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BEIJING CAPITAL LAND

创造都市新生活

*Create New Urban Life*

# Beijing Capital Land Ltd. 2868.HK Interim Results 2015

August 2015



HIGHLY RESTRICTED

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# I. Review of Interim Results

- 
- Record Breaking:** RMB12.1bn contracted sales, up 78.9% YoY
  - Investment Focus:** Concentrated on 5 core cities and leveraged Beijing-Tianjin-Hebei Integration
  - Financing Breakthrough:** Issued RMB3bn 5-year 4.58% domestic corporate bond
  - Commercial Property Expansion:** Retail sales up 78.9% across 3 outlets
  - Overseas Development:** Contributed 15% contracted sales, with 3 new projects in Sydney
  - Centralized Procurement:** Covered 73% of all projects, incurred cost savings of at least 12%
  - Co-Investment 2.0:** Officially launched after a successful trial and now adopted in 14 projects across Beijing, Shanghai, Shenyang and Qingdao

# Financial Results

RMB '000	1H 2015	1H 2014	YoY Change
Revenue	5,447,244	4,519,333	<b>20.53%</b>
Gross Profit	739,165	1,049,185	<b>-29.55%</b>
Net Profit	1,011,066	1,007,789	<b>0.33%</b>
Net profit attributable to parent company	503,293	661,130	<b>-23.87%</b>
EPS (Fully-diluted, RMB cents)	25	33	<b>-24.24%</b>
ROE attributable to parent company	5.82%	7.77%	<b>-1.95 ppt</b>
Gross profit margin	13.57%	23.22%	<b>-9.65 ppt</b>
Net profit margin	18.56%	22.30%	<b>-3.74 ppt</b>
Net gearing ratio	155.31%	76.94%	<b>78.37 ppt</b>
Cash on hand (RMB)	12.66 billion	11.67 billion	<b>8.45%</b>



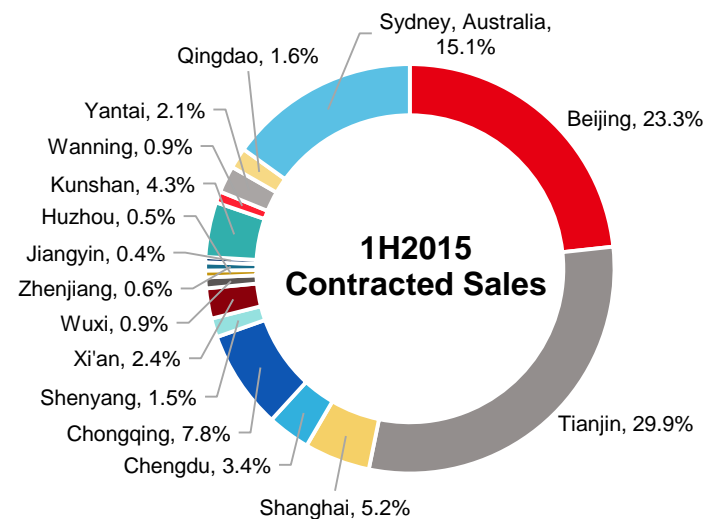
# Contracted Sales Performance in 1H 2015

Contracted Sales		Contracted Sales Area		Avg. Selling Price	
RMB billion	YoY Change	'000 sq. m.	YoY Change	RMB/sq. m.	YoY Change
<b>12.12</b>	<b>+78.9%</b>	<b>1,199</b>	<b>+64.1%</b>	<b>10,104</b>	<b>+9.1%</b>

Contracted sales in 1H 2015 recorded at RMB12.12bn, up 78.9%  
Industry ranking surged to 22nd \*

## Focusing on strategic central regions and selected overseas markets

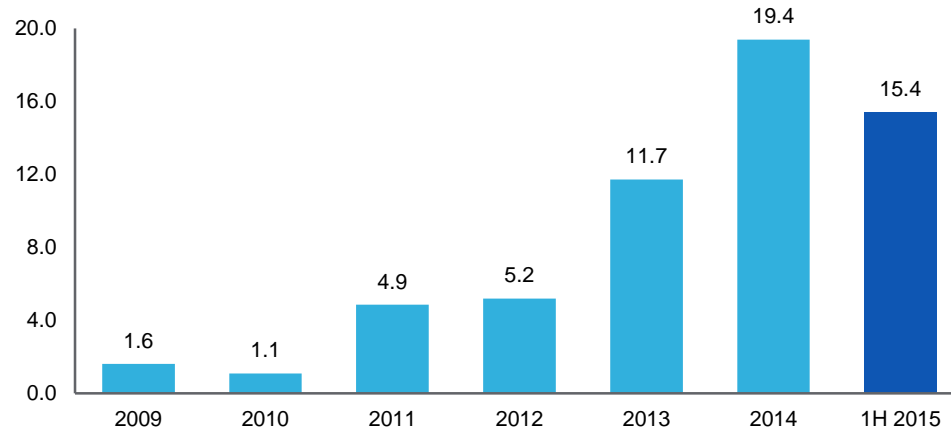
- Five core cities & Sydney accounted for 85% contracted sales
- Beijing and Tianjin accounted for 53% contracted sales
- Sydney, Australia accounted for 15% contracted sales, demonstrating great potential



\*Source: 1H2015 China Real Estate Companies Contracted Sales Ranking Top100, CRIC

## Land Investment Since 2009

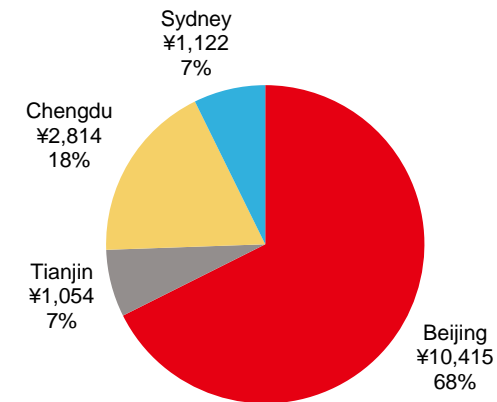
(RMB billion)



- Land investment in 1H2015: **RMB15.4bn, up 31% YoY**
- Ground GFA acquired: **1.51mn sq.m.**
- **62%** of annual land investment target achieved in 1H 2015

## 1H 2015 Land Investment Breakdown by Cities

(RMB million)



- Land investment in Beijing was RMB10.4bn, representing 68% and adding 356,700 sq.m. land reserve
- Riding on synergies with Beijing Capital Group, BCL acquired the F1 and B2 projects in the Yongfeng Industrial Base in Haidian District, Beijing, with a total GFA of nearly 500,000 sq. m.

### Breakthrough in Beijing

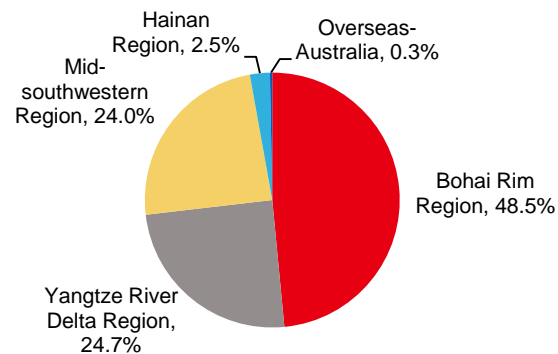
- Deepened cooperation with Australian developer Dyldam and invested into 3 new residential projects in Sydney with a total GFA of 130,000 sq.m.

### Overseas Opportunities

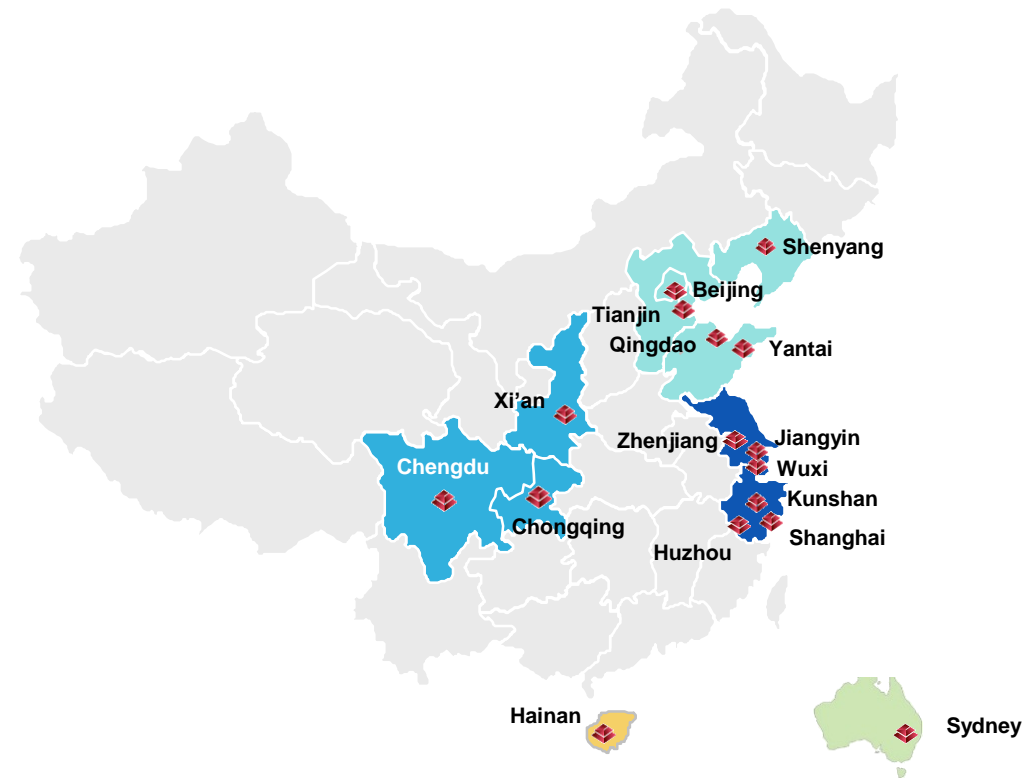
# Sufficient Land Bank

- The Group has **11.81mn sq.m. GFA/9.18mn sq.m. above-the-ground GFA** land bank, sufficient for development over the next 3 years<sup>1</sup>
- 5 core cities with highly promising growth prospects account for more than 60% of the land bank

**Land Bank Distribution by Region**



- Land bank in Beijing and Tianjin totaled 4.29mn sq.m., sufficient for development in core regions
- Land bank in Beijing, Tianjin and Shanghai was 2.79mn sq.m., 1.5mn sq.m. and 670,000 sq.m. respectively, or 24%, 13% and 6% of the total land bank



Note:  
1. as at 30 June 2015



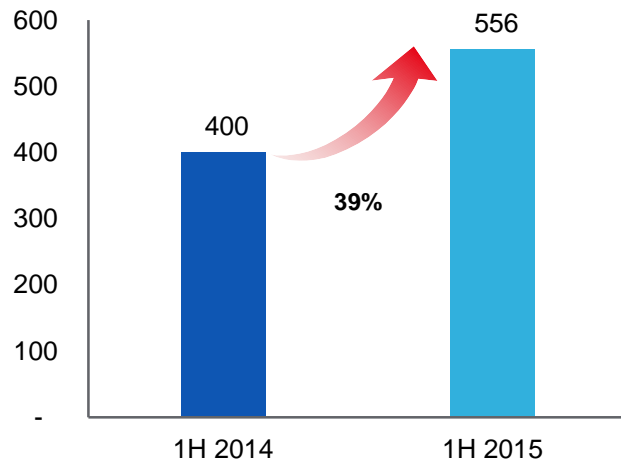
# Outlets – A Fast-growing Business Line



- **BCL Juda:** Completed injection of Xi'an project; positioned as BCL's commercial property platform for outlets business
- **Retail Sales:** RMB1.04bn, up 78.9% YoY
- **Brands:** Cooperated with more than 700 brands as of 1H 2015
- **Visitor Traffic:** 6.94mn visitors in 1H 2015, up 77.5% YoY
- **Recent Developments:** 1) Acquired Nanchang Outlets project; 2) Kunshan Outlets to open in 2H 2015; 3) Will acquire 2-3 more outlets projects in 2H 2015

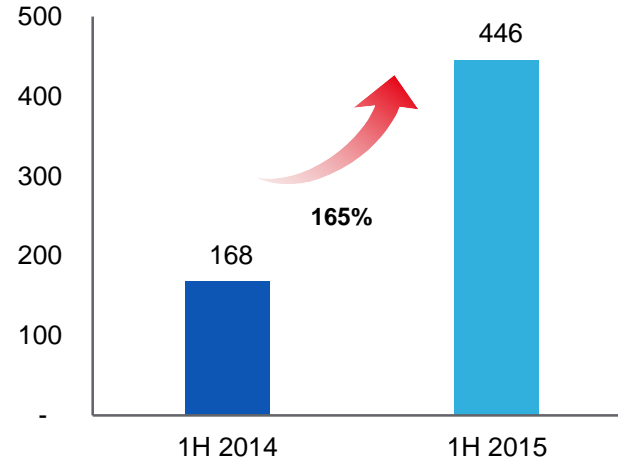
## Fangshan Outlets Sales

(RMB million)



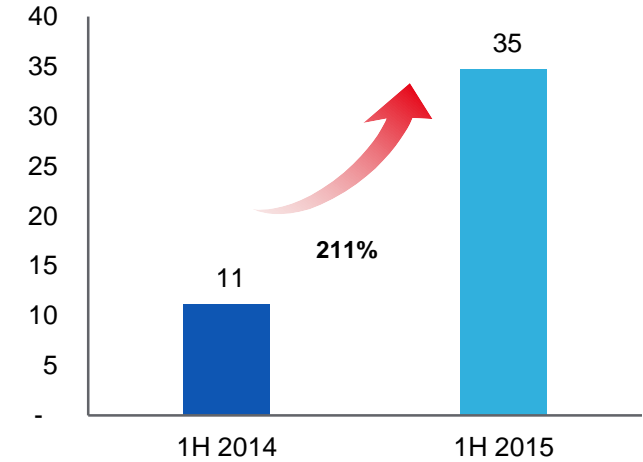
## Wanning Outlets Sales

(RMB million)



## Huzhou Outlets Sales

(RMB million)



## **Cost Control:**

1. All-round cost control from budgeting, execution to evaluation
2. Target to save an average of 8% or RMB 620mn in operational costs for selected project

## **Product Standardization:**

1. Promoted standardization in strategy, design and construction
2. Established a platform of product standardization and developed standardized procedures, such as renovation plans for public areas of residential projects

## **Centralized Procurement:**

1. Launched a strategic centralized procurement platform covering 73% of all projects
2. Secured 34 strategic suppliers, signed 35 strategic procurement contracts totaling RMB2.02bn, thereby saving 12-65% on procurement costs for various items

## **Co-investment 2.0:**

1. Implemented co-investment program for most projects after a successful trial and encouraged adoption of this program by older projects
2. Enforced co-investment in 14 projects in Beijing, Shenyang, Qingdao and Shanghai in 1H 2015

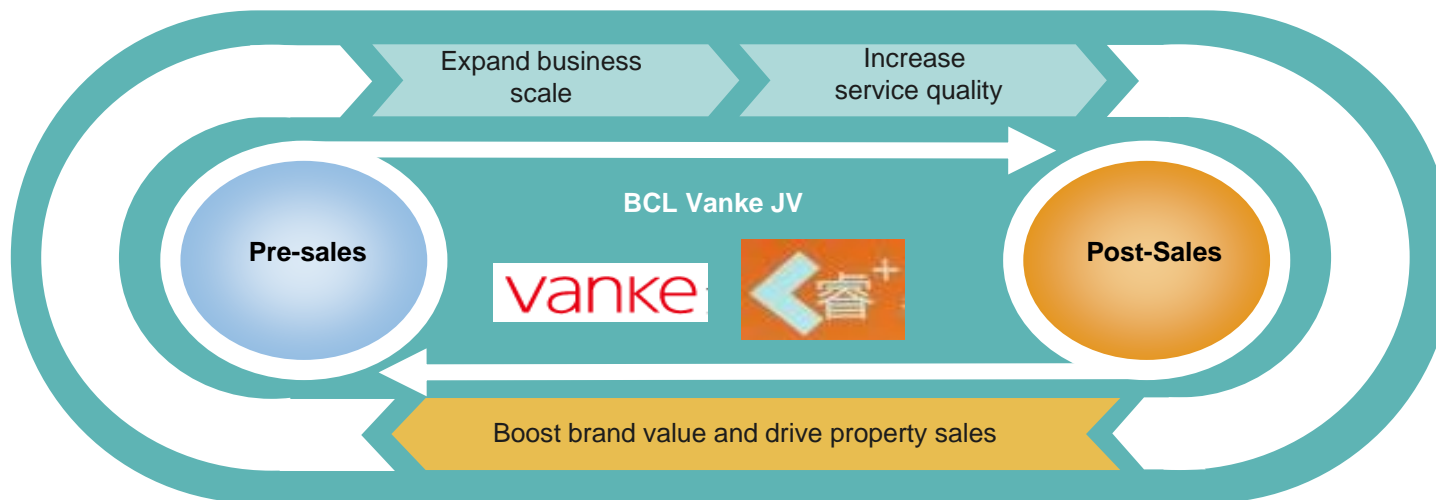
# Synergies from Property Services

## Property Services Company:

- A joint venture with Vanke will be established to leverage on its “Rui Butler” service model and brand image

## Business Plan:

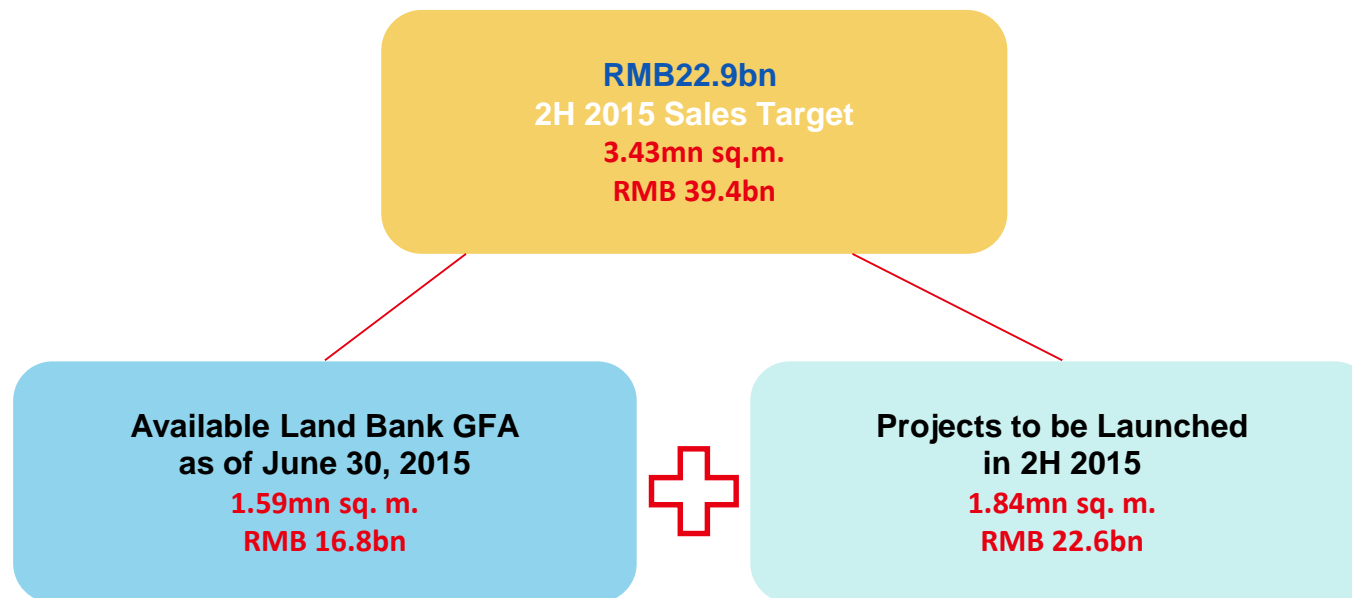
1. The joint venture will be controlled by BCL and operated by Vanke, with the goal of obtaining a property service class-2 certification in 1-2 years
2. Branches will be set up in 5 core cities to support BCL’s future development projects including residential and urban complexes
3. Synergies will be created and the venture will further BCL’s strategic goal of becoming an integrated property developer:
  - Quality property services to benefit project ASPs and brand awareness
  - Increased contracted sales to expand the scale of service business



# Sales Target and Measures in 2H2015



- **Sales Target:** Our 2H 2015 sales target is **RMB22.9bn** and the annual target is **RMB35bn**
- **Available Resources:** GFA available for sale in 2H 2015 totals **RMB39.4bn**
- **Strategic Focus:** Launch **1.42mn sq.m.** in 5 core cities in 2H 2015 with a market value of **RMB17.8bn**
- **Sales Pipeline:** Most projects are scheduled to launch in October **to ensure a relatively high sales turnover**
- **Marketing:** Enhance comprehensive marketing channels and launch new self-run sales team + alternative sales channels



## Integrated Resources → Boost Value

**5 Core Cities  
3 Business Lines  
Homebuyer Oriented Products +  
Products for Homebuyers looking for Upgrades**

### Acquire Land / Diversify Channels

- Public auction, joint development, and industrial cooperation, etc
- Leverage Capital Group and introduce strategic partners, such as financial institutions

### Leverage Beijing-Tianjin-Hebei Integration Strategy

- Utilize opportunities brought by Phase II of Wuqing Primary Land Development Project in Tianjin to enhance regional value and capitalize on supporting policies

### Secure Core Resources to Drive Revenue Growth

- Target to secure core resources located in five core cities
- Take advantage of primary land development
- Turn into an important profit driver

### Expand Overseas Investment

- Expand footprint in Australia
- Target overseas contracted sales of 10%+ of total contracted sales in 2015

### Breakthrough in Outlets Business

- Enhance commercial property management services and enlarge outlets management scale
- Manage more than 15 outlets projects within next 2-3 years
- Explore asset-light commercial property business model

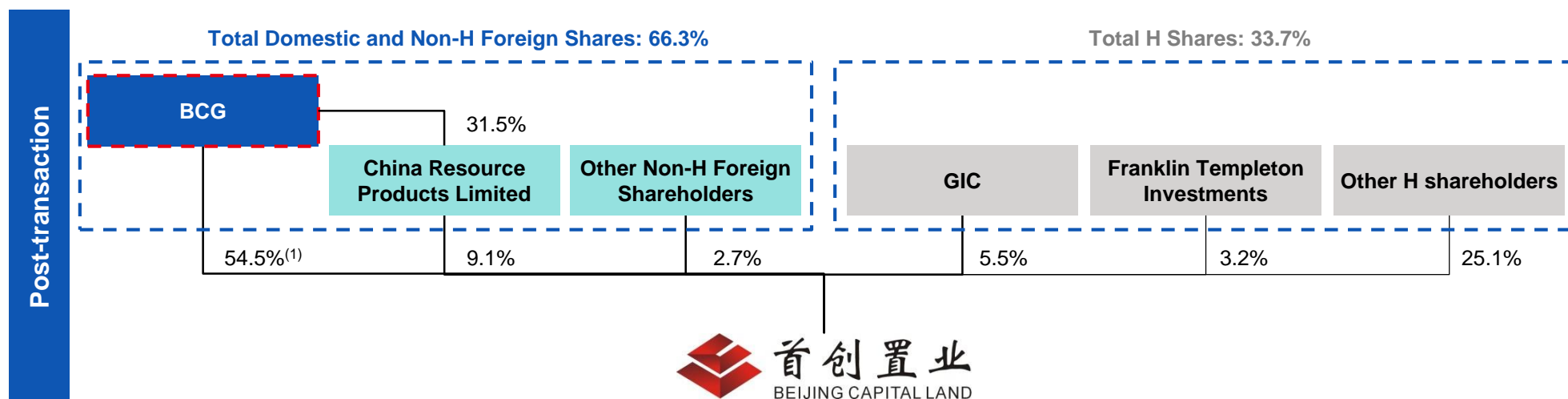
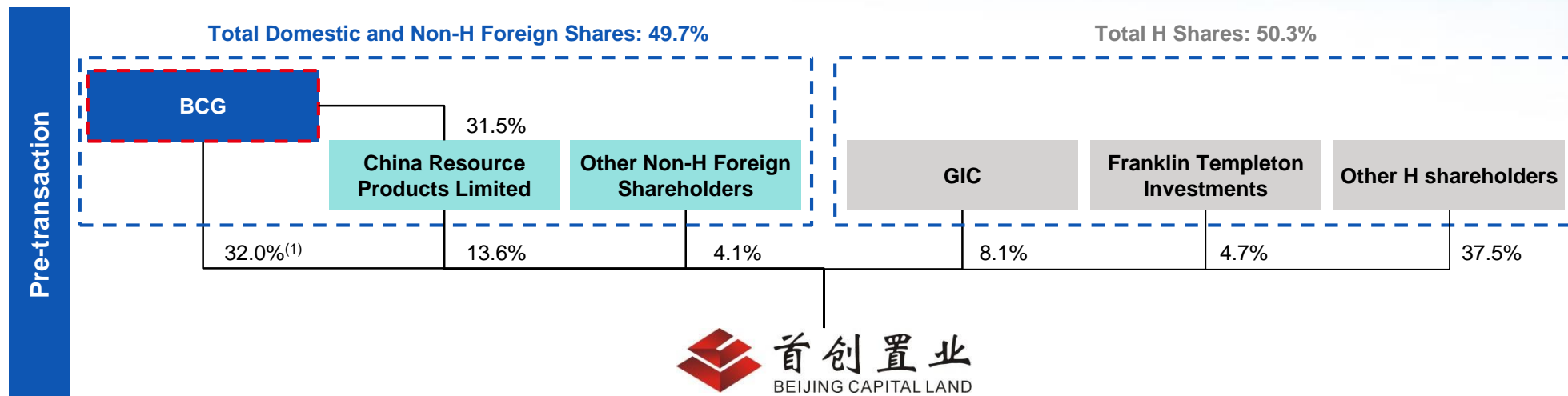
## II. Transaction Overview



# Transaction Overview

Issuer	Beijing Capital Land Ltd. (“Company” or “BCL”) (2868.HK)
Subscriber	Beijing Capital Group Co., Ltd.(“Group” or “BCG”)
Issue type	Domestic shares placement
Issue size	1 billion shares
% of existing shares	49.3%
Subscription price	HKD 3.90
Lock-up period	The Company has no present intention to a) allot or issue any Domestic Shares for a period of 12 months after Completion, save and except for any A shares that may be allotted or issued by the Company and b) allot or issue any H Shares for a period of [180] days after Completion
Use of proceeds	(a) Approximately 80% to fund land acquisitions to increase its land bank reserves, and/or development of existing and potential projects (b) Approximately 20% to enhance general working capital of the Company
Financial advisor	HSBC, CICC, J.P. Morgan First Capital

# Transaction Overview (cont'd)



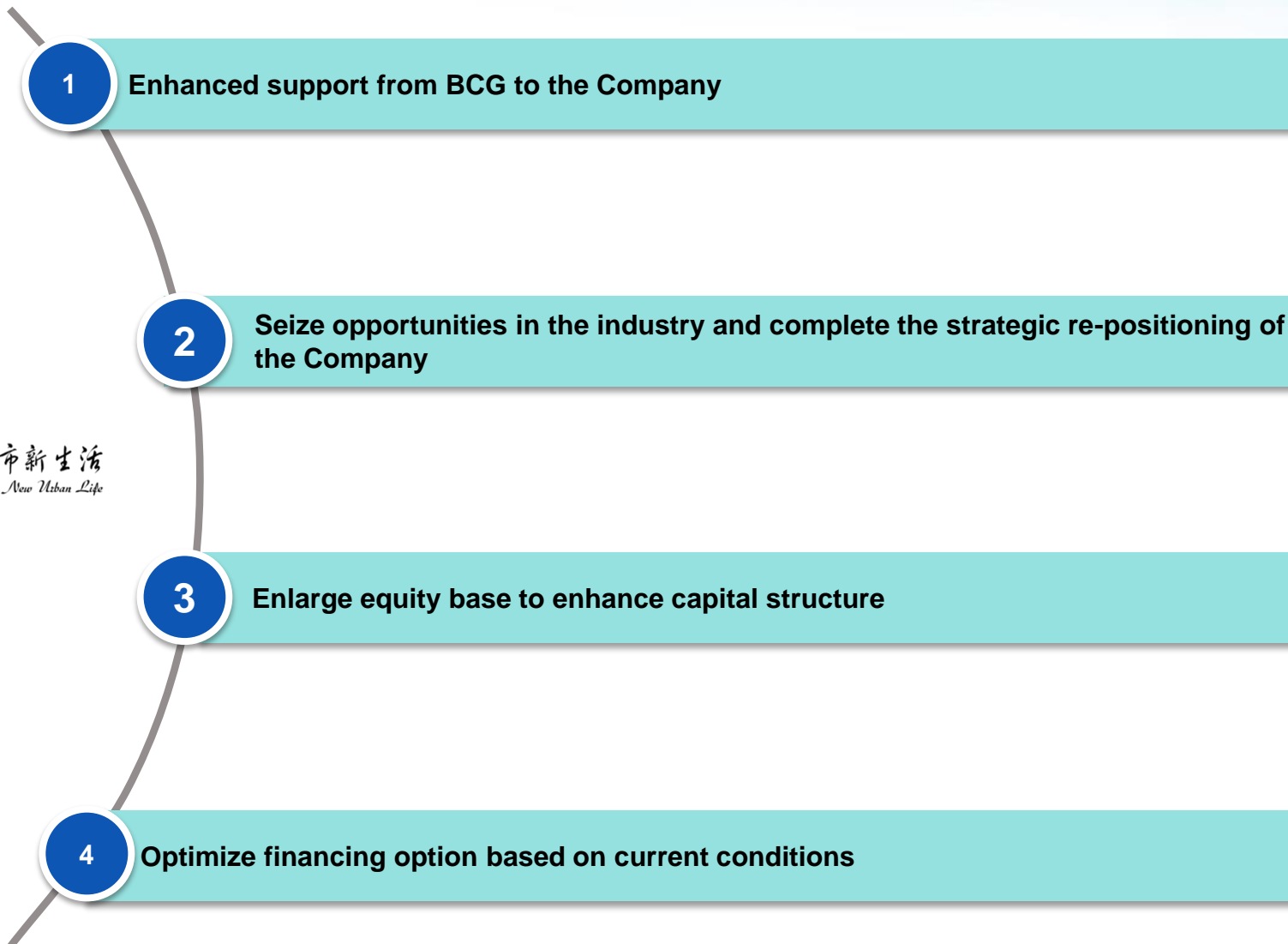
Source: Company filings

Note:

1. Directly owned by Beijing Capital Group

# III、 Transaction Rationale

# Transaction Rationale



# 1 Enhanced support from BCG to the Company

BCG's absolute controlling shareholder status will support BCL's long term development and will be in the interests of all shareholders

## BCL will be the Group's sole platform engaged in market-oriented property development business

- BCL is one of the four major subsidiaries of BCG endorsed by the SASAC and is primarily responsible for the Group's market-oriented property development business
- Going forward, BCL's market-oriented property development business will continue to be the Group's core business, and BCL will be the **Group's sole platform in the market-oriented property development segment**
- As of 1H2015, BCG's total assets reached RMB214.8bn. The Group's total revenues for 2014 amounted to RMB23.8bn with a net profit of RMB2.7bn. The Group's significant strength will provide firm and strong support for BCL's future development
- BCG owns a large amount of policy-based land resources and investment properties in Beijing and Tianjin. Upon completion of the domestic share subscription, BCG's direct shareholding in BCL will increase from 32.0% to 54.5%. **As the absolute controlling shareholder of BCL, the Group will be able to provide more resource support for BCL's future development**

## The Group's increased shareholding will provide BCL with greater long-term support

Maintain status as the largest shareholder	<ul style="list-style-type: none"> <li>➢ BCG will maintain its status as BCL's largest shareholder in the next five years to support BCL's development, and will not actively dispose of its shares in BCL upon completion of the subscription<sup>(1)</sup></li> <li>➢ Enhance the Group's support towards BCL after becoming the absolute controlling shareholder</li> </ul>
Lock-up period	<ul style="list-style-type: none"> <li>➢ Will not allot or issue any domestic shares (except for A-shares) for a period of 12 months after completion</li> <li>➢ Will not allot or issue any H Shares for a period of 180 days after completion</li> </ul>
Asset injection arrangements	<ul style="list-style-type: none"> <li>➢ In order to avoid further dilution of other shareholders, no additional shares will be issued if Capital Group injects assets into BCL in the period of 12 months after completion</li> </ul>

Source: Company Information

Note:

1. Save and except for any share reduction through public offerings or share placements by BCL to the public as required by the Provisional Measures on the Administration of the Reduction of the State Owned Shares for Raising Social Security Funds

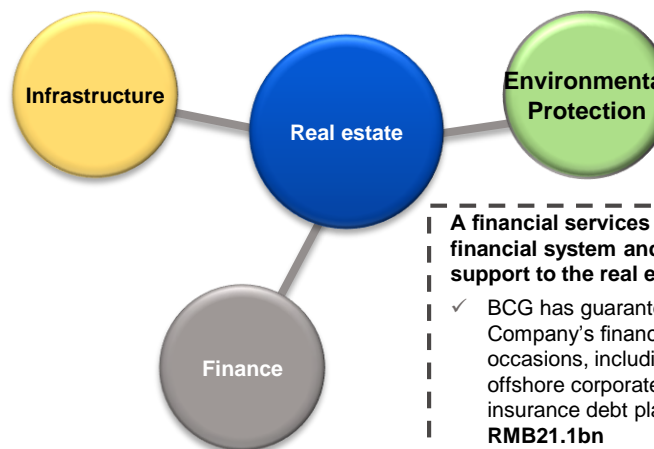
## Synergies among the Group's business segments

Collaborating closely with BCG's infrastructure division greatly enhances the resource acquisition ability of the real estate business including

- ✓ Based on BCG's contract to build Line 14 and Line 16 of the Beijing subway, BCL obtained the **Beijing Lize project**
- ✓ Based on BCG's current Beijing-Tianjin expressway construction project, BCL obtained the **Tianjin Wuqing project**

With water-land linkage and water-road linkage, seize market resources and competition opportunities with efficiency

- ✓ Leader in China's water service with business covering 17 provinces and over 49 cities
- ✓ Investor and constructor of Beijing's greenbelt, and responsible for the investment and development of the **240 sq.km greenbelt**



A financial services entity that covers the city's financial system and offers innovative financial support to the real estate business

- ✓ BCG has guaranteed or supported the Company's financing activities on numerous occasions, including bank loans, onshore and offshore corporate bonds and MTN, as well as insurance debt plan, **with a total value of RMB21.1bn**
- ✓ BCL, together with BCG, established financial services platform to explore innovative financing in internet industry, and has so far undertaken RMB400m in real estate project financing

Replicable integrated real estate development model

Transport network to be developed first, then jointly engage in primary land development and secondary property development

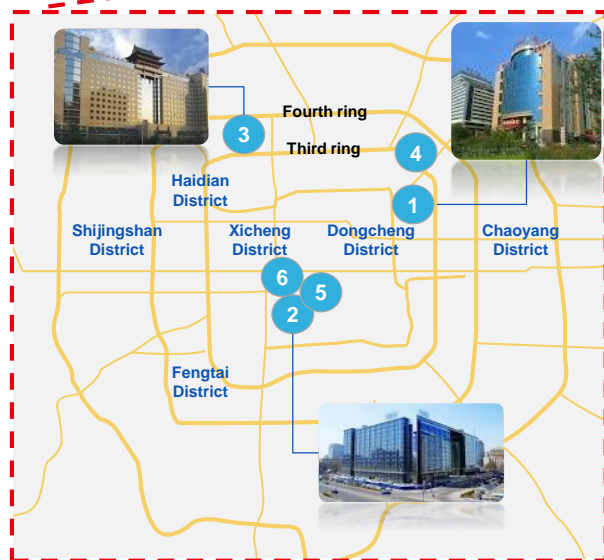
# 1 Enhanced support from BCG to the Company (cont'd)

BCG's land resource advantage in the Beijing-Tianjin-Hebei region will create future development opportunities for BCL

The rich and high-quality land resources owned by the Group (excluding BCL) in the Beijing-Tianjin-Hebei area

## Investment Properties

- BCG still owns a large amount of high-quality investment properties and hotels. Total construction area is c.1.2 million sq.m<sup>(1)</sup>
- Main areas are Tianjin (55%), Beijing (29%), Shanghai, Chengdu, Shenzhen, and other core locations in tier 1 / prospective tier 1 cities



## Selected high-quality self-owned properties in Beijing

- |                       |                            |                     |
|-----------------------|----------------------------|---------------------|
| 1 Capital Group Plaza | 2 Chang'an Xingrong Centre | 3 Jade Palace Hotel |
| 4 Jing'an Centre      | 5 Gaodeng Building         | 6 Yuetan Building   |

Source: Company Info

Note:

1. Excludes BCL's owned properties



## Light Year City Project

- The urban development project, also known as the demonstration area of the Beijing-Tianjin Cooperation, is a key demonstration project to reinforce economic and social cooperation and facilitate co-development between the two cities, and will become Tianjin's future technology city housing the modern services business segment
- Covers an area of 35 sq.km. with a combination of tourism, culture and education, health care, environmental technology, high-tech services, and high-end commercial and trade activities businesses
- Prime location with convenient transportation, c.100 km away from Beijing, c.20 km away from downtown Tianjin, c. 20 km away from Binhai New Area's core area, and close proximity to Tianjin Binhai International Airport and Tianjin Port – the largest port in the northern China



## Daxing District Project

- Owns 19 land parcels in Daxing District, Beijing, covering an area of c. 5,152 mu
- 10-20 km north of Beijing Capital Second International Airport, belonging to the core area of the industry spatial structure of "two bands, one axis and multi parks" in south city
- Due to significant advantages brought about from Beijing Capital Second International Airport, new south city action plan and the construction of rail transportation in Daxing amongst others, Capital Group's Daxing project has massive development opportunities going forward. Currently, the Group is actively developing a modern industrial base project (Capital Group's International Innovative Industrial Park) and security housing project
  - The International Innovative Industrial Park will become the demonstration base for emerging industries, complemented with an urban business centre with a combination of residences, shopping centres, hotels and office buildings



## 2 Seize opportunities in the industry and complete the strategic re-positioning of the Company

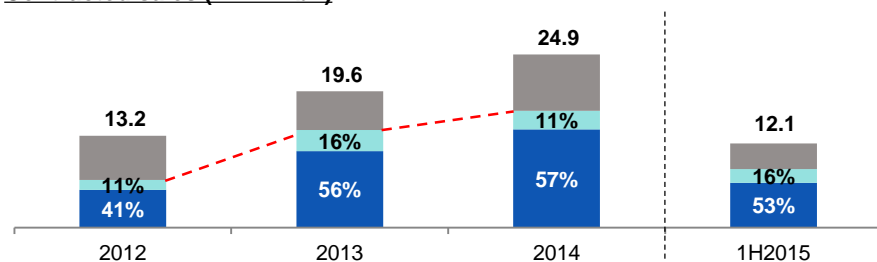
Focusing on strategic re-positioning in the five core cities, especially Beijing-Tianjin area

Beijing-Tianjin-Hebei region contains significant development opportunities, BCL is focusing on the strategic re-positioning

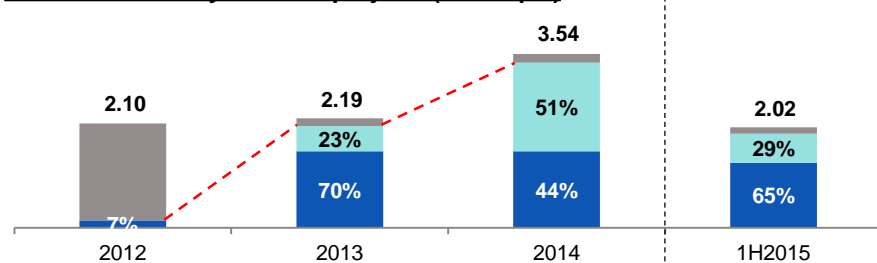
Focusing on developing its business in the Beijing-Tianjin area and other first-tier / prospective first-tier cities

“Capital + Resources” dual dynamic for domestic share placement

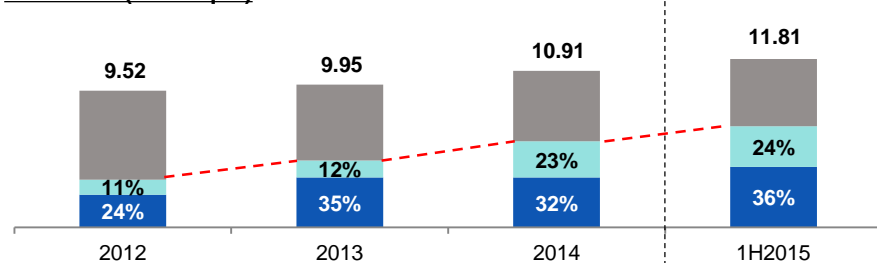
Contracted sales (in RMBbn)



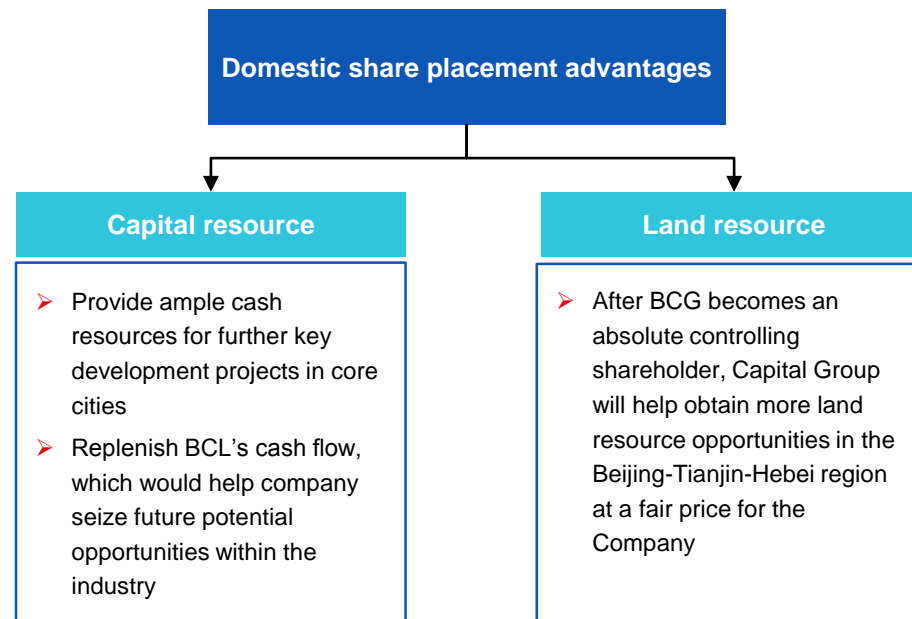
Total GFA of newly invested projects (in m sq.m)



Landbank (in m sq.m)



■ BJ+TJ ■ SH+CQ+CD ■ Others



- 1 Accelerate business growth
- 2 Enhance shareholders' return
- 3 Facilitate strategic transformation

## 2 Seize opportunities in the industry and complete the strategic re-positioning of the Company (cont'd)

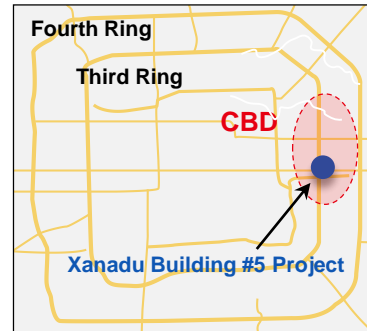
Use of proceeds focus solely on the Beijing-Tianjin-Hebei area

### Existing high-quality projects



#### Primary land development and secondary property development in Tianjin Wuqing

- The project is located at the centre of the Beijing-Tianjin area, with Tongzhou District to the north
- Plan to construct a new urban city consisting of a combination of residential, educational and industrial areas, mainly targeting customers in the eastern part and CBD of Beijing
- Primary land development area covering 2 sq.km with an additional land area of 3.5 sq. km. looking to be added
  - Including an unsold parcel of land with an area of 0.77 sq. km
- BCL will continue to invest in primary land development and strive to acquire most land plots for secondary development

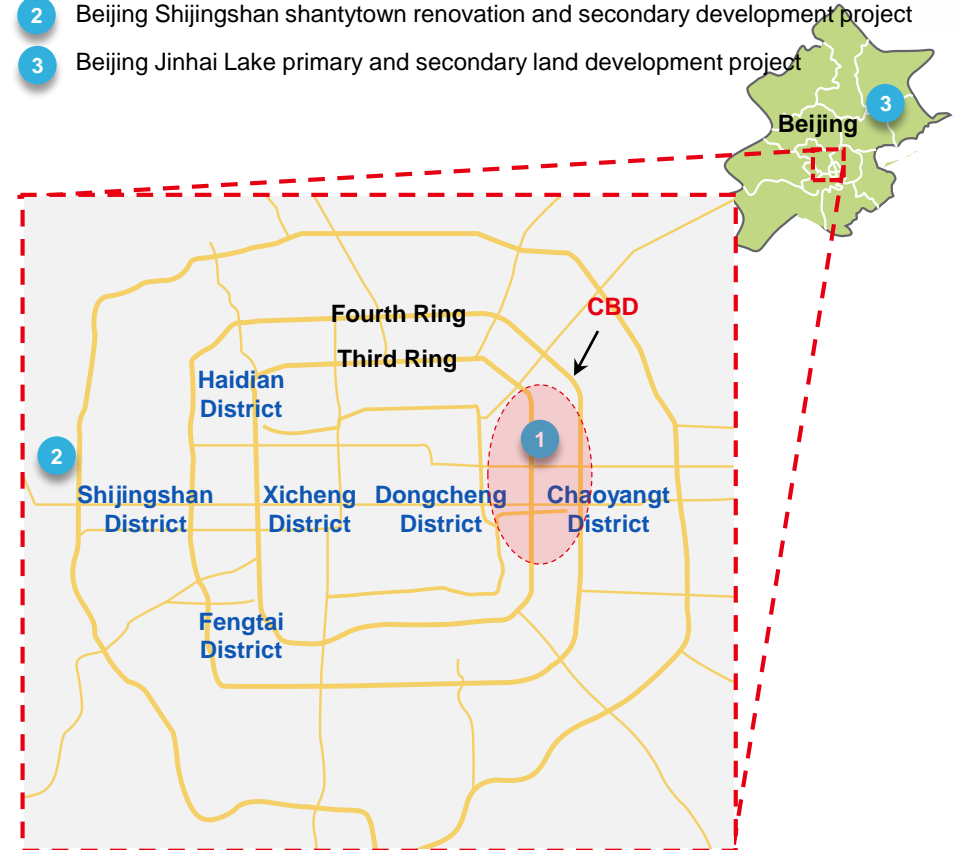


#### Xanadu Building #5 development project in Beijing's CBD

- The Xanadu Building #5 project is located at the centre of Beijing's CBD, and is 50m north of the CCTV tower, with CCTV, Mandarin Oriental Hotel and Media Park in the surrounding area
- The only remaining enclosed high-end residential community in the core area of the CBD
- Acquisition of the remaining land for the Building #5 project has been completed, currently in the last phase of demolishing existing property on site
- Expected to soon be able to begin project development and pre-sale

### Potential land resources in Beijing

- 1 Beijing CBD Hujialou shantytown renovation and secondary development project
- 2 Beijing Shijingshan shantytown renovation and secondary development project
- 3 Beijing Jinhai Lake primary and secondary land development project

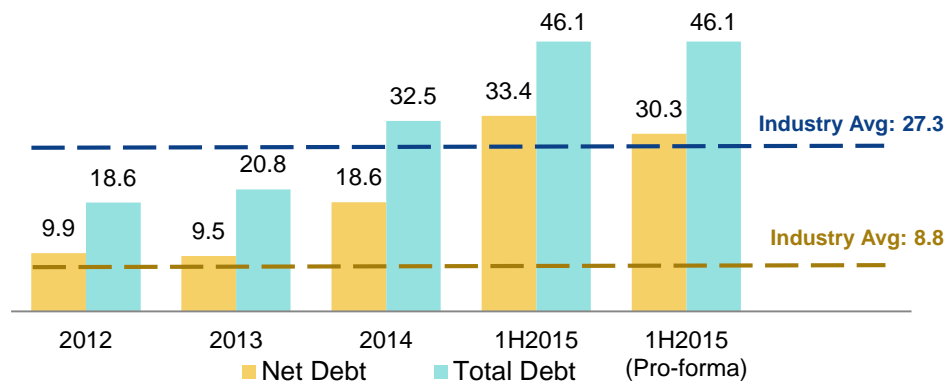


**Leveraging on BCG's infrastructure business and advantage in policy-based land resources in Beijing and Tianjin, concentrate on investment in this region and seize the opportunity of Beijing-Tianjin-Hebei integration**

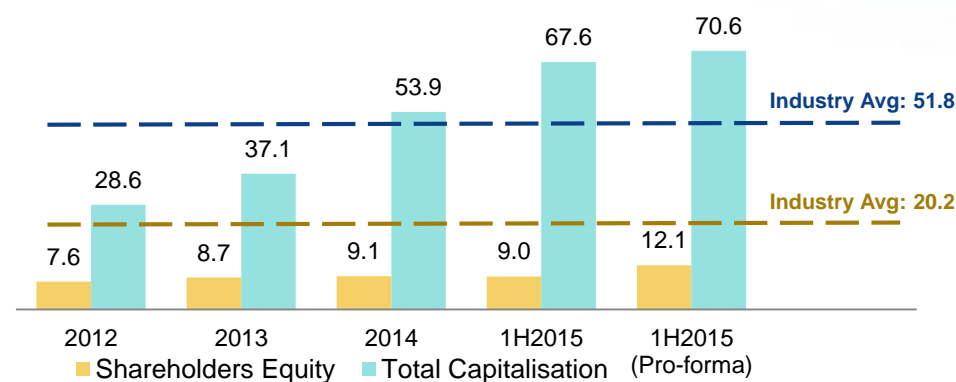
### 3 Enlarge equity base to enhance capital structure

Imminent need to expand equity financing scale to capture development opportunities and enlarging share capital will help reduce existing leverage ratio

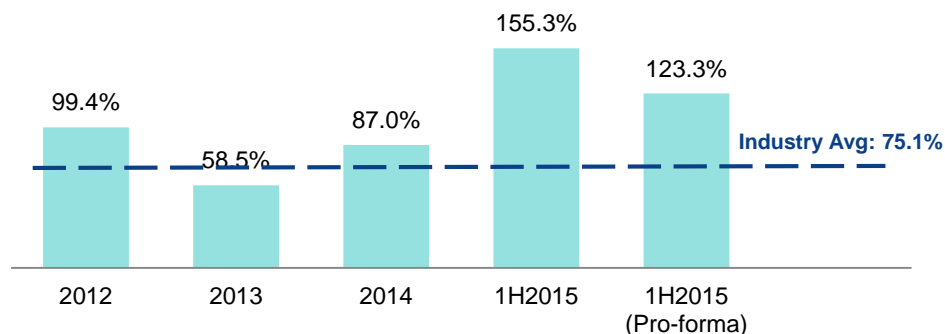
Overview of debt securities (in RMB bn)



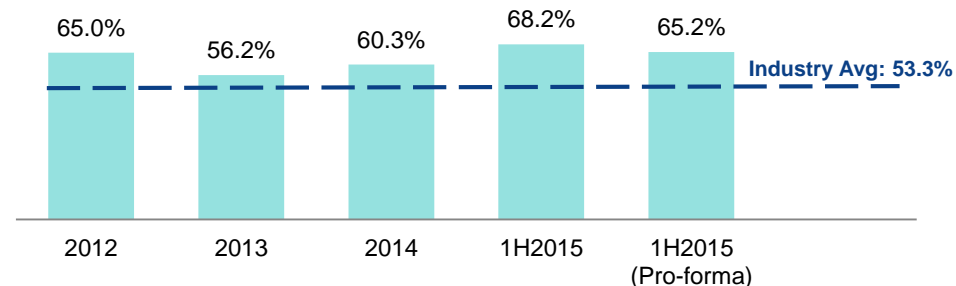
Shareholders' equity and total capitalisation (in RMB bn)



Net gearing ratio<sup>(1)</sup>



Total gearing ratio<sup>(2)</sup>



Upon optimization of capital structure, credit rating will be positively impacted, resulting in the lowering of financial costs

Source: Company information

Note:

1. Net gearing = Net debt / Total equity
2. Total gearing = Total debt / Total capitalisation
3. Industry figures include Franshion, Yuxiu, Poly Property, KWG Property, CIFI, and Future Land

## 4 Optimize financing option based on current conditions

### Private placement of domestic unlisted shares is the best financing option

Among all the financing options available, a private placement of domestic unlisted shares to the BCG is the most efficient and effective. This will not only provide the company with sufficient capital for further expansion, but also demonstrate the Group's confidence in the company's future growth

#### Compared to H share placement

- Any primary issuance of H shares by BCL is subject to CSRC's approval. This process could **extend the entire capital raising timeline and introduce additional market risk**
- As a real estate company, all of BCL's properties under management are subject to land use verification from the CSRC. This process will introduce **a substantial amount of work and can be time-consuming. There will also be uncertainty on obtaining CSRC's approval**
- For a placement of domestic shares, no CSRC approval is required. **This eliminates the abovementioned uncertainties in the CSRC's approval process, thus shortening the entire execution timeline and reducing execution risk**

#### Compared to A share IPO

- A-share IPO can be **time-consuming**, given the amount of preparation work required
- Given the recent market volatility, CSRC has suspended A-share IPOs, **leaving no clear timeline should BCL attempt to list on the A-share market**
- Given the current situation, it may not be **optimal for BCL to raise capital for its business expansion in the A-share market in the short term**. Nonetheless, we will still regard this as a potential option for the future

A placement of domestic shares is the easiest and most efficient way to raise capital onshore

# Q&A



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