



深圳控股有限公司

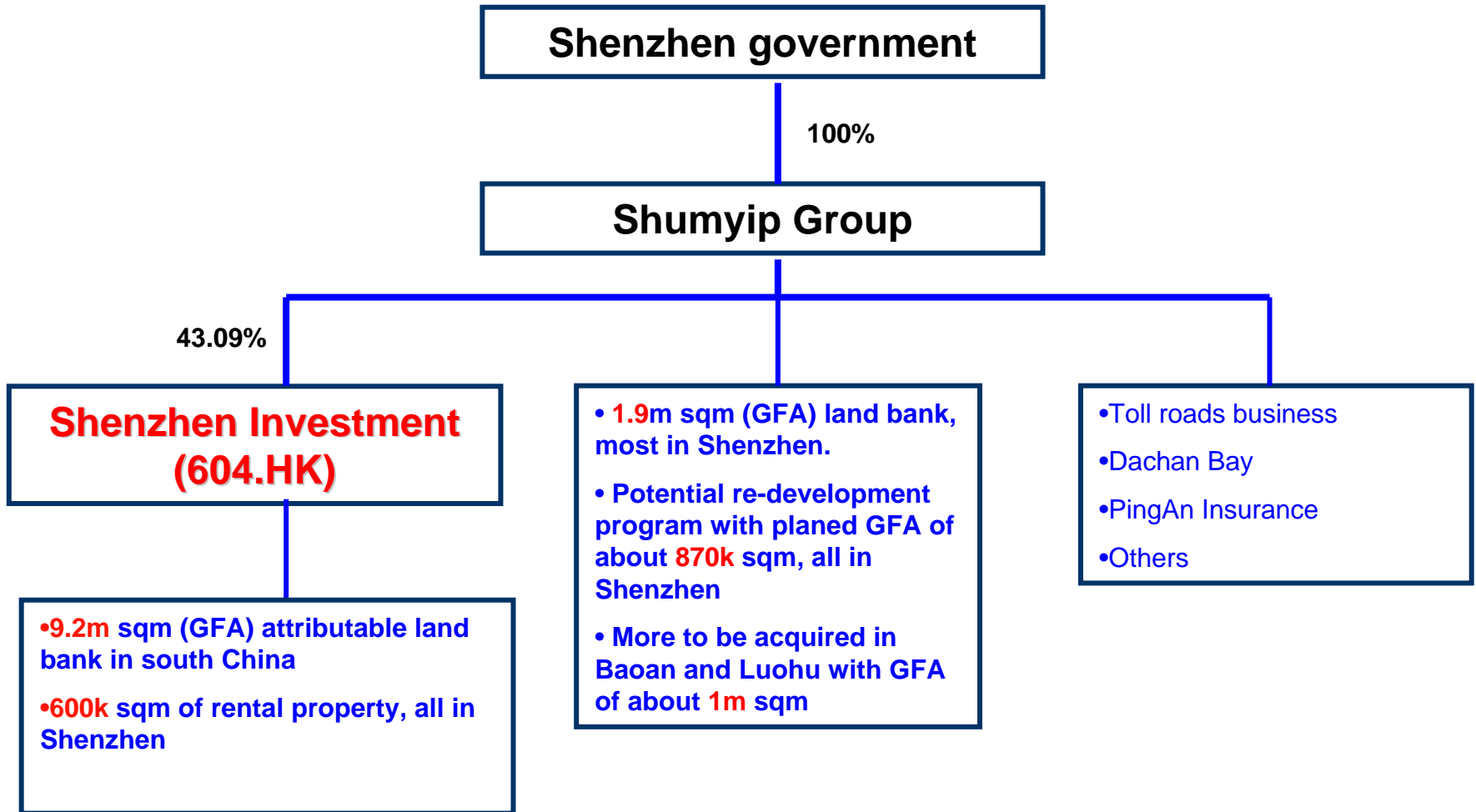
SHENZHEN INVESTMENT LIMITED

2010 Investor presentation

22 Nov 2010

Disclaimers on final page

A government hold property play



Our investment cast

- **Attractive valuation: 0.8x PB, 8 x PE**
- **Aiming to rank No. 1 among all SZ developers**
- **Asset injection story**
- **Stable dividend payout ratio**

2010 interim results summary

	1H 2010	1H 2009	%
	HK\$m	HK\$m	Change
Revenue	3,619	1,973	83%
Gross profit	1,502	718	109%
Increase in fair value from investment property	213	132	61%
Share of profits of associates	171	208	-18%
Net profit	989	612	62%
* Minority interests	115	90	28%
* Attributable to shareholders	874	522	68%
Basic earnings per share (HK cents)	24.72	16.23	52%
Interim dividend per share (HK cents)	7.00	5.00	40%
Book value per share (HK dollar)	3.72	3.51	6%

Projects booked in 1H 2010

Net revenue up 140% y-o-y

Project	Type	GSA sold (sqm)	Net Revenue (RMB m)
Times Industrial Park	Indu	85,991	682
Garden Hill Phase I	Villa	6,142	45
Wanlin Lake Phase I	Re	1,581	11
Wanlin Lake Phase II	Re	5,973	40
Wanlin Lake Phase III	Villa	3,493	35
Noah Mountian Forest Phase I	Re	3,240	17
Noah Mountain Forest Phase II	Re	8,641	37
Red Pine Building	Indu	13,139	231
Wuhan Nanhu Phase I	Villa	2,795	48
Wuhan Nanhu Phase II	Re	26,421	167
Noble Residence	Re	8,584	69
Shumyip Coast Phase III	Re	34,568	408
Purple Kylin Hill Phase I	Villa	6,288	177
Royal Springs Villas	Villa	23,957	407
Total		230,813	2,374

Note: Net revenue of RMB 2,374 m is equivalent to HK\$2,704

Excluding our portions in associates.

Contracted sales in 2010

(unaudited data as at 2010/10/31)

	Project	Sales plan 2010 (sqm)	Accumulated GSA sold (sqm)	Accumulated turnover (m)	ASP (rmb/sqm)
	Subsidiaries				
1	Wanlin Lake Phase I & II	18,200	12,399	118.14	9,528
2	Wanlin Lake Phase III	33,400	21,623	163.31	7,553
3	Noah Mountain Forest Phase I (remaining units)	3,800	2,507	13	5,205
4	Noah Mountain Forest Phase II (Part 1)	13,300	12,766	58.53	4,585
5	Noah Mountain Forest Phase III	30,000	22,414	87.13	3,887
6	Noah Mountain Forest (commercial)	3,900	1,868	9.10	4,872
7	Garden Hill Phase I	37,100	30,435	240.29	7,895
8	Shumyip Coast Phase III (remaining units)		202	2.73	13,515
9	Purple Kylin Hill Phase I (Part 1 Villas)	27,900	11,878	349.73	29,444
10	Purple Kylin Hill Phase I (Part 2 Highrise)	2,200	2,151	22.86	10,628
11	Purple Kylin Hill Phase I (Part 2 Commercial)	1,600	1,515	24.70	16,304
12	Purple Kylin Hill Phase I (Part 3)	23,831	16,698	192.18	11,509
13	Noble Residence	9,300	9,107	76.72	8,424
14	Noble Residence (commercial)		203	2.93	14,433
15	Royal Springs Villas	1,741	1,210	21.73	17,959
16	Royal Springs (High-rise&commercial)	67,100	45,627	326.64	7,159
17	Shunde Shumyip City Phase I	82,700	48,479	324.89	6,702
18	Shunde Shumyip City Phase II	8,900	36,012	223.74	6,213
19	Snow Pine Building	16,000	29,729	646.81	21,757
20	Red Pine Building	18,600	20,550	372.85	18,144
21	Wuhan Nanhua Rose Garden Phase I	6,700	4,269	76.37	17,889
22	Wuhan Nanhua Rose Garden Phase II	28,400	30,981	207.49	6,697
23	Wuhan Nanhua Rose Garden Phase III	30,700	11,337	118.21	10,427
	Sub-total	465,372	373,960	3,680	

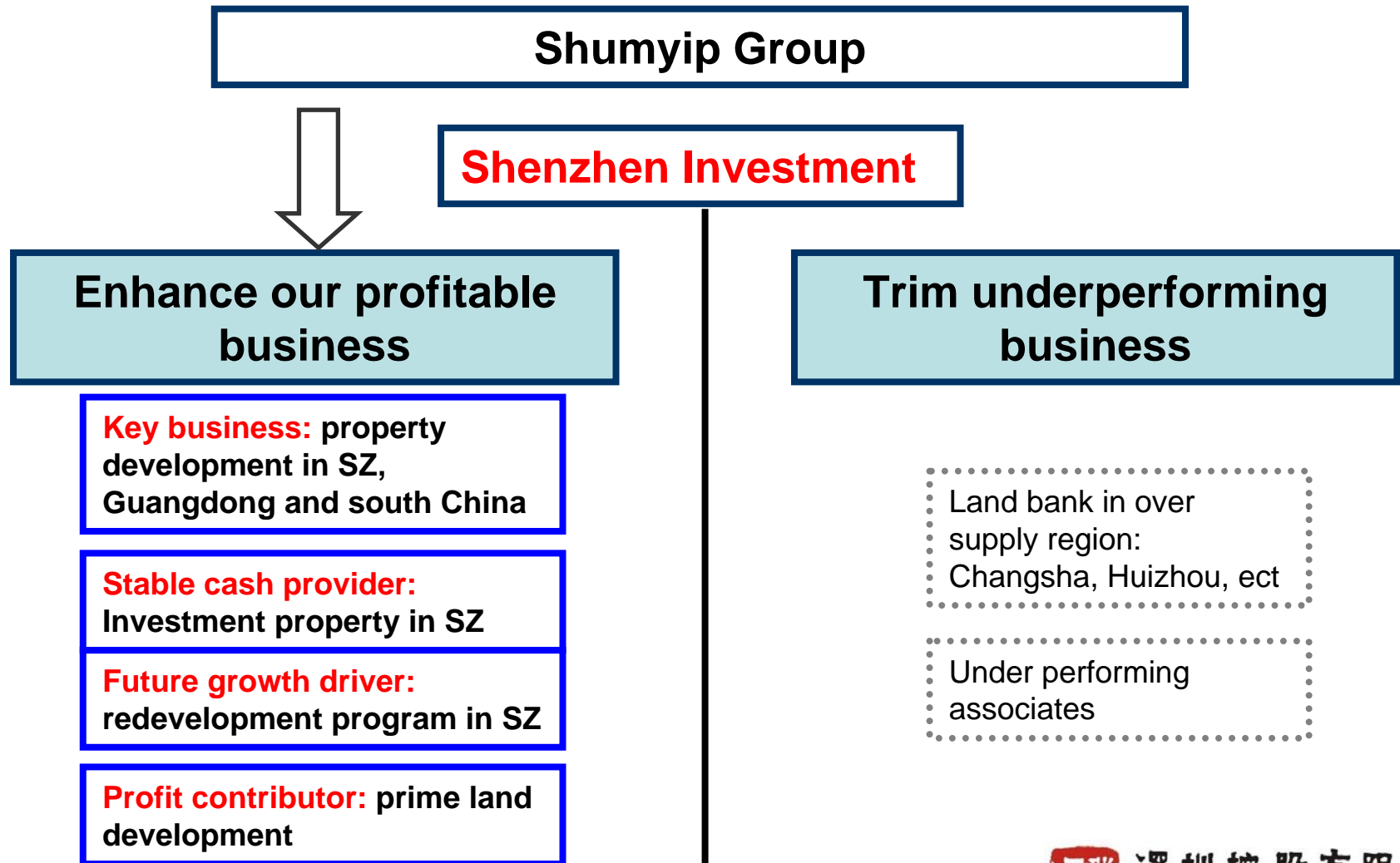
* Excluding our portions in associates.

2010 Sales target : RMB 4.5 billion

83% of target is achieved by Oct

Project	Location	Type	Salesable area for 2010(sqm)	Pre-sales plan in 2010 (sqm)	Value (RMB'000,000)	ASP (RMB/sqm)	Stake
Snow Pine Building	Shenzhen	Indu	36,000	16,000	304	19,000	75%
Red Pine Building	Shenzhen	Indu	18,800	18,600	353	19,000	75%
Wuhan Nanhu Phase I	Wuhan	Re	11,600	6,700	107	16,000	75%
Wuhan Nanhu Phase II	Wuhan	Re	37,400	28,400	185	6,500	75%
Wuhan Nanhu Phase III	Wuhan	Re	34,100	30,700	276	9,000	53%
Noah Mountain Forest Phase I & II	Changsha	Re, Com	24,200	17,100	68	4,000	80%
Noah Mountain Forest Phase III	Changsha	Re, Com	69,000	33,900	119	3,500	80%
Wanlin Lake Phase I & II	Huizhou	Re, Com	27,300	18,200	218	12,000	100%
Wanlin Lake Phase III	Huizhou	Re	33,400	33,400	251	7,500	100%
Garden Hill Phase I	Huizhou	Re	54,500	37,100	293	7,900	100%
Purple Kylin Hill Phase I (Part 1)	Shenzhen	Re	27,900	27,900	781	28,000	100%
Purple Kylin Hill Phase I (Part 2)	Shenzhen	Re	2,200	2,200	23	10,600	100%
Purple Kylin Hill Phase I (Part 3)	Shenzhen	Com	2,200	1,600	23	14,500	100%
Purple Kylin Hill Phase I (Part 3)	Shenzhen	Re	104,525	23,831	262	11,000	100%
Royal Springs (Villa)	Dongguan	Re	1,741	1,741	33	19,000	100%
Royal Springs (High-rise)	Dongguan	Re, Com	98,500	67,100	503	7,500	100%
Noble Residence	Shenzhen	Re	9,300	9,300	79	8,500	100%
Shumyip City Phase I	Foshan	Re, com	99,700	82,700	579	7,000	100%
Shumyip City Phase II	Foshan	Re, com	29,500	8,900	62	7,000	100%
Sub-total				465,372	4,521	9,715	

A profitable company



2010: Land bank restructuring

- **Shenzhen is still our home market. We shall increase land exposure to SZ from 1.2 m sqm (GFA) to 1.5 m sqm in 2010, and another 500,000 sqm in 2011.**
- **Further trim land reserves in over-supply regions. Sold a parcel of Huizhou land in April with land area of 40,000 sqm. Total consideration was RMB 198m with estimated pre-tax profit of HK\$119m.**
- **Build land bank in robust tier 2 and tier 3 cities, Pearl River Delta in particular.**
- **CAPEX for land bank replenishment for 2H: RMB 3-5bn.**

2010: Stronger connection with parent

- **Shenzhen Investment is the property flagship of Shenzhen municipal government.**
- **Strengthen connection and cooperation with Shumyip, our parent company who holds about 3m sqm land bank (GFA), most in SZ.**
- **Land and projects will be consolidated in SZI via multiple ways, i.e. asset injection, co-development, co-acquisitions.**
- **Solid plan under discussion.**

Main property assets held by parent company

More to be acquired in Baoan and Luohu with GFA of about 1m sqm.

Project	Type	Estimated GFA	
Futian land	Indu	600,000	
Honey lake land 1	Re	81,000	
Honey lake land 2	Re	78,000	
Honey lake land 3	Com	20,000	
Luohu land	Re,com	400,000	Redevelopment
OTC land 1	Indu	100,000	Redevelopment
OTC land 2	Re,com	86,000	Redevelopment
OTC land 3	Re	300,000	Redevelopment
OTC land 4	Office	95,000	Redevelopment

Prime land development: Profit contributor

- **A 51/49 co-development program with local SOE from 2007 in Taizhou, Jiangsu province for land arrangement covering 16 sq.km in city centre.**
- **We started to collect fruits from the successful auctions of a land parcel in Taizhou last year.**
- **Land arrangement of another parcel of 500,000 sqm has been completed, likely to be auctioned in the coming months.**
- **We are copying the model in Nanning and other south China cities.**

Re-development program in Shenzhen set sail

- **Shenzhen government announced city-renewal-ordinance at 2009 year end.**
- **We have 2 approved units at CBD, estimated GFA around 500,000 sqm, expected to launch in 2012.**
- **Time consuming, but met milestone. Shungang project: General planning is completed and in approval process. Qingshuihe project: Confirmation of land right is completed under “Shenzhen Statutory Charts”, General planning ongoing.**
- **Potential GFA from re-developments in SZI: 1,000,000 sqm.**

Locations of our City Renewal Projects



Strong cash position

6.5bn cash on hand, net gearing down to 33.4%

HK\$m		
	30-Jun-10	31-Dec-09
Total bank loans	10,944	10,967
Long-term debts	6,936	7,704
Cash on hand	6,549	6,434
* Net debts	4,395	4,533
Equity attributable to shareholders	13,173	12,390
Net debt to equity ratio	33.4%	36.6%

Strong financial position

- **Access to commercial loan is always open to SZI, given our performance and SOE background.**
- **We signed a agreement with eight banks for a USD400 million term loan facility in spite of the credit tightening towards property sector.**
- **The loan is four year in maturity, and we enjoy very attractive terms that are only applicable to best enterprise with strong government background.**
- **On top of the new loan, we also have HK\$6.5bn cash on hand.**

Our Vision

- **Ranking No.1 developer in Shenzhen in market share, size of land bank and rental property in 5 years.**
- **A strong developer with core competence in Peal River Delta, covering most major cities in the region in 3 years, Guangzhou & Zhuhai are first priorities.**
- **Expanding cautiously to Yangtze River Delta and other major cities.**

Our long-term strategy

- **Property sales to achieve RMB10bn in the next 3-5 years. Sales in Shenzhen and Guangdong to account for 60%.**
- **Maintaining a 30%+ gross margin in FY2010-FY2013.**
- **Steady land bank of 10m sqm. More land bank in SZ.**
- **Gradually increase proportion of commercial property.**
- **Stable dividend payout ratio, around 40%.**
- **Net gearing under 70%.**

Targeting mid-high market in South China: Focusing on our home market



Shenzhen Investment's land bank by region (up to date)

Excluding our portions at associates

			Total GFA (sqm)	Attr. GFA (sqm)	%
Fully paid land premium	Guangdong	Shenzhen	1,463,512	1,238,311	13.03%
		Huizhou	1,261,210	1,261,210	13.27%
		Dongguan	385,344	385,344	4.05%
		Foshan	685,110	685,110	7.21%
		Guangzhou	246,000	246,000	2.59%
	Hubei	Wuhan	300,527	157,777	1.66%
	Hunan	Changsha	1,145,843	916,674	9.64%
	Anhui	Chaohu	162,098	129,678	1.36%
	Jiangsu	Jiangyan	626,538	626,538	6.59%
	Liaoning	Shenyang	201,283	94,603	1.00%
	Sichuan	Chengdu	767,148	575,361	6.05%
	Sub-total		7,244,613	6,316,607	
With outstanding land premium		Heyuan	1,530,000	1,530,000	16.09%
		Foshan	889,651	889,651	9.36%
		Maanshan	1,100,000	770,000	8.10%
	Total		10,764,264	9,506,258	

Completion schedule 2010

Excluding our portions in Tianan Cyber Park, Road King and Coastal Greenland (sqm)

Project	Location	Type	GFA (sqm)	GSA sqm	Stake
Expected completion, 2010					
Snow Pine Building	Shenzhen	Indu	50,400	42,700	75%
Wuhan Nanhua Rose Bay Phase III	Wuhan	Re	41,967	34,295	53%
Times Industrial Park	Shenzhen	Indu	87,662	73,442	100%
Wanlin Lake Phase III (Part2)	Huizhou	Re	43,922	33,398	100%
Garden Hill Phase I (Part 1)	Huizhou	Re	58,119	55,268	100%
Shumyip Coast Phase III (Part2, block 22,25)	Shenzhen	Re	34,703	34,394	100%
Purple Kylin Hill Phase II	Shenzhen	Re	33,647	31,988	100%
Royal Springs (High-rise)	Dongguan	Re	111,278	107,601	100%
Shumyip City Phase I	Foshan	Re	130,200	73,400	100%
Wuai Terminal	Shenyang	Com	201,282	45,220	47%
Sub-total			793,180	531,706	

Targets are not forecasts or guidance. We may miss targets. Difference between construction GFA and GSA is public areas, car parks and amenities. Disclaimer on final page

Completion schedule 2011

Excluding our portions in Tianan Cyber Park, Road King and Coastal Greenland (sqm)

Project	Location	Type	GFA (sqm)	GSA sqm	Stake
Expected completion, 2011					
Chengdu Qingbaijiang Phase I	Chengdu	Re	60,000	50,000	53%
Guanlan Project Phase I	Shenzhen	Re	80,000	70,000	38%
Wanlin Lake Phase V (Part2)	Huizhou	Re	43,922	33,398	100%
Garden Hill Phase I (Part 2)	Huizhou	Re	25,202	25,202	100%
Noah Forest Phase III	Changsha	Re	75,790	70,108	80%
Euro-view Garden Phase I (Part 1)	Dongguan	Re	97,122	49,076	100%
Splendid City Phase I (Part 1)	Jiangsu Jiangyan	Re	80,774	68,832	100%
Purple Kylin Hill Phase III	Shenzhen	Re	116,017	110,325	100%
Shumyip City Phase I	Foshan	Re	90,900	76,869	100%
Noble Times Phase I	Shenzhen	Re	146,000	82,081	100%
Yundonghai Villas Phase I	Foshan	Re	141,000	138,000	100%
Kenzi project Phase I	Shenzhen	Re	66,065	66,065	100%
Sub-total			1,022,792	839,956	

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Completion schedule 2012

Excluding our portions in Tianan Cyber Park, Road King and Coastal Greenland (sqm)

Project	Location	Type	GFA (sqm)	GSA sqm	Stake
Expected completion, 2012					
Terra Building	Shenzhen	Indu	173,700	130,200	75%
Wuhan Nanhu Rose Bay Phase IV	Wuhan	Re	100,000	80,000	53%
Chengdu Qingbaijiang Phase II	Chengdu	Re	75,000	60,000	53%
Chengdu Nanning Phase I	Nanning	Re, Logistic	60,000	50,000	75%
Wanlin Lake Phase VI	Huizhou	Re	87,843	64,151	100%
Garden Hill Phase II	Huizhou	Re	55,000	40,000	100%
Noah Forest Phase 2.2	Changsha	Re	37,642	33,318	80%
Noah Forest B Phase 1	Changsha	Re	62,000	50,000	80%
Splendid City Phase I (Part 2)	Jiangsu Jiangyan	Re	62,100	61,769	100%
Euro-view Garden Phase II	Dongguan	Re	167,656	127,601	100%
Shumyip City Phase II (Part 1)	Foshan	Re	95,642	65,295	100%
Noble Times Phase II	Shenzhen	Re	133,000	87,562	100%
Caohu villas Part I	Anhui Chaohu	Re	27,000	27,000	80%
Caohu villas Part II	Anhui Chaohu	Re	27,000	27,000	80%
Huizhou West Train Station Phase I	Huizhou	Re	120,000	80,000	100%
Maanshan Residential Phase I (Part 1)	Maanshan	Re,com	100,000	90,000	67%
Maanshan Residential Phase I (Part 2)	Maanshan	Re,com	150,000	135,000	67%
Sub-total			1,533,583	1,208,896	

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Management incentives

- A bonus + stock option package scheme has been introduced to the new management.
- 93.9 million of share options were granted to the executive directors, top management, heads of subsidiaries at exercise price of HK\$2.39 in 28th June, 2010.
- The share options scheme aims for long term incentive. 40% is exercisable in 2 years, 30% in 3 years and the remaining 30% in 4 years.

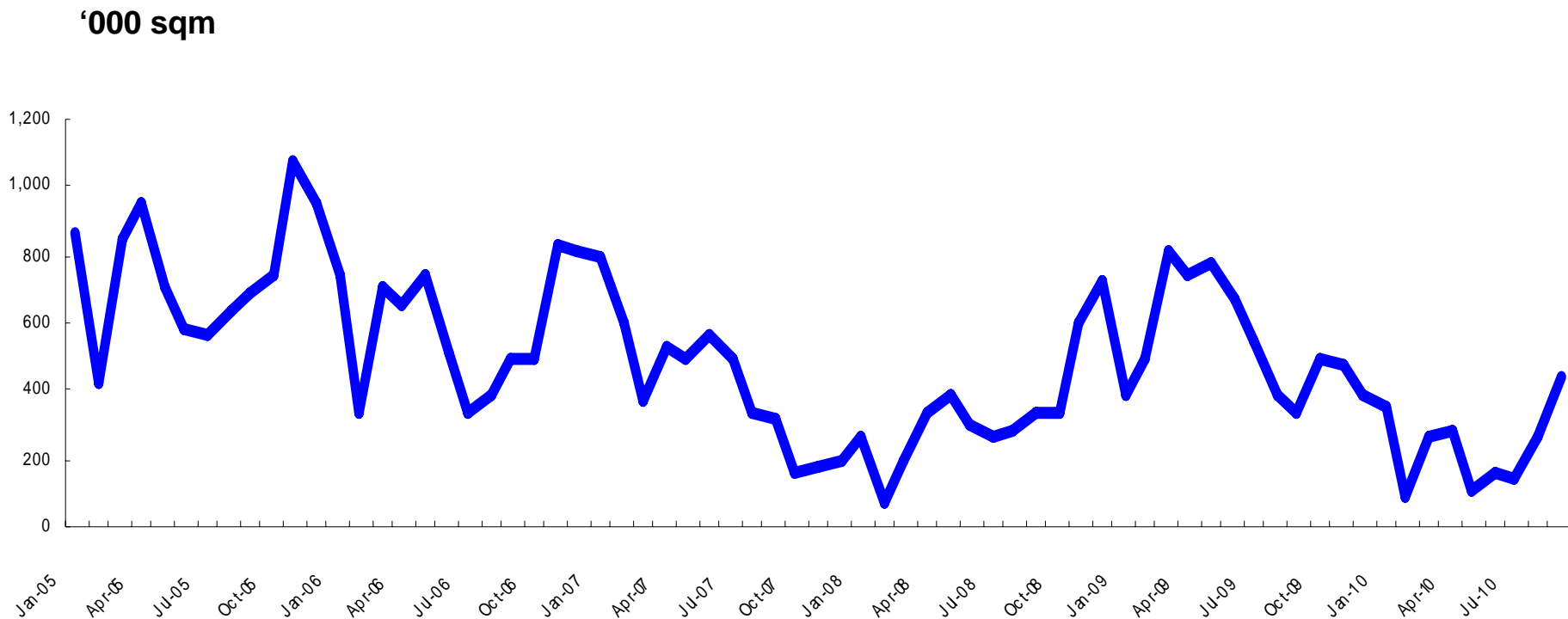
2010: Market Correction hasn't reached its end

- **Government has never been so determined to curb down the rising of housing price. ASP dropping must be seen.**
- **Strong austerity policies cover both supply and demand sides. More supply from developers and government housing programs will further strike ASP.**
- **Strict credit tightening towards property sector not only restrained developers and investors, but overshoot end-users.**
- **Volume and price rebound is immediately followed by more restriction policies.**
- **Cash position of developers turning weak. Hidden ASP discount been applied widely. Fast turnover and financially distressed companies may cut price further.**

2010:Volume shrank, ASP hovering

- **Property transaction volumes rebounded in Sep and National holiday. Estimated annual volume of 4m sqm in Shenzhen, still 40% less than the normal level of 6m sqm.**
- **Price correction is unavoidable. We expect ASP down another 10-15% in the next six months.**
- **Too bearish is as wrong as too bullish. Urbanization, RMB appreciation, increasing household income and anti-Inflation expectations indicate bright future in mid-long term.**

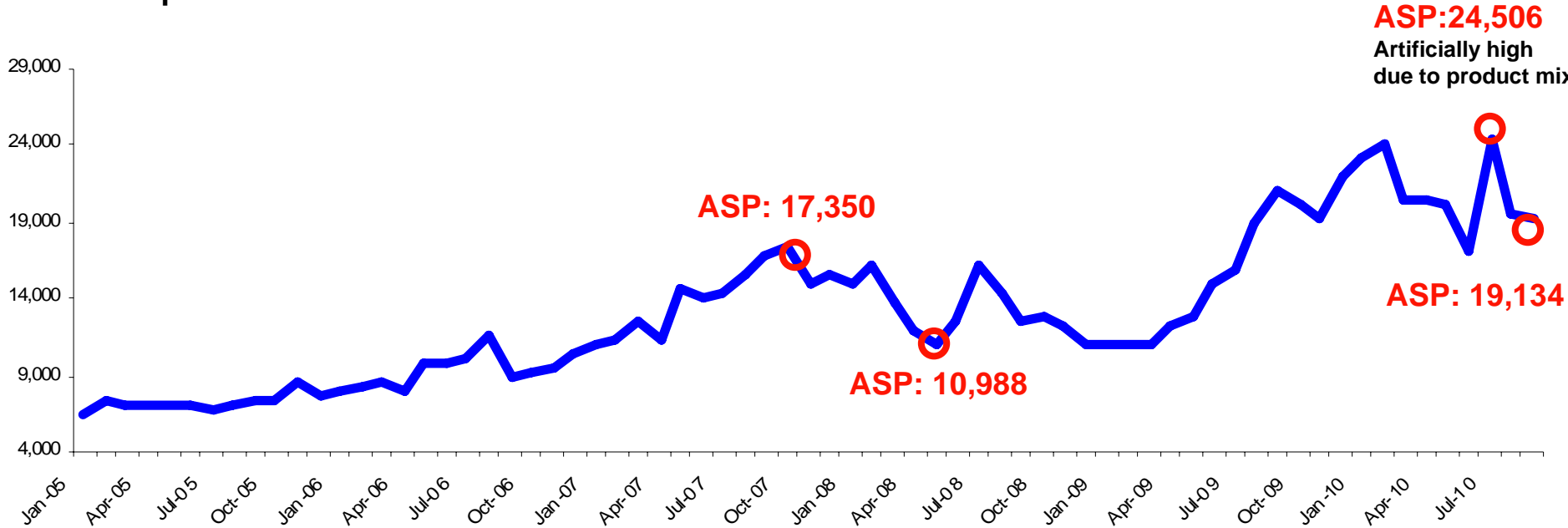
Transaction volume in Shenzhen



Source: Shenzhen Municipal Bureau of Land Resources and Housing Management

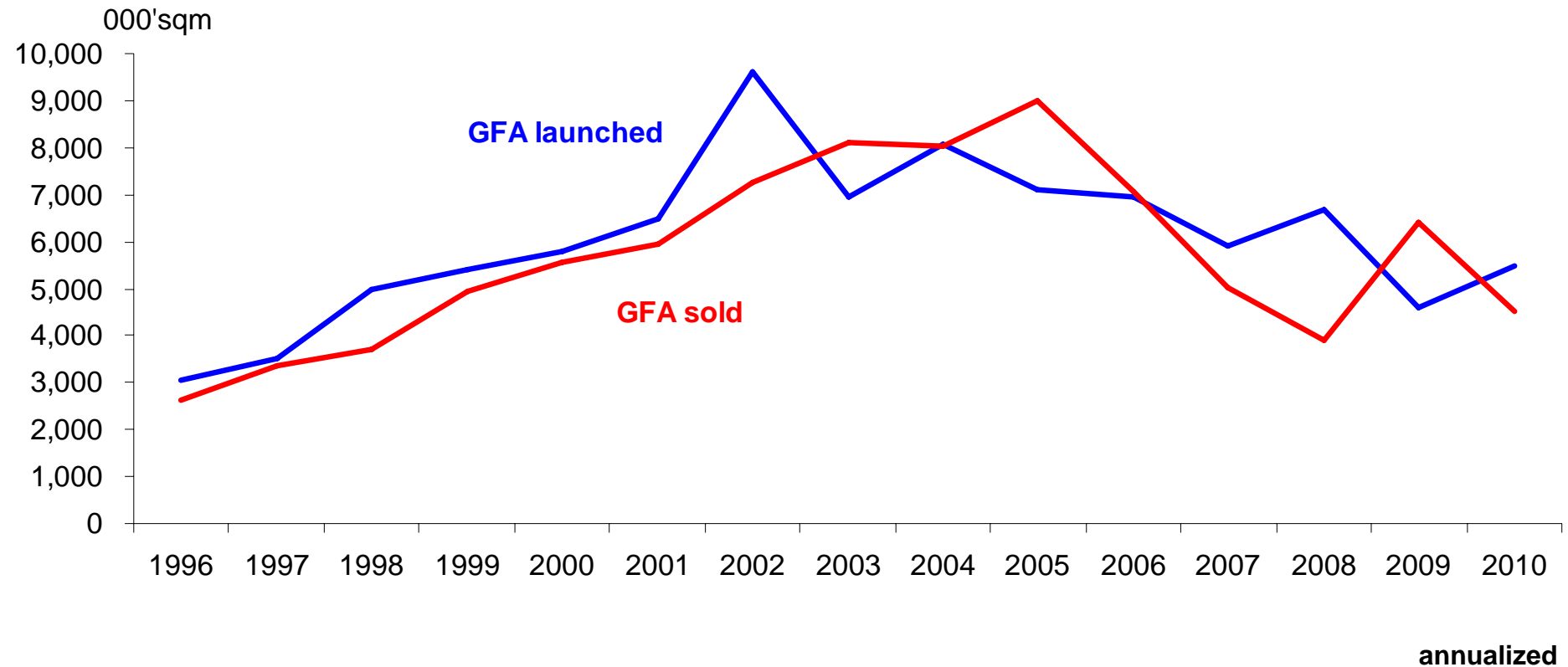
ASP in SZ

RMB/sqm



Source: Shenzhen Municipal Bureau of Land Resources and Housing Management

Shenzhen: Supple-Demand



Source: Shenzhen Municipal Bureau of Land Resources and Housing Management, Central line, SZI

Disclaimers

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