

Shenzhen Investment(00604 HK)
 深圳控股 (00604 HK)

9 July, 2009

65% of FY09 Sales Target Achieved; Reiterate BUY

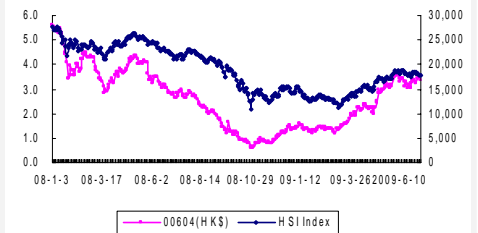
已完成 65%的 09 年销售目标, 重申“买入”

- The Company has FY09 revenue target around RMB3.8 bn and pre-sales area target around 0.4 mn sq.m., 65% of target is achieved.
- The Company sold out 83 units of high-rise part of Purple Kylin in 2 hours, with ASP of RMB8,300/sq.m..
- With land bank of 10 mn sq.m., cash over HK\$4.6 bn, Shenzhen investment property of 0.6 mn sq.m., the stock traded at 1.0x FY09 NBV, obviously undervalued. Reiterate BUY, with 12-month target price increased by 20% to HK\$4.70/share, equal to 1.3x FY09 NBV, with 36% discount to its NAV.
- 公司 09 年销售额及销售面积目标分别为 38 亿元人民币及 40 万平米, 受惠于深圳市场进入回升期, 公司已经完成 65%的 09 年目标。
- 公司近期推出 83 套深业紫麟山公寓, 销售均价为每平方米 8,300 元人民币, 在 2 小时内售完, 显示出深圳市场的强劲购买力。
- 公司拥有 1,000 万平米权益土地储备, 46 亿港元以上现金, 位于深圳市区 60 万平米的投资物业, 而股价仅相当于 1.0 倍的 09 年预测 NBV 值, 明显低估。重申买入, 12 个月目标价上调 20%至 4.70 港元, 相当于 1.3 倍的 09 年预测 NBV 值, 对 09 年预测 NAV 值有 36%的折让。
- 股价驱动因素: 公司准备重新整合笋岗的投资物业, 租金水平或有较大提升。
- 风险因素: 公司或将于未来 1 年内配售新股, 摊薄每股收益。

Rating: Buy
 评级: 买入

6-18M TP 目标价: HK\$4.70

Share price 股价: HK\$3.33

Stock performance
 股价表现


Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	1.2	51.4	18.1
Rel. % to HS index 相对恒指变动 %	3.1	32.5	36.8

Year End 年结	Turnover 收入 (HK\$ m)	Net Profit 股东净利 (HK\$ m)	EPS 每股净利 (HK\$)	EPS 每股净利变动 (%)	PER 市盈率 (x)	DPS 每股股息 (HK\$)	Yield 股息率 (%)	ROE 净资产收益率 (%)
12/31								
2007A	3,343	1,715	0.570	80.3	5.8	0.312	11.0	21.1
2008A	4,081	873	0.270	(52.6)	12.3	0.109	3.8	8.5
2009F	4,957	1,051	0.325	20.4	10.3	0.162	5.7	9.5
2010F	6,027	1,357	0.381	17.4	8.7	0.191	6.7	10.9
2011F	7,189	1,478	0.415	8.9	8.0	0.208	7.3	10.5

Shares in issue (m) 总股数 (m)	3,236.0	Major shareholder 大股东	Shumyip 45.7%
Market cap. (HK\$ m) 市值 (HK\$ m)	10,775.4	Free float (%) 自由流通比率 (%)	43.1
FY09 P/B (x) 市净率 (x)	1.0	FY09 NBV per share (HK\$) 每股净资产	3.5
52 Weeks high/low (HK\$) 52 周高/低	3.76/0.54	Est. FY09 NAV (HK\$) 每股估值 (港元)	7.3

Source: the Company, Guotai Junan (HK)

65% of FY09 revenue target was achieved, better than our estimate. The Company's FY09 revenue target is around RMB3.8 bn with pre-sales area target around 0.4 mn sq.m.. Most projects are located in Shenzhen, including Shumyiy Coast, Purple Kylin Hill, Noble Residence and Water Pine. Total GFA of expected completion projects in 2009 is 895,000 sq.m., with saleable GFA of 646,000 sq.m.. The Company has achieved 65% of FY09 Revenue target up to now.

85 units of Purple Kylin sold in 2 hours. On July 5, the Company launched 83 units of high-rise part of Purple Kylin, which located in central Longgang, Shenzhen. The 83 units were sold in 2 hours with ASP around RMB8,500/sq.m., with more than 200 keen buyers having paid subscription fees weeks ago. ASP of Purple Kylin 's villa part is currently RMB20,000, 20% higher than Y08 end when it was launched.

New subway completion in Baoan and Longgang will drive Shenzhen property price up. Just like Kowloon and New Territories's urbanization in 1970s-1980s, with new subway completion in Baoan and Longgang, we expect Baoan and Longgang to be the new urban centers to accommodate increasing Shenzhen residents and business movements in the next 10 years. Thus we expect Shenzhen property price to rise over 20% YoY in 2010-2011. With the new underground railway (Hong Kong-Shenzhen-Guangzhou) completion in 2011-2013, we expect Baoan and Longgang property price to approach RMB15,000/sq.m., 50% of New Territories price level.

Targeting 30% YoY growth on property sales in 2009-2011. The Management expects gross margin over 30% in 2009-2011, with planned growth at CAGR of 30% in FY2009-2011(in terms of sales revenue and net profit). We expect the Company to reach cyclical net earning peak in FY2010-11.

To upgrade rental return of its investment property in Shenzhen. The Company has land bank of 10 mn sq.m., cash of HK\$4.6 bn, Shenzhen-based investment property of 0.6 mn sq.m. and annual rental revenue over HK\$0.3 bn. The Management plans to reorganize its investment property to generate better rental yield. 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.

Reiterate BUY, with 12-month target price increased by 20% to HK\$4.70. Maintain earning estimate and NAV of HK\$7.3/share. The Company's net profit will resume growth in 2009-2011. China property developers traded at FY09 NBV of 2.0x on average. The stock traded at less than 1.0x FY09 NBV, obviously undervalued. Reiterate BUY. Raise 12-month target price by 20% to HK\$4.7/share, equal to 1.3x FY09 NBV.

Table: The Company's FY09 NAV valuation

FY09 NAV	NAV (HK\$ m)	NAV/share(HK\$)	share of NAV(%)
Property			
Investment Property	4,975	1.6	22.4
Property Development	24,939	8.2	112.3
Others	1,599.4	0.5	7.2
Road King	1,109	0.4	5.0

Costal Land	454	0.1	2.0
Net Debt	(9,359)	(3.1)	(42.1)
Sum	23,717.6	7.3	100.0

Source: the Company, Guotai Junan (HK) Research estimate

Risks. 1. The recovery of Shenzhen property transaction volume may be temporary. 2. As a holding group, the Company's performance may be subject to its subsidiaries. 3. The Company's FY09 net gearing is around 53.1%, which implies possible new share placement to finance its scale expansion and dilution of its EPS.

Attachment 1. The Company's Income Statement

HK\$000	FY08	FY07	YoY change
Revenue	4,080,821	3,342,802	22.1%
Cost of sales	(2,368,044)	(2,007,812)	17.9%
Gross profit	1,712,777	1,334,990	28.3%
Other income and gains	333,737	696,104	-52.1%
Increase in fair value of investment properties	515,280	725,534	-29.0%
Selling and distribution costs	(138,845)	(91,623)	51.5%
Administrative expenses	(541,568)	(464,331)	16.6%
Other operating expenses	(85,901)	(79,893)	7.5%
Operating profit	1,795,480	2,120,781	-15.3%
Finance costs	(218,776)	(274,978)	-20.4%
Share of profits and losses of associates	432,870	436,448	-0.8%
Profit before tax	1,724,729	2,509,746	-31.3%
Tax	(677,013)	(729,326)	-7.2%
Profit: continued operations	1,047,716	1,780,420	-41.2%
Profit: discontinued operations	(24,231)	152,983	
Profit for the year	1,023,485	1,933,403	-47.1%
attributable to minority shareholder	150,469	218,582	-31.2%
attributable to equity holders	873,016	1,714,821	-49.1%
EPS (HK\$)	0.272	0.570	-52.3%

Source: the Company, Guotai Junan (HK)

Attachment 2. The Company's main investment property location in Shenzhen



Source: the Company

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index
 Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index
 Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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