



## Radiance Holdings [9993.HK]

Neutral

### Issue Particulars

Industry sector	Property developer
Listing category	Mainboard
Major Shareholders	Glowing Shine Limited (85%)
Total new shares issued (mn)	600
Issue price (HK\$)	3.5-4.5
Total share offer size (HK\$mn)	2,100-2,700
Shares offered for Placement (mn)	540
Shares offered for IPO (mn)	60
Total outstanding shares (mn)	4,000
FY19 profit (HKD mn)	2,890
FY19 P/E(x)	4.8-6.3
Market cap. of shares (HK\$mn)	14,000-18,000
NAV per share(HK\$)	5.34-5.47
Nominal Value (HK\$)	0.01
Board Lot (shares)	1,000
Sponsors	ABC International、CITIC、HaiTong International

### Time Table

IPO open	16-Oct -2020
IPO close	21-Oct -2020
Results announcement date	28-Oct-2020
Cheques refunded	28-Oct-2020
Dealing of shares	29-Oct-2020

### Financial Data

FYE 31 Dec(RMB\$'000)	FY18	FY19	4mths ended 4/30/20
Revenues	15,971,183	25,963,108	2,929,200
Cost of sales	(11,145,666)	(20,300,888)	(2,149,495)
Gross profit	4,825,517	5,662,220	779,705
Fair value gains on investment properties	616,536	480,869	101,106
Profit before tax	3,650,337	4,568,816	350,149
Profit for the year/period	2,299,877	2,689,988	182,015
Profits attributable to owners of Company	2,007,939	2,508,068	179,188

### Clawback Structure

Over subscription for IPO (x)	% of IPO for the total share offer
15-50	30%
50-100	40%
Over 100	50%

### Business

The company is a reputable large property developer with national presence, regional focus and leading positions in select cities, and focus on providing quality residential properties to first-time homebuyers and first-time upgraders. Its business mainly focus on Yangtze River Delta, Bohai Economic Rim, Southern China, Southwestern China and Northwestern China, and as of July 31, 2020, such area accounted for 11.3%, 16.9%, 14.4%, 23.9% and 23.6% of total land bank respectively. The company ranked 36th in terms of comprehensive strengths among "2020 China's Top 50 Real Estate Developers" and were ranked as one of "China's Top 10 Real Estate Developers of Comprehensive Strength" by the China Real Estate Association and the China Real Estate Appraisal Center of E-house China Research Institute in 2020.

As of end of July2020, the company had 160 property development projects at various stages of development with total attributable GFA around 29,081,757 sq.m., in which residential properties projects accounted for 25,630,941 sq.m. and non-residential properties accounted for 3,450,816 sq.m. As of July 31, 2020, 93% of total attributable GFA was located in second-tier cities and core third-tier cities. Revenue from Property development and sales was the major income source, it accounted for 94.7% for the 4M2020 and accounted for 96.4% for FY2019.

During FY2017-2019, the company's revenue had CAGR of 48.5%, up from RMB11,776.6 million to RMB25,963.1 million, however, the profit only had CAGR of 10% during the same period, up from RMB2,221.3 million to RMB2,690.0 million. For the 4M20, the company's revenue and profit attributable to shareholders dropped by 34.2% and 63.7% YoY, primarily due to decrease in total GFA delivered. In addition, the company recorded net cash outflow from operating activities in FY2019, also 4M ended in 2019 and 4M ended 2020, and its net gearing ratio reached 1.8 times at the end of April this year, which was higher than the "Three red lines" requirement of 1 times. Its financial and cash flow conditions worth investor's attention.

According to market data, for 1H2020, the company's contracted sales ranked 43rd among all real estate companies and 34th in terms of attributable amount. In addition, the company forecasted that the gross profit margin for the year 2020 is expected to be relatively lower than that for the four months ended April 30, 2020.(26.6%). In terms of valuation, the company's FY19 P/E ratio is 4.8-6.3 times, and the P/B ratio is about 0.65-0.83 times. As there was increasing selling pressure for property projects, which may adversely affect its gross profitability, also the company's financial condition was fair together with the IPO for property development companies were also fair for the 1st day of listing, we recommended "Neutral".

### Use Of Proceeds

Used to finance the construction of property development projects	60%
Used to repay a portion of existing trust loans for project development	30%
Used for general business operations and working capital	10%

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