

## Shenzhen Investment (604 HK)

**Buy** (maintained)

Target price: HK\$6.00



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New share placement, beneficiary of Shenzhen land bank appreciation; raise TP to HK\$6.00

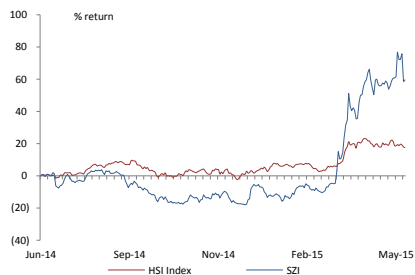
**New share placement at HK\$4.13; 2015 EPS may be diluted by 10%** The company has announced that it will issue no more than 670m new shares at HK\$4.13/share. According to our calculations, this new share issuance may dilute total shares and 2015 EPS by 10%. 2015 EPS may decline 9% YoY to HK\$0.48.

**Solid contract sales in Shenzhen** Management has set an ambitious contract sales target of Rmb11bn for 2015, a 49% increase on the Rmb7.4bn in 2014. Given limited supply and rising demand in the Shenzhen property market, the company booked impressive contract sales in May 2015. In May, its contract sales rose 159% MoM to Rmb2.2bn; GFA sold rose 89% MoM to 0.14m sqm. YTD the company has booked contract sales of Rmb4.36bn, with an ASP of Rmb12,852 per sqm. Sales at the UpperHills project in Shenzhen rose 11 times YoY to Rmb770m; Tanglang City recorded contract sales of Rmb620m on first launch. In Jan-May 2015, the company had subscriptions of Rmb7.2bn, equal to 65% of its 2015 full-year sales target of Rmb11bn.

**We remain bullish on the company's Shenzhen land bank appreciation** We recently visited some property projects in the Futian District of Shenzhen. These projects have seen their ASP rise 30-40% on average in 2015 due to strong market demand. YTD Shenzhen property ASP is up 20% YoY on average. As of Mar 2015, the company had a total land bank of 10.5m sqm, with Shenzhen accounting for 20% of the total. According to our calculations, assuming an average land price of Rmb20,000-25,000 per sqm in Shenzhen, the company's land bank in the city should have a market value of Rmb40bn-50bn, which is much higher than its current market cap around HK\$30bn.

**Maintain Buy** As an asset play, the stock is trading at an undemanding 0.8x 2015E NBV. Given rapidly rising property ASP in Shenzhen, we believe 1.2x P/B is more appropriate. We maintain our Buy rating, and give a new target price of HK\$6.00 (up 46% from HK\$4.10), equal to 1.2x 2015E NBV.

### Stock performance



Source: Bloomberg

### Key data

June 5 close (HK\$)	4.12
Shares in issue (bn)	7,381
Major shareholder	Shum Yip (60.1%)
Market cap (HK\$ bn)	30
3M avg. vol. (m)	65.6
52w high/low (HK\$)	2.08/4.66

Source: Bloomberg

### Stock valuation

	Turnover (HK\$ m)	Net Profit (HK\$ m)	EPS (HK\$)	EPS YoY (%)	P/E (x)	NBV (HK\$)	P/B (x)	ROE (%)
2012	8,313	2,156	0.593	38	7.0	4.8	0.9	12.3
2013	9,779	2,738	0.583	(2)	7.1	5.4	0.8	10.8
2014	13,827	3,131	0.536	(8)	7.7	4.5	0.9	11.9
2015E	16,317	3,590	0.486	(9)	8.5	5.0	0.8	9.7
2016E	19,254	4,236	0.572	18	7.2	5.6	0.7	10.2

Sources: Company data, Capital IQ, GF Securities (HK)

## Rating definitions

Benchmark: Hong Kong Hang Seng Index  
Time horizon: 12 months

### Company ratings

<b>Buy</b>	Stock expected to outperform benchmark by more than 15%
<b>Accumulate</b>	Stock expected to outperform benchmark by more than 5% but not more than 15%
<b>Hold</b>	Expected stock relative performance ranges between -5% and 5%
<b>Underperform</b>	Stock expected to underperform benchmark by more than 5%

### Sector ratings

<b>Positive</b>	Sector expected to outperform benchmark by more than 10%
<b>Neutral</b>	Expected sector relative performance ranges between -10% and 10%
<b>Cautious</b>	Sector expected to underperform benchmark by more than 10%

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