (x)	0.81	0.63	0.93	1.20	1.53
Operating capability					
Total assets t/o ratio (x)	0.14	0.14	0.14	0.13	0.13
Receivables t/o ratio (x)	4.98	3.41	3.50	3.50	3.50
Payables t/o ratio (x)	0.69	0.85	0.88	0.88	0.88
Per-share data (RMB)					
EPS (diluted)	0.87	1.02	1.18	1.37	1.60
OCFPS (diluted)	(0.56)	0.25	0.76	1.09	1.95
BVPS (diluted)	7.37	8.12	9.30	10.67	12.27
Valuation (x)					
PE	9.60	8.24	7.10	6.10	5.23
PB	1.14	1.03	0.90	0.78	0.68
EV EBITDA	8.01	7.95	5.87	4.79	4.08

Source: Company announcements, Huatai Research estimates

Disclaimers

Analyst Certification

I/We, CHEN Shen, LIU Lu, LIN Zhengheng, hereby certify that the views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers; and no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in this report.

General Disclaimers and Disclosures

This research report has been prepared by Huatai Financial Holdings (Hong Kong) Limited (hereinafter referred to as "HFHL"). The information herein is strictly confidential to the recipient. This report is intended for HFHL, its clients and associated companies. Any other person shall not be deemed a client of the Company merely from his or her receipt of this report.

This report is based on information deemed reliable and publicly available by HFHL, but HFHL and its associated company(ies) (collectively, hereinafter "Huatai") makes no guarantee as to the accuracy or completeness of such information.

The opinions, assessments and projections contained herein only reflect the views and judgments at the issuance date. Huatai may issue research reports that contain inconsistent views, assessments and projections with those set out herein at different times. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Huatai makes no warrants that the information in this report be kept up to date. The information contained in this report may be modified without notice by Huatai, and investors shall pay attention to such updates or modifications when necessary.

HFHL is not a U.S. Financial Industry Regulatory Authority ("FINRA") member firm, and HFHL research analysts are not registered/qualified as research analysts with FINRA.

While every effort has been made by Huatai to ensure the content contained herein is objective and impartial, the views, conclusions and recommendations in this report are for reference only and are not to be construed as an offer or solicitation for the purchase or sale of any security or financial instrument and in any jurisdiction where such offer or solicitation would be illegal. Such views and recommendations are not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should give sufficient consideration to their own particular circumstances, and fully understand and use the contents of this report, which should not be seen as the sole factor to rely on in making investment decisions. Huatai and the report's authors shall under no circumstance be held liable for any direct, indirect or consequential losses or damages arising from or in connection with the use or reliance of this report or its contents. Any form of written or verbal commitment to share the proceeds or losses of any securities investment shall be regarded as null and void.

The subject of this report may include entities subject to a U.S. Presidential Executive Order which restricts the ability of U.S. persons to invest in specified companies now referred to as Chinese Military-Industrial Complex Companies ("CMIC") by the US Treasury Department's Office of Foreign Assets Control ("OFAC"). The analysis, opinions, and recommendations contained in this report are for reference only and does not constitute an offer or solicitation to buy or sell the securities, or an effort to facilitate the purchase or sale of the securities. Any "U.S. Person," defined as a U.S. citizen, permanent resident alien, entity organized under the laws of the U.S. or any jurisdiction within the U.S. (including foreign branches), or any person located in the U.S., should fully consider their own specific circumstances, and not directly or indirectly invest in any form of publicly traded securities of a CMIC, or their derivative securities, and use them as investment opportunities. For any securities-related transaction in the subject company restricted by a U.S. Presidential Executive Order, neither Huatai Securities & Co., Ltd, its subsidiaries, Huatai Securities (USA), Inc. or Huatai Financial Holdings (Hong Kong) Ltd, nor the author of this report shall bear any legal responsibility for any consequences resulting from the use of information contained in this report.

Unless otherwise indicated, the data quoted in this report represents past performance, which should not be used as a guide of future returns. Huatai does not promise or guarantee that any future return will be realized. The forecast made in the report is based on corresponding assumptions, and any change of assumptions may significantly affect the predicted return.

Huatai and the report's authors have no legally prohibited interest in the securities or investment instruments referred to herein, to the best of their knowledge. Huatai may, to the extent permitted by applicable law, hold positions in or trade securities issued by companies mentioned herein, and may also perform investment banking, financial advisory or other financial products related services for or solicit business from such companies.

Based on different assumptions, standards or adopting different analytical methods, Huatai's sales, traders or other professionals may, orally or in writing, express market comments and/or trading opinions inconsistent with the opinions and suggestions of this report. Huatai has no obligation to update this report. Huatai's asset management, proprietary and other investment services departments may independently make investment decisions that are inconsistent with the opinions or recommendations expressed in this report. Investors should take into account that Huatai and/or its related persons may have potential conflicts of interest that may affect the objectivity of the opinions in this report. Investors should not regard this report as the sole basis for their investment or other decisions. Specific disclosures in this regard are contained at the end of this report.

This report is not intended for any institution or individual investor of any region, country or other jurisdiction in which Huatai would violate local law or regulation; or subject Huatai to relevant law or regulation, due to the sending, publishing, or use of this report.

The copyright of this report is exclusively owned by HFHL. No organizations or individuals shall infringe the copyright of HFHL by any means, such as duplicating, reproducing, publishing, quoting or redistributing (in whole or in part) to any other person without the written consent of HFHL. Where HFHL agrees to quote or distribute, it shall be used within the permitted scope and obtain independent local advice to comply with applicable laws and regulations before distribution, and indicate the source as "Huatai HK Research". Any reference, deletion or modification inconsistent with the original intention of this report shall not be made. HFHL reserves the right to pursue legal actions against relevant infringement. All trademarks, service marks and marks used herein are trademarks, service marks and marks of HFHL.

Hong Kong, China

In Hong Kong, this research report is prepared and distributed by HFHL, which is regulated by the Hong Kong Securities and Futures Commission and is the wholly owned subsidiary of Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司) which is a wholly-owned subsidiary of Huatai Securities Co., Ltd., a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "華泰證券股份有限公司". This research report is intended for use only by institutional and professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. Recipients of this research in Hong Kong may contact HFHL in respect of any matter arising from or in connection with this research.

Important HK Regulatory Disclosures

- HFHL does not have an individual employed by or associated with it serves as an officer of any companies or issuers under its research coverage.
- Please refer to the important disclosures on HFHL's website https://www.htsc.com.hk/stock_disclosure

Please see additional important disclosures under the section of "**Important US Regulatory Disclosures**".

United States

In the United States, this research report is distributed solely to institutional investors that meet US regulatory requirements by Huatai Securities (USA) Inc., which is a registered broker-dealer and member of FINRA. Huatai Securities (USA) Inc., accepts responsibility for the content of this research report in accordance with the provisions of Rule 15a-6 under the US Securities Exchange Act of 1934. Huatai Securities (USA) Inc.'s affiliate analysts are not registered/qualified as research analysts with FINRA, may not be associated persons of Huatai Securities (USA) Inc., and therefore may not be subject to FINRA rule restrictions on communications with a subject company, public appearances, and trading securities held by the analysts. Huatai Securities (USA) Inc. is a wholly-owned subsidiary of Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司) which is a wholly-owned subsidiary of Huatai Securities Co., Ltd. Any persons receiving this report directly from Huatai Securities (USA) Inc. and wishing to effect a transaction in any security described herein should do so with Huatai Securities (USA) Inc.

Important US Regulatory Disclosures

- CHEN Shen, LIU Lu, LIN Zhengheng and their associates do not serve as an officer, director or advisor of the subject securities or issuers mentioned in this Research Report. The Analysts and their associates do not have any financial interests in relation to the subject securities or issuers mentioned in this Research Report. For the purposes of these disclosures, the term "associate" includes members of the analyst's household as defined by FINRA. Analysts receive compensation based upon the overall revenue and profitability of Huatai securities Co., Ltd, including revenues derived from its investment banking business.
- Huatai Securities Co., Ltd., its subsidiaries and/or its affiliates, from time to time sell to and buy from customers the securities/instruments of companies, both equities and debt (including derivatives) of companies covered in Huatai Securities Research on a principal or agency basis.
- Huatai Securities Co., Ltd., its subsidiaries and/or its affiliate(s), and/or their officers, directors and employees may, to the extent permitted by applicable law, have positions in any securities mentioned in this report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Therefore, investors should be aware that a conflict of interest may exist.

Guide to Investment Rating

The investment rating system is based on total return potential including all paid or anticipated dividends relative to that of the benchmark over the next 6-12 months after the release of the report.

The benchmark: CSI-300 Index for A share market. Hang Seng index for Hong Kong market. S&P 500 index for US market.

Industry Rating Definitions

OVERWEIGHT: The industry index is expected to outperform the benchmark

NEUTRAL: Performance of the industry index is expected to be in line with the benchmark

UNDERWEIGHT: The industry index is expected to significantly underperform the benchmark

Stock Rating Definitions

BUY: The stock price is expected to outperform the benchmark by more than 15%

OVERWEIGHT: The stock price is expected to outperform the benchmark by 5%~15%

HOLD: The performance of the stock relative to that of the benchmark is expected to be within -15%~5%

SELL: The stock price is expected to underperform the benchmark by more than 15%

Rating suspended: The rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies

Not rated: Stocks are not in regular research coverage. Investors should not expect continuing or additional information from Huatai relating to such securities and/or companies

Legal Entity Disclosures

China: Huatai Securities Co., Ltd is approved by the China Securities Regulatory Commission under a qualification to carry out "securities investment consulting" business. Business license no: 91320000704041011J

Hong Kong: Huatai Financial Holdings (Hong Kong) Limited holds a license issued by the Securities and Futures Commission in Hong Kong to carry out "advising on securities" business. License no: AOK809.

USA: Huatai Securities (USA) Inc. is a registered broker-dealer and member of FINRA. License no.: CRD#: 298809/SEC#: 8-70231.

Huatai Securities Co., Ltd

Nanjing

Building 1, Huatai Securities Plaza, No. 228 Jiangdong M Rd,
Jianye District, Nanjing, 210019
Tel: 86 25 83389999/Fax: 86 25 83387521
Email: ht-rd@htsc.com

Beijing

18F, Building A, No. 28 Fengsheng Hutong, Taipingqiao St,
Xicheng District, Beijing, 100032
Tel: 86 10 63211166/Fax: 86 10 63211275
Email: ht-rd@htsc.com

Shenzhen

10F, South Bosera Fund Building, No. 5999 Yitian Rd,
Futian District, Shenzhen, 518017
Tel: 86 755 82493932/Fax: 86 755 82492062
Email: ht-rd@htsc.com

Shanghai

23F, Building E, Poly Plaza, No. 18 Dongfang Rd,
Pudong District, Shanghai, 200120
Tel: 86 21 28972098/Fax: 86 21 28972068
Email: ht-rd@htsc.com

Huatai Financial Holdings (Hong Kong) Limited

Unit 5808-12, 58/F, The Center, 99 Queens Road Central, Central, HONG KONG
Tel: +852 3658 6000/Fax: +852 2169 0770
Email: research@htsc.com
<http://www.htsc.com.hk/>

Huatai Securities (USA) Inc.

41st Floor, 10 Hudson Yards, New York, NY 10001, UNITED STATES
Tel: 212-763-8160/Fax: 917-725-9702
Email: Huatai@htsc-us.com
<http://www.htsc-us.com>

© 2022 Huatai Securities Co., Ltd. All Rights Reserved