



国泰君安(香港)
Guotai Junan (HK)

Flash Notes

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Dennis Yao
(86) 755-82485666-6043
yaorao@gtjas.com

Emerging Shenzhen Market Consolidator
Shenzhen Investment
Code: 00604

Buy
Price: HK\$1.390

China government issued M&A loans details, which will accelerate property market consolidation. As the main developer under Shenzhen government, we expect the Company's business scale to expand through M&A. The Company will benefit from recovering Shenzhen market and resume growth in 2H09. The stock traded at less than 0.5x FY09 NBV, obviously undervalued. Reiterate BUY, with 12-month target price kept at HK\$2.7.

Chinese Summary:

中国政府此前公布创新并购贷款细则，并鼓励房地产行业加速并购。公司作为深圳市政府直属的主要发展商，预计将在政府支持下，于09-10年通过并购不断扩大物业发展规模及盈利能力，整合深圳稀缺的土地资源，加速宝安及龙岗的城市化进程。公司资金流动性风险不大，并将显著受惠于深圳楼市复苏。由于08年纯利基数较低，09-10年公司纯利将持续增长。公司股价低于0.5倍的09年预测NBV值，价值明显低估，重申“买入”。12个月目标价暂时维持2.7港元，相当于0.8倍的预测NBV值。

Emerging Shenzhen market consolidator, benefit from government support and M&A loans. As the main developer under Shenzhen government, we expect the Company's business scale to expand through M&A in FY09-10. The Company will also become government's main platform to accelerate urbanization process in Baoan and Longgan, as well as to reallocate scarce land resource in Shenzhen.

Investment property over 0.6 million sq.m., possible spin-off through REITs. Most of the Company's investment property are industrial parks in Shenzhen urban areas. Given listed REITs be approved in 1H09 in China mainland, the Company will have a new platform to finance its investment property, or to spin-off.

Net profit to resume growth in FY09-10. Due to lowered completed GFA goal and investment loss in securities, we expect the Company to have a low net profit basis in FY08 (EPS of HK\$0.198). Helped by recovering Shenzhen property market and enhanced completed GFA goal, the Company's net profit to resume growth in FY09-10.

P/B less than 0.5xNBV; Reiterate BUY. The stock traded at less than 0.5x FY09 NBV, obviously undervalued. Reiterate BUY, with 12-month target price kept at HK\$2.7, equal to 0.8x FY09 NBV.

Risks. 1. Deflation may bring China property price down. 2. The recovery of Shenzhen property transaction volume may be temporary. 3. As a holding group, the Company's performance may be subject to its subsidiaries.



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|-------------------|--|------------------------------|
| Rating Definition | The Benchmark: Hong Kong Hang Seng Index | Time Horizon: 6 to 18 months |
| | Rating | Relative Performance |
| | Buy | >15% |
| | Accumulate | 5% to 15% |
| | Neutral | -5% to 5% |
| | Reduce | -5% to -15% |
| | Sell | <-15% |

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27/F., Low Block, Grand Millennium Plaza, 181 Queens' Road Central, Hong Kong.

Tel.: (852) 2509-9118 Fax: (852) 2509-7793



国泰君安(香港)
Guotai Junan (HK)

Website: www.gtja.com.hk