

(stock code: 3301.HK)

Leading property developer with strong growth

**Corporate Presentation** 

June 2018





## **Leading Property Developer with Strong Growth**



Stock code : 3301.HK

Listing date : January 13, 2016

Offering price : HK\$5.36

Share price : HK\$9.55\*

No. of issued shares : 1.598 billion shares

Market cap : HK\$15.26 billion\*

P/E ratio : 6.65x\*

#### Quality

- Focus on mid-range-to-high-end residential properties with significant price premium advantages
- 2017 ASP of contracted sales: RMB21,046 / sq.m., ranked 8<sup>th</sup> in the country\*

\*Source: : "2017 China Listed Real Estate Developers' Average Selling Price List" published by Leju

#### Layout

- Focus on the first- and second-tier core cities and surrounding satellite cities ,80% of product value is located in core areas of first- and second tier cities
- Major cities: Hangzhou, Shanghai, Nanjing, Fuzhou, Xiamen

#### Contracted sales<sup>1</sup>

RMB50.23 billion

2015-17 CAGR: 105%

## **Industry ranking**

**22**nd

"2018 Top 50 Property Developers in China"

## **Credit rating**

AA+

General corporate credit rating

#### **Total assets**

RMB170.2 billion

2015-17 CAGR: 121%

#### **Net assets**

RMB35.13 billion



34% year-on-year growth

## Recognition

A constituent of MSCI and Hang Seng Index, and an eligible stock of Shenzhen-Hong Kong Stock Connect Scheme

<sup>\*</sup>As of July 16, 2018

## **Milestones**



#### Advanced into Eastern China to achieve stronger growth

#### 2015:

- Ranked 1<sup>st</sup> among "Top 20 Property Developers in Fujian Province"
- Reached RMB11 billion in contracted sales
- · Acquired AA credit rating in China

#### 2014:

- Top 50 Property Developers in China (No. 37→ No. 29)
- Recorded 8 billion RMB in contracted sales

**2013**: Advanced into Shanghai ("Imperial Villa") and Hangzhou ("Blue Peacock")

#### Cultivated Fuzhou as a benchmark city

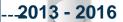
#### 2006:

- Jointly operated Shiou Property to develop "Beyond City"
- Top 10 Property Developers in Fujian province

**2004**: First property development project: "Rongxin Super Star City"

2003: Established in Fuzhou

2016 - now-



#### 2009 - 2012

2003 - 2008

#### Headquartered in Shanghai with national layout

#### 2017:



 Jointed hands with Hailiang Group to complete national layout efficiently

#### 2016:

- Moved headquarter to Shanghai
- Listed on the main board of SEHK under stock code of 3301.HK
- Became a constituent of MSCI, HSI and Shenzhen-Hong Kong Stock Connect Scheme
- Credit Rating :
  - ✓ Onshore: "AA+" long term general corporate credit rating
  - ✓ Offshore: B+ (Fitch), B (S&P), B (Moody's)
- Achieved RMB24.6 billion in contracted sales

# Entered into Southern Fujian, paving the way for future development

#### 2012:

- Marched into Xiamen in Southern Fujian ("Ocean City")
- · Top 100 Property Developer Stars in China



2010 : Entered into Zhangzhou in Southern Fujian

("Lan Garden")

**2009**: Obtained land parcel of Show Kingdom, the largest urban renewal project of the year

# Widely Acknowledged



# "2018 China Real Estate Listed Companies Development Speed Top 2"

Jointly published by China Real Estate Association and Shanghai E-House Real Estate Institute of China Real Estate Assessment Center (25/5/2018) Ranked 3<sup>rd</sup> on the "2017 China Listed Real Estate Developers' Sales Growth List" on the back of a 104.21% increase in sales volume.

Published by Leju (24/4/2018)



Ranked 17<sup>th</sup> on CRIC's "Top 100 China Real Estate Developers' Landbank Value at the end of 2017 List" with total landbank value of RMB530.1 billion

CRIC (24/4/2018)



# "2018 Chinese Top 22 Real Estate Developers"

Jointly published by China Real Estate Association and China Real Estate Appraisal (21/3/2018)





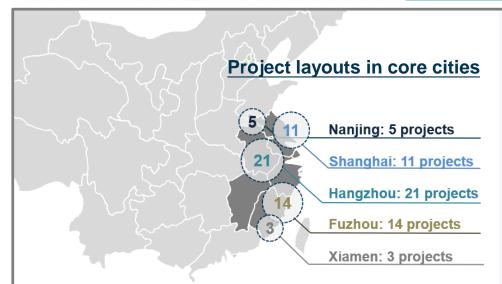


# **Landbank Layout**





Layout in "7 Core City Clusters"			
	No. of Cities	No. of Projects	
Yangtze River Delta	19	75	
Western Taiwan Straits	5	38	
Provincial Capitals in Western China	4	12	
Chengdu-Chongqing	2	2	
Provincial Capitals in Central China	1	3	
Beijing-Tianjin-Hebei	1	2	
Greater Bay Area	1	1	
Total	33	133	



- · 33 cities, 133 projects
- Focus on the first- and second-tier core cities with strategic presence in seven core city clusters in China
  - →Total landbank of 23.15 million sq.m., and 80% of the salable resources is located in first- and secondtier cities
- High quality residential products
  - →2017 ASP: RMB21,046/sq.m
  - → Top 8 in the PRC\*

\*Source: "2017 China Listed Real Estate Developers' Average Selling Price List" published by Leju

## **Landbank Quality: High Potentials with Low Cost**



23.15 million sq.m.

**Total landbank** 

12.67 million sq.m.

**Attributable landbank** 

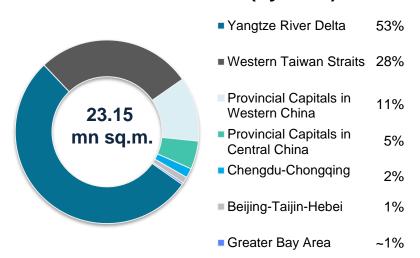
RMB6,568 / sq.m.

Average land cost

31.2%

Land cost / ASP

#### landbank distribution (by area)



- Located in core areas of first- and second-tier cities
  - > 80% by salable resources
  - 60% by salable areas

City	ASP of contracted sales / sq.m. (RMB)	Average land cost / sq.m. (RMB)	Land price/sale price (%)
Hangzhou	43,785	17,630	40%
Fuzhou	21,149	4,342	21%
Shanghai	41,098	19,549	47%
Zhengzhou	18,392	1,314	7%
Suzhou	39,960	8,959	22%

## **Premium Products Lead to Premium Price in Sales**



#### The selling price has obvious premium advantages over competitors' products in the same area



Selling price: RMB43,700 Competitors' products: RMB38,000-40,000



Roughcast product price: RMB58,700 Competitors' all furnished product price: RMB48,000



Selling price: RMB10,000 Competitors' products: RMB8,000



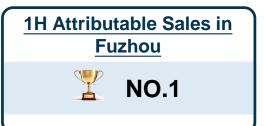
Selling price: RMB34,500 Competitors' products: RMB30,000



High-rise residential building price : RMB12,340 Detached villa price: RMB33,000 Competitors' high-rise residential building price : RMB10,000; Detached villa price: RMB25,000

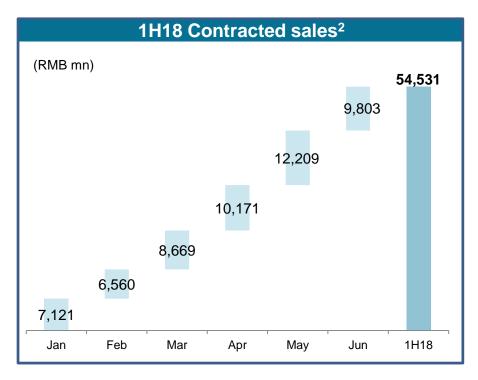
## **Leading Market Share**













Note 1: Excluding statistics from joint ventures for contracted sales of 2015-17

Note 2: Including sales from joint ventures', subsidiaries' and associates' since January 2018

# **Key Markets**





#### **Yangtze River Delta**

- 75 projects in 19 cities with landbank of 12.321 million sq.m., representing 53% of total landbank
- Projects spread across Shanghai, Hangzhou, Nanjing, Ningbo, Jinhua, Shaoxing, Nantong, Suzhou, Quzhou, Zhoushan, Fuyang, Hefei, etc.

#### **Western Taiwan Straits**

- Total of 38 projects in 5 cities with landbank of 6.335 million sq.m., representing 28% of total landbank
- Projects spread across Fuzhou, Xiamen, Zhangzhou,Longyan, Putian



## Strategic Layout: Leading Position in the Hangzhou



## **Phased Development in Hangzhou**

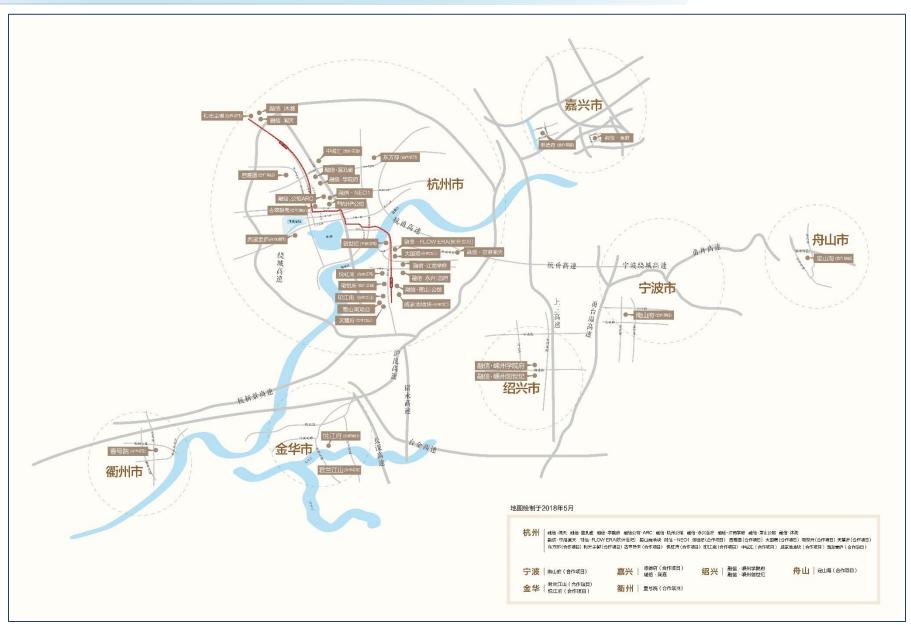
- 2013: First set foot in Hangzhou
- 2016: Ranked 7<sup>th</sup> on the top selling property list, thanks to three projects developed in the Hangzhou area
- End of 2017: owned 21 projects in Hangzhou, amounting to 1.748 million sq.m. in landbank
- Q1, 2018: Ranked 2<sup>nd</sup> in the attributable sales in Hangzhou





# Strategic Layout: Leading Position in the Hangzhou





## **Key Markets (Cont.)**





### **Chengdu-Chongqing**

2 projects in Chengdu and Chongqing with total landbank of approx. 389.8 thousand sq.m.

#### **Central China**

3 projects in Zhengzhou with total landbank of approx.1.15 million sq.m.

#### **Western China**

- 12 projects in Xi'an, Lanzhou, Xi'ning and Yinchuan with total landbank of approx. 2.62 million sq.m.
- In February 2018, Ronshine acquired Zhengzhou Qinghuayuan for RMB802 million, securing land use rights of four land parcels in Zhengzhou, Henan Province.
- In July 2017, Ronshine acquired 55% equity of Ningbo Hailiang and Anhui Hailiang respectively to focus on cultivation of markets in provincial cities in Western and Central China and adjacent cities.

	Zhengzhou acquisition overview	Hailiang acquisition overview
Announcement Date:	9 <sup>th</sup> February 2018	27 <sup>th</sup> July 2017
Equity acquired:	Zhengzhou Qinghuayuan Property Development Co., Ltd.	Acquires 55% of Ningbo Hailiang Property Investment Company Limited and Anhui Hailiang Property Company Limited respectively
Acquisition cost:	RMB802 million	RMB2,897 million
Site area:	295.3 thousand sq.m.	> 5 million sq.m.



# **Financial Highlights**



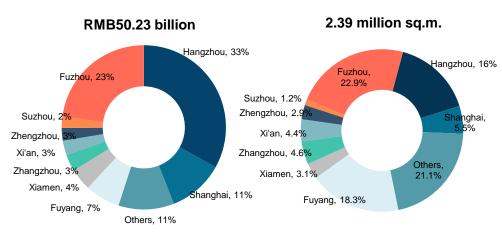
For the Year Ended 31 December (RMB mn)	2017	2016	YOY Change
Contracted sales <sup>1</sup>	50,235	24,639	104%
Revenue	30,341	11,372	167%
Gross profit	5,025	2,302	118%
Profit for the year	2,646	1,703	55%
Earnings per share for profit attributable to owners of the Company (RMB yuan)	1.22	0.96	27%

# **Contracted Sales Analysis**

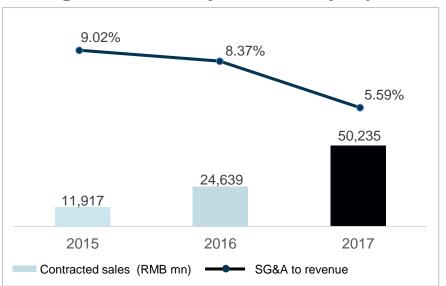


Contracted sales¹: RMB50.2 b	illion +104% Y.O.Y.
Contracted sales area <sup>1</sup> : 2.39 million sq.m.	+70% Y.O.Y.
ASP of contracted sales <sup>1</sup> : RMB21,046/sq.m.	+20% Y.O.Y.
Repayment rate	Maintain good levels
SG&A to revenue: 5.59%	-2.8 ppt Y.O.Y.

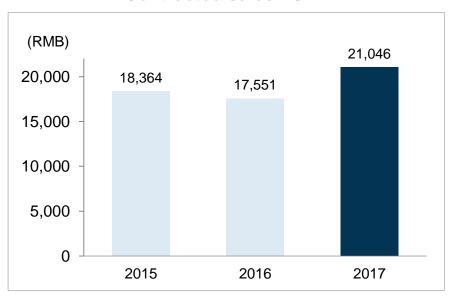
#### Total contracted sales in 2017<sup>1</sup> Total contracted GFA in 2017<sup>1</sup>



#### Management efficiency continuously improved

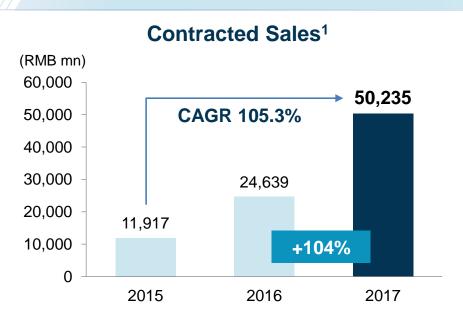


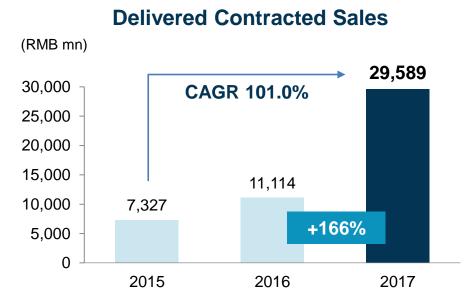
#### Contracted sales ASP1

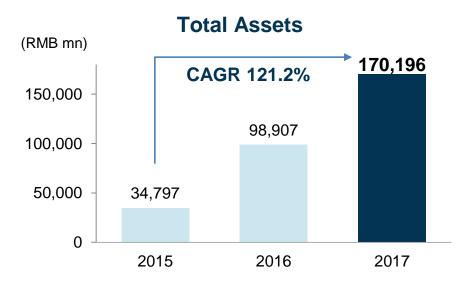


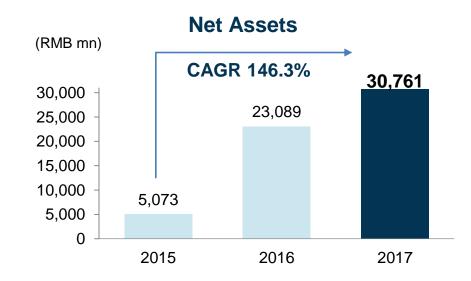
# **Consistent Rapid Growth**





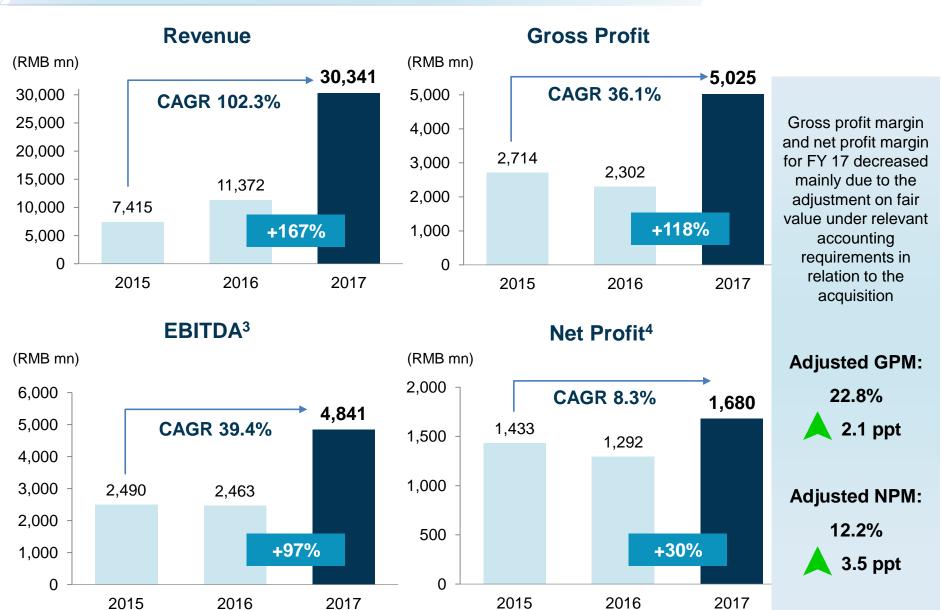






# **Improving Profitability**



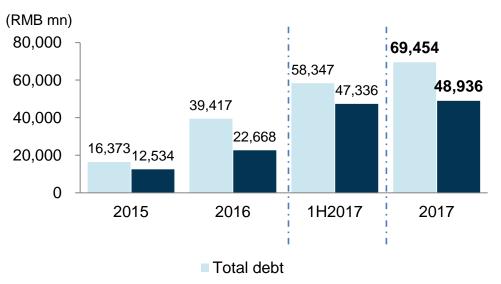


Note 3: EBITDA = Profit before tax + Net Finance Income / (Cost) + Depreciation + Amortization of Intangible Assets Note 4: Attributable to the parent company

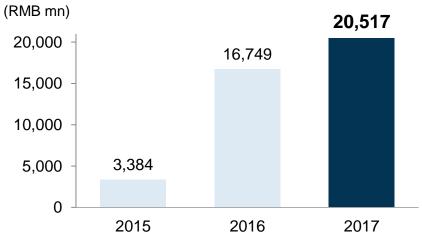
# **Advancing Liquidity**



#### **Total Debt and Net Debt**<sup>5</sup>



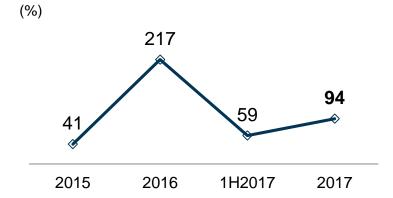
#### **Cash and Bank Balances**



#### **Net Debt Ratio**



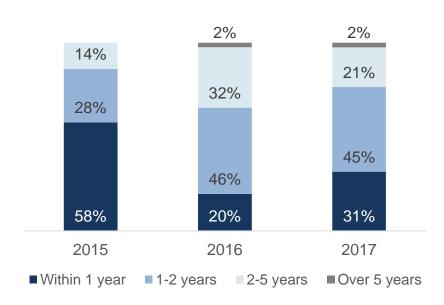
#### Cash/Short-term Debt Ratio



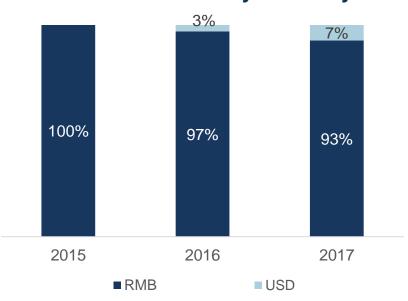
# **Debt Analysis**



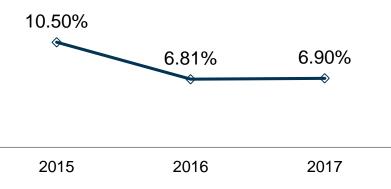
## **Debt Breakdown by Period**



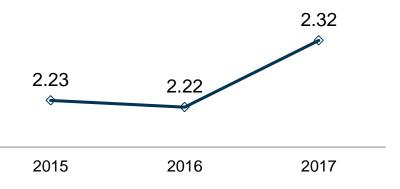
### **Debt Breakdown by Currency**



## Cost of Borrowing<sup>6</sup>



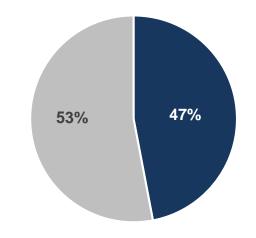
### **Interest Coverage Ratio (Times)**



## **Sufficient Credit Lines**



- Maintained good cooperation with a wide range of financial institutions to acquire sufficient credit lines
- By the end of March 2018, the Company's total credit lines were RMB112.07 billion, among which the unused credit lines were RMB59.95 billion



■ Used credit lines ■ Unused credit lines



Headquarter level client



**Headquarter level client** 



Headquarter level client



**Headquarter level client** 



Headquarter level client



平安银行 PINGANBANK

Headquarter level client



Headquarter level client



# "1+N" Strategy



Ronshine applies regionally focused strategy, deploys its business in seven core city clusters, and proactively expands the existing business presence from these cities to the adjacent ones

"1+N": 1 represents core first- and second-tier cities; N represents satellite cities adjacent to the core city



#### **Example: Yangtze River Delta**

**Strategy**: Ronshine started getting a foothold in the Yangtze River Delta by entering Shanghai, Hangzhou and Nanjing. After building up market share, Ronshine has been actively looking for projects that bring high profit and quick turnover in satellite cities with high-speed railroad or expressway links to the core ones

**Layout**: In the existing metropolitan areas, for example, with its strong roots in Shanghai, Hangzhou and Nanjing, Ronshine is extending its reach to adjacent cities, like Suzhou, Ningbo, Shaoxing and Jinhua that boost strong growth potential in the next 5 to 10 years

**Data**: In 2017, the Company recorded contracted sales of more than RMB23 billion in the metropolitan areas, and also acquired 21 land parcels with a total GFA of 4,737,432 sq.m., covering Hangzhou, Nanjing, Suzhou, Ningbo, Shaoxing, Zhoushan, Quzhou etc.

## **Products Focus**



# **Quality Residentials**

# Creative Designs

## **Branding**

# Landmark Projects

# Focus on mid-range to high-end residential properties, and improve the residential experience

Strive to provide high-quality products and services, focus on "mid- to high-end boutique" strategy, and build benchmark products and create premium value for customers

# Creative construction planning and innovative product design to create value for customers

Appoint internationally-renowned architectural design consultancy companies to build benchmark products that meet the needs of local markets

#### Build branding, and benefit from brand

Implement high quality development strategy, achieve premium advantage of sales and enhance overall profitability

#### Participate in more landmark projects

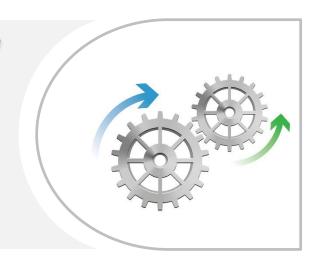
- Adhere to "regional in-depth cultivation" strategy to gain market share and brand awareness
- Develop landmark projects in existing cities

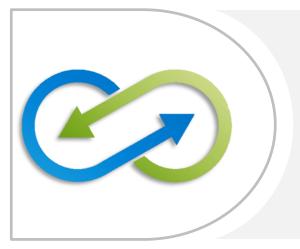
# **Asset Light Expansion Mode**



# Asset light expansion mode: Output management experience, achieve win-win situation

- Output Ronshine's strong management and operational advantages through acquiring a certain percentage of equity interest in low cost land parcels owned by other property developers, in order to cut cost, raise selling price and turnover. Thus the company can maximize project yield and achieve a win-win outcome for Ronshine and original owners.
- Successful acquisitions to reduce financing costs while increasing the average selling price by offering premium quality projects.





# Collaborate with competitive peers and maximize profits through integration and synergy of resources

- Adopt asset-light strategy and cooperate with other top-ranking property developers, such as Vanke, Poly Group, Greenland Group, etc., to co-develop projects and ensure the quality and operational efficiency to reach top level
- Maximize the value of capital expenditure by cooperating with peers in land parcel acquisition

(Names not listed in order)













## **Balanced Development**





**Balance Strategy** 



# **Steadily De-leverage**

- Long-term target of EBITDA/Interest expense ratio set at more than 2 times
- Actively manage gearing level

12 months

Sufficient Liquidity

 The minimum cash balance should be sufficient to cover the basic operating cost for the next 12 months

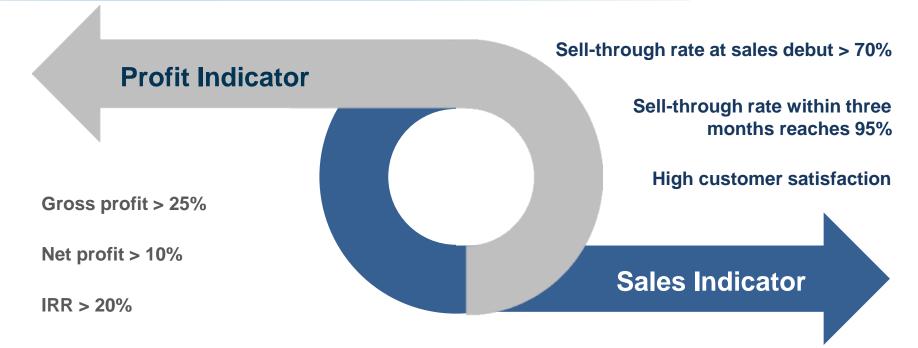


## Financial and capital planning

- Adhere to "asset light" cooperation strategy and maintain healthy and balanced financial development
- In respect of the acquisition of landbank, carefully scrutinize the internal estimates (repurchase amount: 50%) to balance the overall profit margin and liquidity, adhere to prudential land acquisition strategy and reduce funding pressure by joint ventures

## **KPIs**





#### **Profit Management:**

- 1. Implement profit assessment since 2016
- Review target profit margin of each project in kick-off meeting
- According to the Group's methodology, calculate corresponding profit margin of selling price for every batch of project sales.
   Require marketing department to monitor market
- 4. Regularly follow up on the achievement of the target profit amount for each project, provide early warning about risk to achieve target profit, and propose solutions accordingly

conditions weekly and adjust pricing strategy accordingly

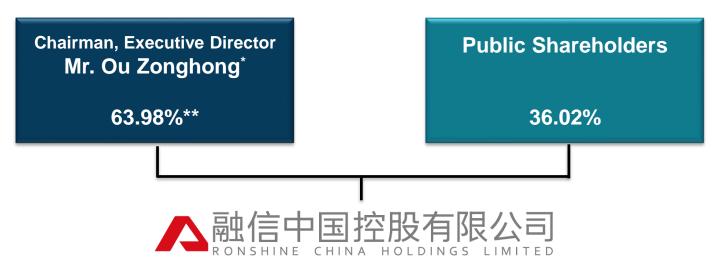
#### **Project Scale:**

- Regularly follow up on implementation of assessment indicators, promptly identify problematic projects, and coordinate resources to develop solutions
- Strongly emphasize benchmarking works on sales expense rates, to set reasonable development and managing standards



## **Shareholder Structure**





Stock code: 3301.HK

Issued shares as of June 12th 2018: 1,598,300,500 shares

On June 5<sup>th</sup> 2018, issued an aggregate of 103.5 million shares under equity replacement at HK\$10.62 per share, with net proceeds of approximately HK\$1.1 billion

The placing shares represent approximately 6.48% of the issued share capital of the Company as enlarged by the subscription

Note\*: Dingxin Company Limited, a company incorporated in the Cayman Islands which is indirectly wholly-owned by the trustee of the Ou Family Trust, a discretionary trust established by Mr. Ou GuoFei (the son of Executive Director Mr. Ou, as the settlor) and Mr. Ou as executive director, is a protector

Note\*\*: As at 12 June 2018

# **Residential Project Lines**



#### **Top Level**

Luxury properties for high net worth customers



Customized product line unique according to project specifications

**High End** 

For high net worth customers



Classical style product with cultural and historical intrinsic values

Century Line

Excellent location and city ancillary resources



Century Summit (Shanghai)

Ideal environmental attributes and landscape resources

Project area of over 200,000 sq.m. with mixed product combination

**The Twin Harbour City** 

(Fuzhou)

Middle range to high end

For first-time homebuyers and upgraders



Excellent location and city ancillary resources

## **Commercial Project Lines**



#### **Ronshine Center Line**

Commercial properties with good location, and the office products reach A-level standard







**Hongqiao World Center ( Shanghai )** 

## **Window of City Line**

#### Business apartment projects





## **Consolidated Income Statements**



For the Year Ended 31 December	2017	% of Total Revenue	2016	% of Total Revenue	% Change
(RMB million)	2011	70 or rotal Revenue	2010	70 Of Total Nevenue	70 Onlange
Revenue	30,341	100%	11,372	100%	167%
Revenue from sales of properties	29,589	98%	11,114	98%	166%
Revenue from construction contracts	560	2%	178	2%	214%
Rental income	193	1%	80	1%	141%
Cost of Sales	(25,317)	83%	(9,070)	80%	179%
Gross profit	5,025	17%	2,302	20%	118%
Selling and marketing costs	(819)	3%	(473)	4%	73%
Administrative expenses	(876)	3%	(478)	4%	83%
Fair value gains on investment properties	1,108	4%	361	3%	207%
Fair value gains on the remeasurement of joint ventures			278	2%	
Other income and other gains — net	46	0%	12	0%	283%
Operating profit	4,484	15%	2,001	18%	124%
Finance income	248	1%	132	1%	88%
Finance cost	(25)	0%	(6)	0%	317%
Finance income, net	223	1%	125	1%	78%
Share of net profit of associates and joint ventures accounted for using the equity method	283	1%	443	4%	-36%
Profit before income tax	4,990	16%	2,570	23%	94%
Income tax expense	(2,343)	8%	(867)	8%	170%
Profit for the year	2,646	9%	1,703	15%	55%
Profit for the year attributable to owners of the Company	1,680	6%	1,292	11%	30%
Basic earnings per share (RMB Yuan)	1.22		0.96		27%

# **Consolidated Balance Sheet**



	(As of 31 Dec 2017)		
(RMB '000)	2017	2016	
Assets	2017	2010	
Non-current assets			
Property, plant and equipment	1,518,138	1,321,057	
Land use rights	464,407	479,518	
Investment properties	10,465,400	4,058,000	
Intangible assets	8,485	4,876	
Investments accounted for using the equity method	6,743,913	2,695,532	
Term deposits	-	640,000	
Available-for-sale financial assets	42,000	33,724	
Prepayments	92,729		
Deferred tax assets	512,609	258,949	
Deletted tax assets	19.847,681	9,491,656	
Current assets	19,047,001	9,491,030	
Properties under development	90,900,267	31,614,716	
Completed properties held for sale	9,477,128	7,572,767	
Amounts due from customers for contract works	140,745	1,249,435	
	· · · · · · · · · · · · · · · · · · ·	32,103,325	
Trade and other receivables and prepayments	23,720,226 3,971,790	32,103,325 229,101	
Amounts due from related parties	* *	•	
Prepaid taxation	1,604,331	512,156	
Available-for-sale financial assets	16,959	24,000	
Restricted cash	1,933,517	907,304	
Term deposits	111,000	3,677,169	
Cash and cash equivalents	18,472,631	11,525,557	
<b>T</b>	150,348,594	89,415,260	
Total assets	170,196,275	98,906,916	
Equity	40	40	
Share capital	13	12	
Share premium	3,506,038	2,485,669	
Other reserves	6,718,226	4,984,837	
Capital and reserves attributable to owners of the Company	10,224,277	7,470,518	
Non-controlling interests	17,794,795	12,386,271	
Perpetual Capital Instruments	2,741,981	3,232,533	
Total equity	30,761,053	23,089,322	
Liabilities			
Non-current liabilities			
Borrowings	47,609,990	31,683,744	
Deferred tax liabilities	3,041,401	1,479,533	
	50,651,391	33,163,277	
Current liabilities			
Borrowings	21,843,620	7,733,520	
Trade and other payables	21,594,588	10,947,247	
Amounts due to related parties	1,354,824	1,474,137	
Pre-sale proceeds received from customers	41,244,149	20,968,395	
Current tax liabilities	2,746,650	1,531,018	
Total liabilities	139,435,222	75,817,594	
Total equity and liabilities	170,196,275	98,906,916	
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## **Disclaimer**



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