# HIGHWEALTH CONSTRUCTION

(2542.tw)

# **ROADSHOW PRESENTATION**

**2015 MAR** 





















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# **Company Introduction**



- 1999: Listed on TWSE (2542.tw)
- Capital: NTD 8,974 million
- CEO: Mr. Chin-Tien Cheng
- Chairman: Mr. Chih-Lung Cheng
- General Manager: Mr. Hua-Chun Fan
- Spokesperson: Mr. Chao-Hsiung Liao
   (VP of Development Dept.)
- Company Address: 8F., No. 76, Section 2, Dunhua S. Rd.,
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# **Four Major Group Businesses**



- Consolidate the upper, middle, and downstream industries; cultivate and recruit professional talent; and deliver maximum profits for the shareholders
- Long-term investment in engineering construction technologies and building material development and improvement

# **Company History**





1999

2010

2011

2014



1980

Company Incorporation

Highwealth began trading on TWSE (2542.tw)
The group utilizes its subsidiaries to provide a total solution including construction, material, engineering, and overseas business

Revenue exceeded NT\$20bn, ranked No.1 among peers Run Long Construction (1808.tw) joined the group and is responsible for the group's construction business Revenue reached NT\$37.5 bn, a fourth consecutive year to exceed \$20 bn; hailed as the "treble king" on revenue, sales and stock price; Continue to explores overseas opportunities and executes a professional management strategy



# **Development Strategy**



- Business model: Continuous real estate development => Operational scale expansion => Creation of operational advantages
- Ample land bank: constantly prospect land source information to determine feasibility of various land developments, and actively expand prime location and land resource reserves
- Plan various construction projects and aim to satisfy diverse market demands, including large-size housing, first-time home purchases, retirement homes, and commercial real estate
- Accurate real estate development planning and flexible marketing strategies

### **Highwealth Real Estate Development (2014-2018)**

Region	Location	Core Products	Construction Samples
Northern Taiwan	Greater Taipei Tao Yuan Zhubei	<ul> <li>Large-size Housing</li> <li>First-time Housing</li> <li>Affordable Housing</li> <li>Retirement Home</li> <li>Commercial Building</li> </ul>	<ul> <li>Song Jiang No.1/Taipei No.1/Linkou No.1</li> <li>Zhongshan Treasure/Twin Beauty/Chin Pu Project/Zhubei Giant</li> <li>Keelong Tawurun/Danhai New Town (being planned)</li> <li>Jinshan Wufu (being planned)</li> <li>Taipei CBD</li> </ul>
Central Taiwan	Taichung	<ul><li>Large-size Housing</li><li>First-time Housing</li><li>Commercial Building</li></ul>	<ul> <li>Taichung National No.1</li> <li>Orion Legend</li> <li>Taichung Time Square CBD、Ample BHW</li> </ul>
Southern Taiwan	Kaoshiung	➤ Large-size Residence	King's Castle/Art Castle/Emperor No. 1/Oriental Place/Oriental Laurel

# **Competitive Advantages**



#### Longstanding Reputation

- 1. Highwealth is a listed construction company with more than 30 year history
- 2. With a total construction size of over 17,000 units, total floor area of 830,000 pings and construction expenditure exceeding NTD34.3 billion
- 3. Ample working capital as well as good credit history and corporate brand image

#### Professional Leadership

With a background in engineering and experience in the real estate sales business for more than a decade, Highwealth's founder Chin-Tien Cheng, has led his team through many cycles, including the downturn in 2000. Under his stewardship, the Company has navigated through periods of crisis and prosperity in the industry by continuously developing land, adhering to stringent construction quality, executing precise cost controls in line with completion schedules, and designing quality products that meet market demand

#### Pioneer in the Industry

- 1. Building construction coverage throughout Taiwan; one of the few construction companies that has the ability to launch projects spanning northern, central, and southern Taiwan
- Has insight into regional development and market-leading potential in development, especially in major metropolitan
  areas such as the Greater Taipei area, Taichung, and Kaohsiung. Primarily focuses on potential development areas with
  good transportation and life functions
- 3. Ample super high-rise building experience with over 30 constructions of buildings of over 18 floors. The Company gets ahead the industry experience on deep excavation and high-rise skyscrapers, standing itself out from the peers on construction costs control
- 4. Profits, revenues, and stock prices are the highest among industry peers, and continue to grow steadily

#### Innovation and Progress

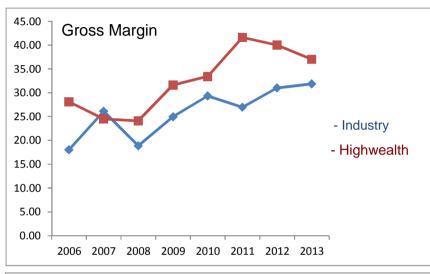
#### Inviting domestic and foreign renowned architects and teams, such as:

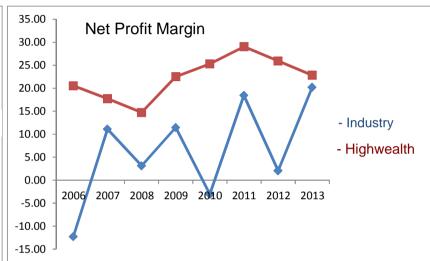
- 1. Prof. Hans Hollein, who stands as an Austrian architectural treasure, and who oversees construction plans. Domestic masters, Tian-Duo Lee, Xu-Yuan Guo, etc., continue to create new urban and city landmarks
- 2. Adopts the latest Japanese residential housing earthquake-proof engineering technology. Collaborates with pure Japanese construction companies to construct and R&D the various optimal engineering methods and implement green/environmentally-friendly building materials
- 3. Management team has the urban renewal and joint development capabilities and adopts diverse and flexible cooperation models to create industry and cross-industry joint spaces

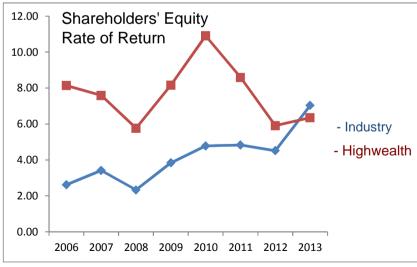


### **Business Performance**

### **Robust Profits: Ranks No. 1 Among Industry Peers**





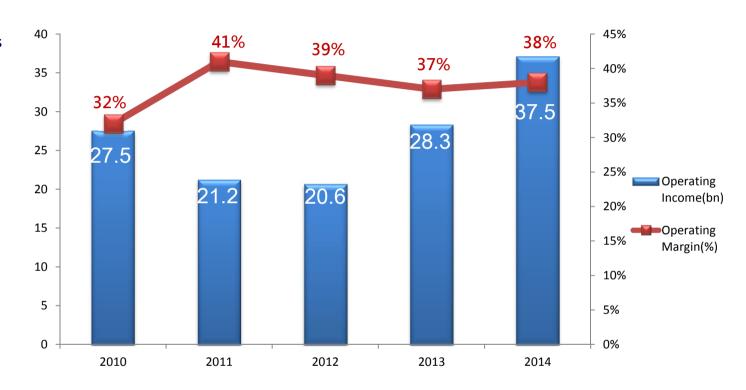






### **Outstanding Revenue Performances**

- 2010 annual revenues of NT\$27.5 billion stood as the highest among listed companies.
- Four consecutive years of over NT\$20 billion in revenues from 2010 to 2014; hailed as the "revenue king" for construction stocks. Revenue in 2014 exceeded \$NT 37 bn, coasting a long way ahead the peers



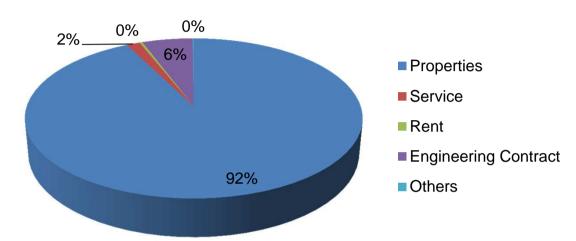
#### **Outlook**

- 1. Launched up to NT\$95.5 billion in case volume in Taiwan. Back-sales amount of approximately NT\$82.8 billion will become a revenue source for the next 2-3 years
- 2. Currently has ample land reserves, but continuously prospecting land source information to seek various land development feasibilities, and to actively expand the reserve of prime locations and land resources
- 3. Consolidate the upper, middle, and downstream industries; cultivate and recruit professional talent; and deliver maximum profits for the shareholders.

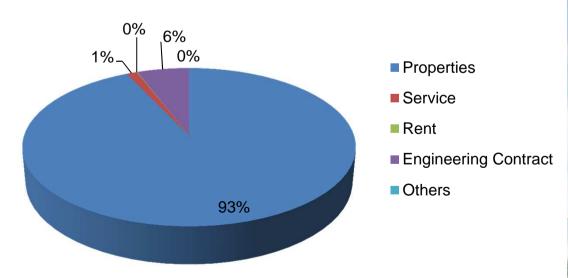


### **Business Performance**

#### **Revenue Ratio for Various Businesses in 2012**



#### **Revenue Ratio for Various Businesses in 2013**







## Financial Data – Balance Sheet

Item	2010		2011		2012		2013		2014	
	Billion	%								
Current Assets	60.2	99%	64.5	98%	85.6	98%	100.1	98%	106	98%
Funds and Investment	0.4	-	0.5	1%	0.2	-	0.2	-	0.2	-
Fixed Assets	0.5	1%	0.5	1%	0.9	1%	0.9	1%	0.9	1%
Other Assets	-	-	-	-	0.7	1%	0.5	1%	1.1	1%
Total Assets	61.1	100%	65.5	100%	87.4	100%	101.7	100%	108.2	100%
Current Liabilities	43.8	72%	45.1	69%	67.3	77%	75.5	74%	70.3	65%
Noncurrent Liabilities	0.2	-	0.2	-	0.7	1%	0.2	2%	3.6	3%
Total Liabilities	44	72%	45.3	69%	68	78%	77.2	76%	73.9	68%
Shareholder's Equity	17.1	28%	20.2	31%	19.4	22%	24.5	24%	34.3	32%
Liabilities and Shareholders' Total Equity	61.1	100%	65.5	100%	87.4	100%	101.7	100%	108.2	100%

Note: The Company has adopted International Financial Reporting Standards (IFRS) in the consolidated reported figures since 2012



## **Financial Data – Consolidated Income Statement**

ltem	2010		2011		2012		2013		2014	
	Billion	%								
Operating income	27.5	100%	21.2	100%	18.7	100%	28.3	100%	37.5	100%
Operating margin	8.9	32%	8.7	41%	7.2	38%	10.5	37%	14.2	38%
Operating Gains & Losses	7.3	26%	6.9	33%	5.5	29%	7.8	28%	11.3	30%
Non-operating income and expenses	(0.2)	(1%)	(0.3)	(2%)	(0.2)	(1%)	(0.02)	-	(0.1)	-
Pre-tax net profit	7.1	25%	6.6	31%	5.3	28%	7.8	28%	11.2	30%
Earnings Per Share (NT\$)	10.52		9.51		4.89		10.85		11.44	

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# Financial Data – Profitability

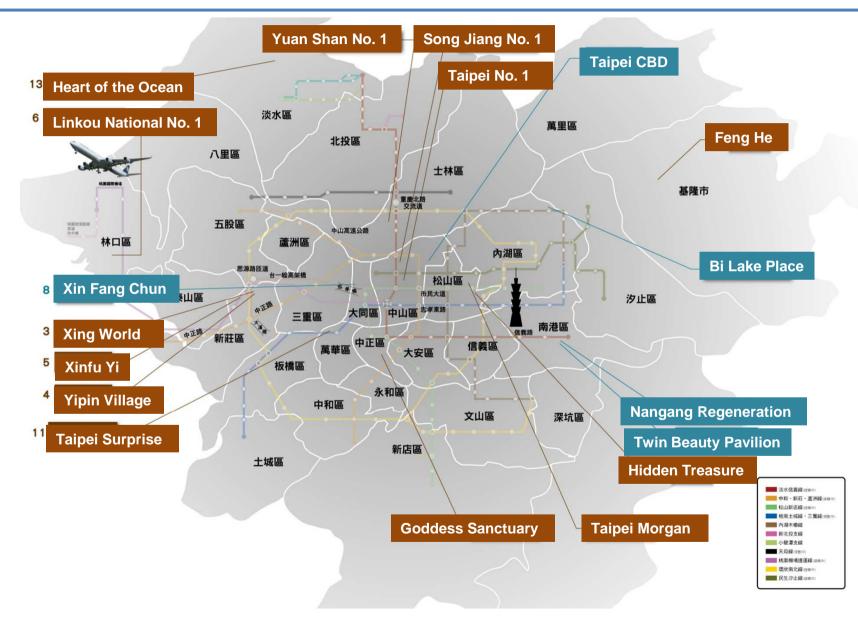
ltem	2010	2011	2012	2013	2014
Return on Assets (%) ROA	13%	11%	6%	7%	10%
Return on Equity (%) ROE	48%	34%	24%	29%	37%
Pre-tax Profit to Paid-in Capital Ratios (%)	99%	91%	88%	131%	124%
Net Profit Ratios (%)	25%	30 %	24%	23%	29%
Earnings Per Share (NT\$)	10.43	9.19	4.89	10.85	11.44
Cash Dividend (NT\$)	6.1	3.0	3.0	3.0	4.0

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# **Greater Taipei Area**







# **Taichung**

### Case Launch Map. Total: 12 Cases





# **Kaohsiung**

### Case Launch Map. Total: 10 Cases







### **Market Trend Observations**

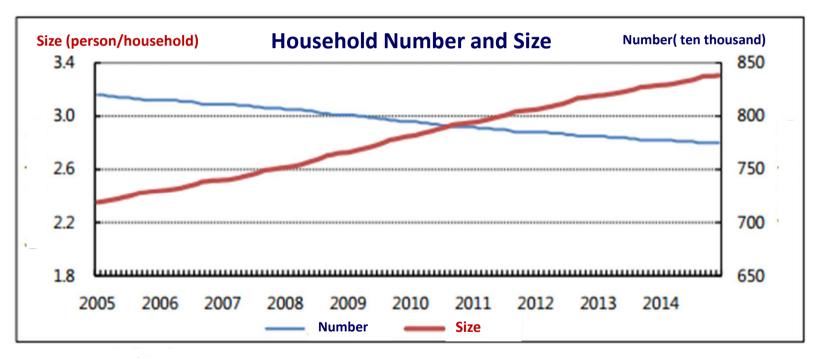
- Changes in the worldwide economic environment and the European economic crisis in particular has led to a
  widening gap between the rich and poor. Each government continues ease the monetary policies to stimulate
  the economies and, at the same time, levy higher taxes on the wealthy to quell public discontent
- Global conditions have affected Taiwan's recent real estate development trends in the northern, central, and southern regions. Since 2011, the Government began to review tax policies (taxes on luxury properties, luxury items, etc.), and constructing "community housing" so that people with average salaries can own their own homes. Therefore, it is predicted that the scope for real estate market changes in the near future should be small and prices would not be adjusted substantially. In a low interest rate environment, real estate continues to be an attractive asset allocation option for the wealthy, who are expected to continue making purchases
- It is estimated that small-sized houses will become mainstream products in the future

Region	Real estate trend changes since the levying of luxury property and luxury item taxes and community housing construction in 2011					
Northern Taiwan	Political and commercial gatherings, abundant funding, substantial demand for large-size luxury properties. High total price and unit price products become mainstream products	<b>→</b>	No major impact on housing prices, but transaction volumes for luxury properties have significantly dropped. The market for homes with 2-3 rooms has large potential demand due to short supply. Therefore, builders have actively invested in this segment and are expecting impressive sales			
Central Taiwan	Because of the influx of Taiwanese merchant homebuyers, development trend is similar to that in Northern Taiwan. High total price and unit price products become mainstream products	<b>→</b>	Development trend is similar to that in Northern Taiwan, but demand for commercial offices gained strength due to the influx of Taiwanese merchants			
Southern Taiwan	Southern Taiwan has long been affected by industry and population relocation. Real estate is mostly based on mid- to low-price products, and mostly has a low total price market	<b>→</b>	Southern Taiwan's public constructions have been gradually completed with a boom anticipated in the future. Because the market lacks large-sized products, and given the low real estate investment base period, investors are attracted to purchase homes in Southern Taiwan, and sales of large-sized homes are favorable			



### **Market Trend Observations**

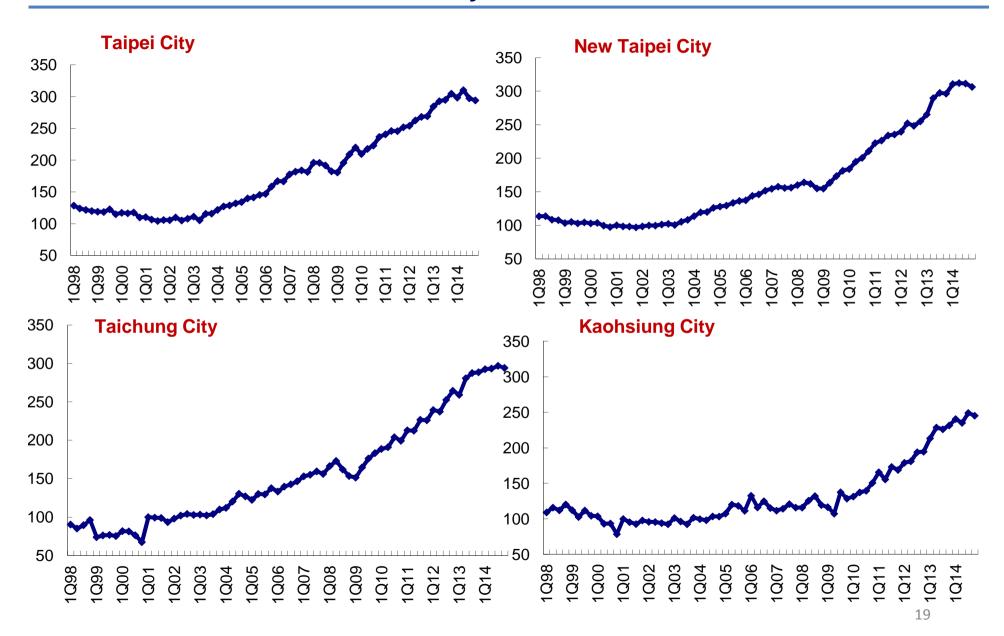
The basic source of growth in the housing market is the increase in the number of households. Although Taiwan's population growth has slowed in recent years, the number of households has grown steadily, with an average annual increase of 120,000 new households over the last decade. As of Q4 2014, there were 8.34 million households. On the other hand, as societal patterns adjusted toward smaller families with low birth rates, the average number of persons per family household fell to below 3 in 2009 and dropped further to 2.8 in 2014. Therefore, small-sized two-room and suite type real estate products have gradually become mainstream for urban homebuyers in recent years



**Source: Ministry of the Interior** 



# **Market Trend Observations-Xinyi House Price Index**





# HIGHWEALTH CONSTRUCTION

**Q&A** 

We Welcome Your Comments and Questions











